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Abstract
With the fast growth of Chinese tourism industry, sustainable development catches more and more attention of professionals. Starting from the basic concept of sustainable development, this paper, using China as examples, analyzes the inter-impact of sustainable development and tourism industry in different aspects. Strategies to improve sustainability of one of famous Chinese tourism destination are introduced.

Keywords: Sustainable development, Tourism, Chinese, Strategy

1. Introduction
Nowadays, "Sustainable" has become one of the newest hot topics. The term came into widely use in 1987 with publication of Our Common Future, the report of the World Commission on Environment and Development (WCED), and then be spread to all over the world in different industries. Tourism, as an industry which is one of the largest economic sectors internationally and depends a lot on the destinations’ environments (natural, socio-cultural, and/or economic), must be taken into account of the sustainable development issues. The concept of sustainable development has becoming a catchphrase in tourism research and in the international development community. This paper will concentrate on the sustainable development of tourism from three aspects, environmental, socio-cultural, and economic, according to its definition from World Tourism Organization (WTO). It includes the relationship between sustainable development issues and tourism industry and the strategies to improve its sustainability situation.

1.1. Concepts and Definitions
Generally speaking, "sustainability" represents an idealized state of society where people live to satisfy their needs in environmentally sound and socially just ways so as to not compromise the ability of other human beings from doing the same now and in the future (WCED 1987).

In the tourism field, the sustainable tourism was defined by Bramwell and Lane (1993 p.2) as “A positive approach intended to reduce the tensions and friction created by the complex interactions between the tourism industry, visitors, the environment and the communities which are host to holidaymakers… (it) is not antigrowth, but it acknowledges that there are limits to growth (which) vary considerably from place to place, and according to management practices.” The WTTC et al.’s definition (1995 p.30) is “sustainable tourism development meets the needs of present tourists and host regions while protecting and enhancing opportunity for the future. It is envisaged as leading the management of all resources in such a way that economic, social, and aesthetic needs can be fulfilled while maintaining cultural integrity, essential ecological processes, biological diversity, and life support systems”. In Buckley definition (2002), “sustainable tourism means tourism at any scale with practical and proactive design, engineering, and management to reduce environmental impacts". And from the latest definition from WTO (2004), "Sustainability principles refer to the environmental, economic and socio-cultural aspects of tourism development, and a suitable balance must be established between these three dimensions to guarantee its long-term development.”
2. The Impacts between Sustainable Development & Tourism Industry

Tourism industry is arguably the biggest industry in the world in terms of employment and revenue. As the main source of foreign capital in many developing and transition countries where have rapid growth on tourism related activities, tourism has been considered as an important economic factor there. A sustainable tourism becomes more and more critical for these areas’ long-term development.

But there is a contradiction between the sustainability and tourism. On the one hand, sustainable development is definitely good for tourism. It can stretch the destination’s lifecycle, enhance its competition. On the other hand, in some sense, developing tourism means exploiting, consuming, and even polluting resources, some of which are nonrenewable, especially those in the destination. The direct result of this is destroying the sustainability. That’s two-way relationship between them.

The following will discuss the relationship from environmental, socio-cultural, and economic aspects according to the latest definition of sustainable development of tourism.

2.1 Environment Issues

Sustainability in environmental aspect of tourism means making optimal use of environmental resources that constitute a key element in tourism development, maintaining essential ecological processes and helping to conserve natural heritage and biodiversity (WTO, 2004). For the natural-based destinations, the fresh air, clear water, blue sky with sunshine, etc. the beautiful natural scenery is what attracts tourists. So protecting environment should be one of the tourism’s obligations, even for their own benefits. Unfortunately, as a matter of fact, the development of tourism does have some negative impacts on its dependent environment.

Pollution

When we talk about tourism pollution issues, there was a consensus of travelers’ consumption in transportation, mainly road and air transportation. It is said that the use of road transport by travelers contributes significantly to greenhouse gas (GHG) emissions. And air transport, not as much as road, made more and more GHG emissions, too. The effect of that is the climate change. Temperature rises, sea level rises, flood, storms and sea surges, all of these will in turn put tourism at risk. Tourism in seaside and mountain regions are the two very sensitive areas to climate change. The global mean sea level rose by between 10cm and 20cm during the twentieth century and current predictions suggest a rise of 20cm to 100cm, with a mid-estimate of 50cm, during the twenty first (Jones, 2003). Some of the beautiful beaches and even small islands will be regressing or disappeared, as a result of that. Tourism destinations then will find themselves without attraction. Similar thing will happen in mountain regions. Mountain region especially those that attract tourists by snow or glacier will suffer the shrinking snow cover because of the temperature rises. Using Tibet of China as an example, according to the surveys performed by a group of 20 scientists from China and the United States over a 40-month period, “Tibet's glaciers have been receding over the past four decades due to global warming, …most of the plateau's glaciers will have disappeared from the face of the Earth by the turn of the next century, … global warming was causing China's highland glaciers, including those covering Mount Everest, to shrink by an amount equivalent to all the water in the Yellow River - China's second biggest - every year.” That will not only damage the tourism industry there, but also destroyed the lives of nearly 300 million people. (YaoTongdong, 2004)
Another pollution problem is the litter issue. That is a problem especially in the remote or poverty area. I have been to Tibet, which is called the world last pure place. I was shocked by the nice people and fantastic scenery, extremely blue sky, transparent water, and the marvelous snow mountain. The picture below can show a little of its beauty. Is it amazing? But can you imagine. There are also some disappointed scenes there just outside the picture. More and more tourists make there more and more dirty. Cans, bottles, toilet papers, you can see these litters almost everywhere. The local restaurants are still using the so-called “white wastes” canteens, and they are thrown directly to the nature after used. Local residents seem not care about the environment. Nobody responds for cleaning and treating the rubbish. Yes, Tibet did make money since more and more visitors there. But I do worry about the future of its tourism industry. If current situation continued, we might not maintain the “world last pure land”. The tourism there will be damaged a lot.

Water shortage and land desertification
Tourism is also a huge resources consumer. The evidence shows that tourists' water consumption was far in excess of that of local residents and that deteriorates water stress in regions and areas which already suffer from water shortages (Djerba Conference, 2003). Western China is a typical water-scarce area. In order to improve its tourism industry, the resorts, hotels and restaurants have to give full time water service for their visitors, including 24-hour showing water, although they have totally about 10 million people who met drinking water difficulties.

Nowadays, many natural resorts are threatened by water shortage and desertification. Lijiang, China, which attracts hundreds of thousands of visitors because of its beautiful landscape of mountain and water, now is “tired”. In several months, especially from September to next February, water shortage makes boats have difficulty to navigate in the river.

Another heart-struck example is shrinkage of crescent moon spring, Gansu, China by desertification. According to the native’s introduction, in the recent decades, the crescent moon spring actually is shrinking by the astonishing speed., the current crescent moon spring water surface is only 1/3 of 1960’s, and the water depth also dropped from 7 - 8 meters to today’s about 1 meter. If that continued, this well-known tourism destination would disappear from this planet.

2.2 Socio-Culture Issues
Cultural tourism is about movements of people motivated by cultural intents such as study tours, performing arts, festivals, cultural events, visits to sites and monuments, as well as travel for pilgrimages, and enjoyment of the lifestyle of the local people, the local area and what constitutes its
identity and character (WTO, 2004). The development of cultural tourism is regarded as an effective way to alleviate poverty.

Sustainable cultural tourism development requires tourists “respect the socio-cultural authenticity of host communities, conserve their built and living cultural heritage and traditional values, and contribute to inter-cultural understanding and tolerance” (WTO, 2004).

But the exploiting cultural tourism and sustainable tourism development are a pair of contradiction. Arguably, a destination that dedicates maximum efforts to conserving its unique cultural heritage instead of exploiting it for tourism would fail in business terms. On the contrary, a destination with few strategies for cultural heritage conservation but maximum business goals of developing tourism based on its cultural heritage would see the loss of its culture and tradition in the development process (Wight, 1994). It is well known that Xi’an, China is a destination which is rich in cultural heritage. Millions of visitors from all over the world come to experience the long history of China. Tourism, therefore, become the city’s backbone. But sustainable problems are met during exploitation. Many cultural relics, such as “Terra Cotta Warriors and Horses”, were buried beneath the earth for thousands of years. So as soon as they are excavated, they begin facing the danger of erosion. Exploitation and destroy happen simultaneously.

Another example is the Lugu Lake, which is the only existing matrilineal society in China. Tourists go there because of its special customs and its original village. But in order to attract more visitors, the residents used to build modern architectures, like dancing hall, Kara OK, etc. These buildings are not harmonious with its culture. That definitely badly impacted the tourism there. So not long later, they were removed.

2.3 Economic Issues

“Ensuring viable, long-term economic operations, providing socio-economic benefits to all stakeholders that are fairly distributed, including stable employment and income-earning opportunities and social services to host communities, and contributing to poverty alleviation” is the WTO’s latest definition for economical sustainability of tourism.

Tourism is believed the world's largest and fastest growing industry, accounting for 5.5% of the global Gross National Product and 6% of the employment (Glasson, Godfrey, & Goodey, 1999). It is an important economic asset for some countries and regions, and the main way to alleviate poverty in most of the underdeveloped countries. The countries of greatest need in the fight against poverty are also areas with massive tourism opportunity. They abound in culture, nature and tradition that tomorrow's tourists are seeking. All developing countries have tourism export potential -- it is already one of the top sources of investment and foreign exchange. And the good news is that over the past decade tourism to poor countries grew at twice the rate of OECD states (New York Beacon, 2004).

When the tourism makes money for the destinations, it also brings potential damage for them. As this paper mentioned above, the development of tourism has had so much bad impacts on environment, culture, etc. If this continued, the result would be that the lifecycle of tourism is shortened, and eventually, the economic development is stagnated and decline.
Another economic negative effect on sustainable tourism is that part of the visitors’ spending flowing out of local destination. According to the World Bank, as much as 55 percent of the developing world's tourism revenues leak back to the developed countries in the form of imports. So, sustainable tourism development entails retaining the money as much as possible.

3. Strategies to Improve Sustainability
Sustainable tourism is a big issue which concerns many aspects, such as environment, culture, and economy. The development of it needs supports from different dimensions.

3.1 Strong Support Politics
Governments play an essential role in the tourism development through establishing regulations and policies, ensuring their enforcement, guaranteeing stakeholders’ participation, and monitoring environmental quality. In order to protect the natural and socio-cultural environment and at last get sustainable development, many countries and regions issued support policies, such as Polluter Pays Policy, Carbon Dioxide Laws, etc.

For example, Huanglong National Scenic Area, China, which became one of the first protected areas in the Asian Pacific region to receive Green Globe 21 Certification, is a destination which established good policies. The policies include almost all-side of sustainable tourism, and are modified yearly.

Environment Protection
From 2000, coal usage has been replacing with electricity and gas. Waste is sorted and collected then treated outside of the valley. No waste water is allowed to be released in the main sightseeing area; a waster water treatment plant is used to treat waste water released from the administration and service area. In order to control the noise pollution, all motor vehicles are forbidden in the sightseeing area and buses are forbidden to sound their horn at the entrance. Tree cutting, Chinese medicine collecting, wild animals hunting, mining etc. are strictly forbidden.

Social and Cultural Management and Economic Benefits
Most of the staff are local people. That gives them more employment opportunities. Shops have been built and run by local people to promote culture and products. Financial assistance is provided yearly to support local community.

3.2 Hi-tech Technology
Every development needs technology’s help, sustainable tourism is not an exception. Nowadays, the applications of technologies in sustainable development of tourism are focusing on reducing energy consumption and environment protection.

Energy Control
Intelligent energy management is a method to reduce energy consumption. It’s a hi-tech management, which starts off from defining the optimum site, taking into account architectural construction features and finally leading to new energy technologies. Renewable technology is another attempt to improve current energy situation. Solar energy is a green renewable energy which has already been used in some tourism destinations, like solar street...
lamp, solar toll phone, etc. Wind electricity generation, water recycle, human beings try to find a best way to replace the usage of current non-renewable energies.

**Environment Protection**

Environment protection technologies encompass a broad range of technologies, such as sewage treatment, waste recovery, waste gases elimination and so forth. Biotechnology, micro-technology and nanotechnology, many hi-tech are experimented and try to be used in this area. However, the application of these technologies also exits risks. Nanoparticles, for example, maybe released into the environment to clean up existing contaminants, they may also serve to become a new kind of non-biodegradable pollutant that also remain in the environment.

### 3.3 Increased Public Awareness

If government policies and technologies are tools to achieve sustainable development of tourism, the increasing of public awareness is the foundation to eventually realize it. Raising the industry's awareness is a global issue, since almost every country has a tourism sector. It is important to ensure that all related aspects of the society understand the relationship between sustainability with their lives and their behaviors with the sustainability.

**Stakeholders**

Sustainable tourism seeks a balance of liberal markets in which the industry can thrive economically and generate jobs, and protecting and enhancing the cultural and natural environment. To achieve this balance strong support and investment are necessary. That requires strong partnerships of all interested stakeholders. Continuing investments are needed in technology to diminish negative environmental impacts and in training and education to heighten environmental awareness. The stakeholders especially public and private sectors provide the expertise to establish, market and operate economically sustainable tourism enterprise, play important role in the development, adoption of environmentally appropriate technologies, managing, planning, and educating people.

**Local communities and local people**

Local communities maintain cultural identity and social fabrics, and provide local cultural opportunities for tourists and local economic opportunities for residents. Locale residents are who live, operate and eventually enjoy or suffer the outcomes from the development of tourism. It is essential to let local people realize that they are the primary stakeholders in the expansion and maintenance of a successful tourism industry. They are participating in the environmental conservation of the destination and benefiting economically from tourism. Environmental (natural and cultural) sustainability directly relates their lives, health, and economy. All the understanding requires ongoing community participation and educational programs at all levels that explain the role of tourism vis-à-vis the environment and their lives.

**Tourists**

Tourists are another party taking part in the interaction of nature and human beings in the destination, apart from local people. As mentioned above, tourists utilized a big portion of energy, bigger than native residents; Mass tourism led to pollution in destinations; Bad tourism behaviors deteriorated scenes which used to be clean and beautiful. So it is also very critical to increase tourists’ awareness on the sustainable tourism. They need to be aware that they are a part of the earth, they will also endure the results of their behaviors on tourism industry.
4. Conclusion
Tourism, as the world foremost economic activities, has its unique dependency on the environmental, social and cultural properties of tourism destinations. So it has a vested interest in ensuring sustainability. But there are contradictions between sustainability with tourism development, reflecting on culture, environment and economy aspects. Some of famous resorts have suffered the consequences of non-sustainable development. In order to achieve sustainable tourism, human beings have been trying many strategies, like carrying our strong support policies, applying hi-tech technologies and increasing public awareness. Currently, sustainable development of tourism has been put on the way, and be paid high attention to. Hopefully, tourism can be an evergreen industry in the world.
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Work Values of Information Technology Personnel and Their Antecedents

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Abstract
Previous studies on organizational citizenship behavior (OCB) expected that information technology (IT) personnel particularly tend to exhibit OCB differently from other jobholders owing to their job characteristics. This article discussed workers’ work values that are closely associated with their tendency to exhibit OCB. Data collected from 6,500 workers (218 of whom were IT personnel) were analyzed to examine how the work values of IT personnel differed from those of other workers. The empirical result showed that IT personnel had a significantly stronger challenging job and weaker identification with the organization and contribution to society. Furthermore, overall satisfaction and skill evaluation positively influenced some of the work values. Some implications for future studies were also proposed.

Keywords: IT Personnel, Work Values, Organizational Citizenship Behavior

1. Introduction
Many researchers in the field of organizational behavior have focused on organizational citizenship behavior (OCB) ever since the pioneering articles of the research group headed by Dennis W. Organ, Indiana University, were published in the 1980s (Bateman & Organ, 1983; Smith, Organ, & Near, 1983). Although it is true that almost any worker exhibits OCB to some degree, the frequency of OCB varies across workers. One of the important goals of OCB research is to identify the factors that produce differences in individual workers’ OCB. Past researchers have detected not only the effect of attitudinal or dispositional factors of individual workers but also the effect of contextual factors related to these workers, such as task, leadership, and reward systems in the organization, on OCB. However, one of the themes less explored in OCB research is to identify a different tendency to exhibit OCB among various jobholders. Although this is an important topic, it would require researchers to collect a large amount of data from various jobholders in order to compare the characteristics of OCB among them; this makes the research very difficult and costly.

Among various job categories, those in the field of information technology (IT) are considered as one of the most important jobs in the modern information-centric society. Although no empirical research has hitherto focused on OCB of IT personnel, some researchers expected that IT personnel particularly tend to exhibit OCB owing to their specific job characteristics.

For example, Ueda (2007) estimated that job characteristics of IT personnel influence their OCB; however, they could possibly have both positive and negative effects. As reviewed by Summer and Niederman (2003–2004), an IT job has high role ambiguity and role conflict, which, in turn, have been shown to have a negative impact on job satisfaction. Further, Moore (2002) pointed out that IT personnel were prone to burnout syndrome. Antecedents like job dissatisfaction and burnout syndrome negatively influence OCB (Cropanzano, Rupp & Byrne, 2003; Organ, 1988; Organ et al., 2006). However, the job of IT personnel is also said to have high autonomy. High job autonomy is considered to have two opposite effects on OCB. It makes workers more responsible and motivates
them to deal with almost every aspect, including OCB, related to task accomplishment (Organ et al., 2006). Furthermore, owing to job autonomy, workers tend to believe that they play an important and meaningful role in an organization, which in turn encourages them to perform a wider range of jobs than usual (Cardona et al., 2004). On the other hand, job autonomy occasionally makes workers underestimate the importance of other functions in an organization or their relationship with those functions. In this case, their insensitivity to others’ needs might reduce their OCB (Pearce & Grageren, 1991).

Data that allows us to directly examine the OCB of IT personnel is not available. Therefore, we focus on the work values of IT personnel instead. As discussed later, work values are considered to have a close relationship with OCB; hence, focusing on the work values of IT personnel help us understand their OCB more closely. The objective of this article is to investigate the relationships between work values of IT personnel and attitudinal factors in order to forecast their OCB.

2. Extraction of Six Work Value Dimensions

We used secondary data from the Survey of Working Persons (2008) that was originally collected by the Works Institute Recruit Co. Ltd. (hereinafter WIR). The WIR offered this data to the Social Science Japan Data Archive (Center for Social Research and Data Archives, Institute of Social Science, the University of Tokyo) in order to give qualified academic researchers the opportunity to use it. The data were collected from 6,500 workers in the Tokyo metropolitan area in Japan in the summer of 2008. From this group, 218 were classified as IT personnel.

Values play an important role in influencing people’s perception, motivation, and behavior. People’s values comprise various subsystems of specific values that are associated with the judgment regarding whether more specific objects are good or bad. Work values can be considered a part of these values. They are defined as “beliefs about the desirability of specific outcomes of working” (Hattrup, Mueller & Joens, 2007, p. 481) and are considered to influence the behavior and orientation of workers.

By conducting an exploratory factor analysis of responses of 29 out of 32 items on the importance of objects that workers expected to acquire through work, we extracted the following six work value dimensions (Ueda & Ohzono, 2011). The value Challenging job (rotation sums of squared loadings [RSSL] = 6.131) reflected the belief that something new should be acquired or produced through work. Self-actualization (RSSL = 6.249) referred to the quest for the ideal self. Extrinsic rewards (RSSL = 4.194) indicated the desire for extrinsic rewards such as good pay, a good workplace, and timely promotion. Power and authority (RSSL = 4.316) referred to the desire for authority and power in an organization. Identification with the organization (RSSL = 4.194) reflected the desire to have a strong sense of belonging to the organization and good relationships with coworkers. Contribution to society (RSSL = 4.506) referred to the desire to help and contribute to society.

Furthermore, while many OCB researchers have proposed various sets of OCB constructs, Organ et al. (2006) tried to organize various OCB constructs into the following seven dimensions: helping, sportsmanship, organizational loyalty, organizational compliance, individual initiative, civic virtue, and self-development. Each of the above six work values is associated differently with some of these OCB dimensions. First, challenging job and self-actualization are considered to be associated with self-regulation of workers in and around the organization. A challenging job and stronger self-
actualization encourage workers to perform their job responsibly and positively, and therefore, they actively exhibit the impersonal aspects of OCB, such as organizational compliance, individual initiative, civic virtue, and self-development. However, workers with stronger work values might be conscious of their elite status, and therefore, they might take little notice of other workers’ needs and exhibit less interpersonal-type OCB.

Second, workers with a stronger sense of identification with the organization try to care about other workers in the organization and form close relationships with them. They exhibit positive interpersonal-type OCB, such as helping, sportsmanship, and organizational loyalty. Third, contribution to society is reflected through a strong feeling of fellowship beyond the organizational context. Because OCB is meant to be a contribution to the organization or its members, it is conceptually different from contribution to society; it indicates the degree of a worker’s motivation or eagerness in helping somebody else. Considering the findings of some researchers who broaden the concept of OCB to include service to customers beyond formal responsibility, contribution to customers is closely related to this work value.

It is difficult to estimate how workers with stronger extrinsic rewards and power and authority exhibit OCB. Superficially, these extrinsic work values seem to be less related to voluntary contributions like OCB, but some workers do exhibit OCB positively on the basis of their motive of impression management. From a conservative perspective, workers’ extrinsic work values tend to inhibit their OCB based on their pure and ethical motives.

3. Work Values of IT Personnel
How many of these work values do IT personnel have, or how different are their work values from the averages of the whole sample? In the original data, workers’ jobs were divided into more than two hundred categories, and we considered that the following job categories should be classified as jobs of IT personnel (N = 218).

---Insert Table 1 around here---

We chose the factor scores of only IT personnel and calculated their averages. Figure 1 displays the cobweb chart of the averages of the work values of IT personnel. Further, we examined whether these scores were statistically different from zero (the averages of the whole sample) by one sample t-test, as shown in Table 2.

--- Insert Figure 1 around here---
---Insert Table 2 around here---

According to Table 2, IT personnel had significantly higher values of challenging job and lower values of identification with organization and contribution to society. This result is consistent with previous estimates about their OCB. Specifically, the higher value for challenging job than the average of the whole sample meant that IT personnel tended to regard their jobs as autonomic, important, and meaningful. These characteristics encouraged them to exhibit impersonal-type OCB, but it might have decreased interpersonal-type OCB. On the other hand, their lower identification with organization and contribution to society showed that they tend to think that they work independently of others in and around the organization. This tendency might prevent them from
considering others in and around the organization and inhibit them to exhibit interpersonal-type OCB.

4. Antecedents of Work Values of IT Personnel

On the basis of the average work values of IT personnel, they might be expected to exhibit more impersonal-type OCB but less interpersonal-type OCB. However, as workers’ factors have been found to influence their OCB, these individual factors are also considered to have some effect on their work values. In other words, even though the averages of work values of IT personnel generally differ from those of the whole sample, the actual work values of each IT worker differ across people, and the work values of each person depend on his/her attitudinal factors.

In this study, we considered the effect of the following attitudinal and perceptual factors.

Satisfaction: Satisfaction is known as one of the most typical antecedents that positively affect OCB. The original questionnaire of WIR had four questionnaire items regarding satisfaction with the current job, employment status, workplace, and organization, such as “Are you satisfied with your current job?” The average of the responses to these items was used as a measure of overall satisfaction (α = 0.855). We assumed that when workers are satisfied with work, they will be more aware of their work and have more unequivocal work values. Hence, the following hypothesis was proposed.

Hypothesis I: Overall satisfaction will positively influence work values.

Skill evaluation: Workers are aware of their competency in the workplace. One of the factors affecting this competency is skill evaluation; that is, how talented they consider themselves in terms of the skills necessary for performing their jobs. When they highly evaluate their skills, they are more aware of something they can obtain through work; this clarifies their work values.

The original questionnaire by WIR had 12 items on skill evaluations. We excluded one item because it was inappropriate for this study, and we then divided the remaining 11 items into problem-solving skills and human relations skills. Problem-solving skill evaluation referred to the degree to which a worker considered s/he had the skill and knowledge necessary to appropriately handle a job and make accurate decisions. We measured it with seven items and used their average as the measure of this aspect of skill evaluation (α = 0.824). Exemplary items were “skill to formulate a good plan to solve a problem” and “systematic knowledge regarding your current job.” Human relations skill evaluation indicated the degree to which a worker considered s/he had the skill necessary to appropriately resolve problems in human relations. We measured it with four items and used their average as the measure (α = 0.720). Exemplary items were “skill to develop peaceful human relationships” and “skill to control your own emotion.”

Of the six work values, extrinsic rewards and power and authority were considered as extrinsic work values, and challenging job, self-actualization, identification with the organization, and contribution to society were regarded as intrinsic work values. Generally, workers who highly evaluate their skill tend to be more sensitive to rewards that they can acquire through their skill if they tried, and in turn, this tendency encourages them to inculcate more work values related to these rewards. However, while problem-solving skill is the basic one that is associated with work values, human relations
skill is specifically related to a sense of belonging and affiliation behavior, and it does not always promote the development of extrinsic work values. Therefore, we proposed the following, different hypotheses concerning the effect of skill evaluations.

**Hypothesis II:** Problem-solving skill evaluation will positively influence both extrinsic-type work values (extrinsic rewards and power and authority) and intrinsic-type work values.

**Hypothesis III:** Human relations skill evaluation will positively influence only human relations-type work values (identification with the organization, and contribution to society).

All of these items were measured with a Likert-type four-point scale, wherein larger numbers indicated a higher degree of respondents’ conviction.

Some demographic factors were considered to affect work values, and we controlled the effect of those factors to clarify the pure effect of attitudinal antecedents on work values. We chose gender (male = 1, female = 2), age (real), annual income (real, units of 10,000 Japanese yen), and employment status (fulltime employment = 1, part-time employment = 2) as demographic factors.

The actual analysis was conducted as follows. After correlations between variables were calculated, we conducted a hierarchical regression analysis to examine the additional effect of attitudinal factors after controlling demographic variables. First, four demographic factors were compulsorily entered into the equation, followed by three attitudinal factors.

It should be noted that these attitudinal factors might not be antecedents of work values but their consequences. For example, we assumed that high satisfaction would lead to high work values, but people who originally have a clear set of work values might work hard and, as a result, obtain higher satisfaction. Rigorous analysis such as structured equation modeling (SEM) might reveal a reasonable causal relationship between work values and attitudinal factors, but because of the limited sample size in this study, we believed that simple hierarchical regression analysis will be an important first step for focusing on the relationship between them.

5. Result
5.1 Basic Statistics and Correlations
Table 3 shows the means, standard deviations, and inter-correlations of the variables. Gender had a significant negative correlation with annual income, which shows that female IT personnel received less income than their male counterparts. The significant correlations of age with annual income and problem-solving skill showed that older IT personnel were more confident of their problem-solving skill and earned a higher income despite the rapidly evolving IT scenario. However, the insignificant correlation between age and human relations skill evaluation was not as expected because, particularly in the Japanese society, senior persons are generally expected to be better at dealing with problems in human relations. Significantly negative correlations of employment status with two skill evaluations confirm that most of the part-time workers were employed as unskilled workers. They were given less income, but the insignificant correlation between employment status and overall satisfaction might mean that part-time workers are not always unsatisfied with their work scenario. Overall satisfaction had a significantly positive correlation with problem-solving skill evaluation but not with human relations skill evaluation.
--- Insert Table 3 around here

5.2 Hierarchical Regression Analysis
Table 4 shows the result of the hierarchical regression analysis. First, overall satisfaction had a significant positive effect on self-actualization, challenging job, identification with organization, and contribution to society. Therefore, Hypothesis I was partially supported. Problem-solving skill evaluation had a significantly positive impact on challenging job, self-actualization, and extrinsic rewards. On the other hand, human relations skill evaluation positively influenced power and authority and contribution to society. Although all significant effects were positive, and no significantly negative effects were found, the results showed that Hypotheses II and III were only partially supported. Furthermore, the effect of human relations skill evaluation on power and authority was unexpected.

--- Insert Table 4 around here

6. Discussion and Conclusion
This study revealed specific characteristics of work values of IT personnel and the relationships between these work values and individual factors. Although no findings were contradictory to our initial hypotheses, the effect of these factors on work values might be more complicated than we had anticipated. In future studies, we should investigate the relationships between work values and individual factors in more detail. Furthermore, the empirical result showed a positive impact of human relations skill evaluation on power and authority. In fact, we simply regarded this work value as one of the extrinsic work values that was only slightly associated with human relation skills. However, congenial human relationships are particularly emphasized in Japanese society, and such skills might be considered important and necessary for gaining strong power and authority in Japanese organizations.

Although this study presented several important findings on the work values of IT personnel, it had some limitations that should be resolved by future studies. First, as already described, this study regarded individual factors as antecedents of work values, but it might be possible to consider that workers’ work values influenced their attitude toward work. Future studies should collect more data and adopt a more rigorous statistical method to accurately examine the causal relationship. Second, this study used data that were initially collected by other institutions that did not consider concrete hypotheses and empirical studies. Therefore, most questionnaire items were not developed, and little consideration was given to the measures of previous related studies.

Nonetheless, this study revealed that jobs of IT personnel had specific work values, as was initially expected. Researchers interested in human resource management of IT personnel should pay further attention to the jobs of these personnel by concentrating on the various aspects of their job characteristics. Further, because it is important to investigate work values by job categories, a similar study should be conducted for identifying the specific characteristics of various job categories other than those of the IT personnel.
References


Annexure

**Table 1 Job Categories Classified as Jobs of IT Personnel**

<table>
<thead>
<tr>
<th>Job</th>
<th>Freq</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and Development (Computer)</td>
<td>6</td>
<td>2.8</td>
</tr>
<tr>
<td>Development (Software-related)</td>
<td>64</td>
<td>29.4</td>
</tr>
<tr>
<td>Database-related System Engineer</td>
<td>8</td>
<td>3.7</td>
</tr>
<tr>
<td>Control-related System Engineer</td>
<td>13</td>
<td>6</td>
</tr>
<tr>
<td>Network Engineer</td>
<td>14</td>
<td>6.4</td>
</tr>
<tr>
<td>Programmer</td>
<td>26</td>
<td>11.9</td>
</tr>
<tr>
<td>CG Programmer</td>
<td>1</td>
<td>0.5</td>
</tr>
<tr>
<td>Support Engineer (Software)</td>
<td>10</td>
<td>4.6</td>
</tr>
<tr>
<td>System Analyst</td>
<td>3</td>
<td>1.4</td>
</tr>
<tr>
<td>System Consultant</td>
<td>4</td>
<td>1.8</td>
</tr>
<tr>
<td>Communication and Network Engineer</td>
<td>13</td>
<td>6</td>
</tr>
<tr>
<td>Image Processing</td>
<td>4</td>
<td>1.8</td>
</tr>
<tr>
<td>CAD Operator</td>
<td>4</td>
<td>1.8</td>
</tr>
<tr>
<td>Web-related Application Development</td>
<td>2</td>
<td>0.9</td>
</tr>
<tr>
<td>Server Management Engineer</td>
<td>6</td>
<td>2.8</td>
</tr>
<tr>
<td>IT Consultant</td>
<td>6</td>
<td>2.8</td>
</tr>
<tr>
<td>Security Engineer</td>
<td>1</td>
<td>0.5</td>
</tr>
<tr>
<td>Other Software Development Engineer</td>
<td>24</td>
<td>11</td>
</tr>
<tr>
<td>EC Consultant</td>
<td>1</td>
<td>0.5</td>
</tr>
<tr>
<td>Web Producer/Director</td>
<td>2</td>
<td>0.9</td>
</tr>
<tr>
<td>Web Designer</td>
<td>3</td>
<td>1.4</td>
</tr>
<tr>
<td>Web Contents Producer</td>
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<td>0.5</td>
</tr>
<tr>
<td>Other Internet-related Professional</td>
<td>2</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>218</td>
<td>100</td>
</tr>
</tbody>
</table>

**Figure 1** The Cobweb Chart of Work Values of IT Personnel
<table>
<thead>
<tr>
<th>IT Personnel</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Std. Error of Mean</th>
<th>t</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>95% CID*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Lower</td>
</tr>
<tr>
<td>challenging job</td>
<td>.155</td>
<td>.875</td>
<td>.060</td>
<td>2.599</td>
<td>.010</td>
<td>.155</td>
<td>.037</td>
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<tr>
<td>self-actualization</td>
<td>-.067</td>
<td>.870</td>
<td>.059</td>
<td>-1.136</td>
<td>.257</td>
<td>-.067</td>
<td>-.184</td>
</tr>
<tr>
<td>extrinsic rewards</td>
<td>.003</td>
<td>.900</td>
<td>.061</td>
<td>.048</td>
<td>.962</td>
<td>.003</td>
<td>-.118</td>
</tr>
<tr>
<td>power and authority</td>
<td>.056</td>
<td>.900</td>
<td>.061</td>
<td>.964</td>
<td>.336</td>
<td>.056</td>
<td>-.058</td>
</tr>
<tr>
<td>identification with</td>
<td>-.230</td>
<td>.905</td>
<td>.062</td>
<td>-3.735</td>
<td>.000</td>
<td>-.230</td>
<td>-.351</td>
</tr>
<tr>
<td>organization</td>
<td></td>
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### Table 3  Means, Standard Deviations, and Inter-Correlations

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### Table 4 Result of Hierarchical Regression Analysis (continued)

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N = 218

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N = 218
Determinants of Performance Management System in South East Asia

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Universiti Teknologi Malaysia, Malaysia.

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Abstract
The main purpose of this study is to identify the relationship between determinants influencing the implementation and effectiveness of performance management system (PMS) in South East Asia. This study specifically examines organizational factors influencing PMS as well as effectiveness of the system. A total of 123 questionnaires were distributed to academic members across a higher education institution. Factor analysis was conducted using Principle Component Analysis (PCA) technique to identify the construct validity of factors influencing PMS and descriptive statistics was used to examine the effectiveness of PMS. Pearson correlation method was used to determine the relationship between organizational factors and effectiveness of PMS. The results of the study demonstrated that three organizational factors influenced PMS and its effectiveness at a moderate level. In addition, among the three organisational factors, performance oriented culture (POC) has the strongest relationship with effectiveness of PMS.

Keywords: Performance Management System (PMS); Performance Appraisal, Organizational Factors, Effectiveness of PMS

1. INTRODUCTION
Organizations today are continuously facing external and internal forces that drive them to change due to the world are more competitive in times. External forces such as new industries in the market and rapid changes in information technology are among the factors that shape the approach on how organizations handle their businesses (Gunasekaran et al., 2005).

In order to be competent and stay updated, many organizations have reorganized and merged into chain, clusters, networks, and strategic alliances to cope with the external forces (Burns and Vaivio, 2001; Lukka and Shields, 2001). In that situation, PMS is one of the key issues that could help organizations to cope with the current business flow.

Johnson and Kaplan (1987) clarified that there is an urgent necessity to have new management approach to manage the performance of organizations as the traditional ways have lost their relevancy. Therefore, PMS was developed for managing the performance within organizations. The

1 Corresponding author
new PMS must be able to produce specific, timely and relevant information for planning, decision making and control purposes (Otley, 1999).

According to Economic and Social Council of United Nations (2003), performance management and measurement systems developed as a means of monitoring and maintaining organizational control, which is the process of ensuring that an organization pursues action plans that lead to the achievement of overall goals and objectives. These goals should in turn be direct manifestation of the mission and strategic orientation of an organization. Performance management, as related to human resource management (HRM), is the process of delivering strengthened success to organizations’ by improving capabilities of individuals and teams. Organizations should develop employee competencies in a manner aligned with the organization’s business purposes because the ultimate competitive asset of any institute is its people. This can be succeeded through Performance Management System (PMS), which act as both behavioral change tool and enabler of PMS improved organizational performance through being instrumental in driving change.

With the aim of being able to do so the PMS must have the ability to capture the internal and external changes or factors of the organization. Many organizations claimed that their PMS implementation are somehow effective in a way that they have conduct and inserted all relevant and needed steps in their PMS. The effectiveness of implementation of PMS in organizations is still under ambiguity as the effectiveness of implementation depends on variety of factors that are interrelated to the implementation success in organizations.

According to San and Wong (2001) study, “Performance Management: a study of current and future practice in Malaysia”, recent report indicated that employees in Malaysia seldom use PMS except forced through obligation by organizations. Therefore, there is a need to find out how far is the effectiveness in implementation of PMS in organizations.

2. BACKGROUND

Cardy (2004) reviewed that performance management is a crucial aspect for the extreme of organizational effectiveness. It is considered the “Achilles Heel” of managing human capital because it is the key process through which work is accomplished and should therefore be a top priority for managers to review (Lawler, 2008).

According to Pettigrew (in Sole, 2009), culture can be thought of as the sum total of beliefs, ideologies, behaviors and values prevalent in organizations, which can influence organization power relationship and their response to change. It could have a great impact on its success if the employees are involved and motivated during the development of the performance measurement and management system. Experience in performance management and measurement systems will affect the system implementation and also its end results (Sole, 2009). Another variable that has been getting an increase in attention as one of the key determinants of performance is employee engagement (Macey et al., 2009). Mone and London (2010) suggest that designing the performance management process to foster employee engagement will lead to higher levels of performance.

The effectiveness of HR systems is, in part, a task of the degree to which they are matching with both organizational and individual goals (Stone et al., 2006). According to Lawler (2003), there are a great number of design features that potentially can influence the effectiveness of a performance management system, and many of these have been empirically studied to clarify their impact.
2.1 Purpose of Performance Management System (PMS)

The purposes of performance management systems are of three kinds: strategic, developmental, and administrative (Cieri, and Kramar, 2005). In terms of strategic purpose, performance management system should link employee activities with the organization’s goals. It has been found that in order to achieve their strategic purpose, effective performance management systems exhibit five characteristics. These are: (i) The alignment of employee performance with organizational objectives, (ii) A clear articulation of the desired work culture, (iii) A clear specification of the results and competencies- that is, the ‘how the results are to be achieved’, (iv) The management behavior and style that encourages discretionary effort, (v) The simple processes and documentation that enable line managers and employees to see performance management as part of their daily workplace.

According to Dougherty and Dreher (2002), performance data are used in making decision about employees, including promotion to higher-level jobs, size of annual base salary adjustments, performance bonuses and commissions, lateral transfers, and terminations. Feedback, counseling, performance improvement and evaluation of organizational programs are the other purposes of PMS. According to Dougherty and Dreher (2002), in a PMS, performance measures are also used as the basis for providing employees with feedback and counseling to improve their performance. Another major use of performance measures centers around the evaluation of organizational programs. Performance measures can serve as criteria for assessing the effectiveness or, or “validating” employee selection measures, employee training programs, work-family programs, or any other intervention design to improve employee productivity or organizational working.

2.2 Factors Influencing PMS

Sole (2009) explained that there are two basic factors which influence performance management systems in public organization. Those are internal and external factors. Internal factors include leadership and internal management commitment, internal resources, performance-oriented culture, employee engagement, and maturity of PMS. Leadership is important in designing and developing effective performance measurement system and internal management commitment brings formality to the performance management reviews and as a consequence could influence employees’ commitment to achieving targets and improving performance. Measurement and management systems may require a lot of time and effort, especially at the beginning of the process as internal resources. According to Pettigrew (in Sole, 2009), culture can be thought of as the sum total of beliefs, ideologies, behaviors and values prevalent in organizations, which can influence organization power relationship and their response to change. It could have a great impact on its success if the employees are involved and motivated during the development of the performance measurement and management system. Experience in performance management and measurement systems will affect the system implementation and also its end results.

External factors include citizens and elected officials, labor unions, legal requirements. In particular, employees view performance-monitoring systems as systems intended to force them to work harder, and managers see such systems as efforts to put increased pressure on them to produce added results. All these elements sustain the role of a performance-oriented culture as a factor influencing the implementation of performance measurement and management systems in public organizations. In terms of time limitation and cost, the important variables for implementation of PMS are the internal factors.
2.3 Effectiveness of PMS

Lawler (2003) also support that there are an amount of reasons for believing that systematically tying rewards to the outcome of a performance management system will make the performance management system more effective with respect to motivation, but there are also some that suggest it will make it less effective with respect to development.

Helm et al. (2007) noted that the following four metrics were used to evaluate the effectiveness of the performance management system: (i) A performance management survey, (ii) An institutional employee opinion survey question, (iii) The distribution of performance ratings, and (iv) The distribution of merit compensation.

PMS can be described as the set of metrics, or performance measures, used to quantify both the efficiency and the effectiveness of actions. Performance evaluation supposes the need for tools to analyze the measurements taken according to these two dimensions of efficiency and effectiveness (Lauras et al., 2010).

E-performance management systems will be more likely to produce incomplete criterion data on incumbent behavior than traditional systems. According to Armstrong and Baron (1998) performance management system helps employee to do their job better, and develop their skills and potential. Employees might be satisfied with the useful feedback from PMS. If they think that the assessments of performance are consistent, fair and unbiased, they feel more motivated after review meetings. PMS helps them to know how their objectives relate to the business needs of the organization. If the information disclosed in performance reviews is used sensitively and productively by the organization, the employees, employee will feel more motivated and this affects their performance positively.

Through the review, the main purpose of this study is to identify the relationship between factors influencing the implementation and effectiveness of performance management system (PMS) in an Educational Institution in South East Asia. This study also determines the organizational factors influencing PMS as well as effectiveness of PMS. The following review leads to these research objectives which are:

i. to identify the organizational factors in implementation of PMS
ii. to examine the perceived effectiveness of PMS
iii. to identify the relationship between the organizational factors and perceived effectiveness of PMS

3. METHODOLOGY

Data was collected using a set of questionnaire as it is the most prominent method to gather the demanded information. The information gathered from an interview was also beneficial for this research. A set of specifically customized questionnaire was developed to accommodate this research. This entire questionnaire consisted of 41 questions among 3 sections, including a demographic information section, factors influencing implementation of performance management system, and perceived effectiveness of performance appraisal. The questions were a six point scaling format and an open ended question, plus a demographic section. Section A is related to demographic information, which consists of 4 questions focusing on information about lecturers’
personal background such as years of experience in UTM, age, gender and marital status. Section B consists of 5 basic components with a total of 23 items are related with those components. Based on Chapter 2, there are five different organizational factors, which are leadership, internal management commitment, internal sources, performance-oriented culture, and employee engagement. Section C consists of 14 items on perceived effectiveness of performance appraisal. The questionnaire consisted of 14 items, which were adopted from Armstrong and Baron (1998) research. Based on the research objectives, an interview session on an SME from the Human Capital Development department consisting of 9 questions had been developed and used for the SME interview.

Cronbach Alpha is a method to measure the reliability of a questionnaire. A pilot test was conducted consisting of 34 lecturers from the Faculty of Electrical Engineering to test the reliability of the instrument. The Cronbach’s Alpha value through the reliability analysis revealed through the pilot study a value of 0.843 for organizational factors and for effectiveness of PMS was 0.822. The findings from the questionnaire answers and interview were documented and content analyzed for subjects in terms of suggestions for future changes, problems inherent in the system, and problems encountered in using the system. In analyzing the data, it was divided into quantitative and qualitative research. “Principal component analysis” technique of factor analysis was used to explore the main components in research question 1.

In identifying the second objective, descriptive statistics was used with a mean score to determine the level of perceived effectiveness of PMS in three levels; high (ratio of 4.34 -6.00); moderate (ration of 2.67 – 4.33); and low (ration, 1.00 – 2.66).

The correlation method was used to show the level of relationship between organizational factors influencing PMS and effectiveness of PMS. Pearson correlation would be computed to determine if there is important relationship between organizational factors and perceived effectiveness of PMS. Pearson correlation coefficients (r) can only take on values from “-1 to +1”, whether there is a positive correlation (as one variable increases, so too does the other) or a negative correlation (as one variable increases, the other decreases) (Gravatter and Wallnau, 2004; Ho, 2006; Pallant, 2007; Tabachnick and Fidell, 2007). The strength of negative or positive correlation is considered weak if it is ranging from .10 to .29; normal .30 to .49; and strong .50 to 1.0 (Pallant, 2007).

According to table 1, KMO value of 0.72 specified that the required satisfactory sample size was achieved as KMO is > 0.05, patterns of correlation were compact and distinct and reliable factors were deferred. Bartlett's test was found to be very significant (p < 0.05). Therefore, there was a relationship between the observed variables, showing that factor analysis was appropriate.

Table 2 displays the total variance of 68.0% was explained by three extracted factors. Eigenvalue for factor-1 is 4. 87 % with total variance explained value of 40.6 %, eigenvalue for factor-2 is 1. 80 % with total variance explained value of 15.0 % and eigenvalue for factor-3 is 1. 49 % with total variance explained value of 12.6 %. It indicates that the factors were explaining the variances above acceptable level of 40%. Accordingly, the eigenvalues determined that the factor explained adequate variance for it to be a constructive factor.

The Scree plots test was used to verify the number of extracted factor. The plot is illustrated in figure 4.1. It shows that the Scree plot where we can see at the 3 factors solution are having an eigenvalue greater than 1. The eigenvalues for the first variables drop hastily and the following factor declines in the eigenvalues gradually levels off. The thunderbolt in Scree plot shows the point on the curve which is less than the eigenvalue 1.0.
Table 3 shows that Cronbach alpha values of 0.84 was found for all 5 items which belongs to factor-1, and the value of 0.81 extracted 4 items which belongs to factor-2. Similarly, CA value of 0.81 was found for another 3 items in factor-3. Cronbach alpha values (> 0.70) showed that all of the items are reliable. Thus, the entire test is internally consistent. Next, items for each factor are presented accordingly Factor-1 (employee involvement) consist of E2, E1, E3, IMC3, IMC4 and factor-2 (performance oriented culture) contain P1, P2, P3, E5. L4, L5, IMC2 belongs to factor-3 which is management commitment. The analysis of factors and reliability using Cronbach alpha test showed that the instrument has content and face validity as well as reliability.

Table 4 elaborates the descriptive statistics for each component of the three organizational factors and for the overall mean, SD and specific for each item within the variable.

3.1 Effectiveness of PMS
Table 5 shows the level of effectiveness of PMS in UTM which was acquired by descriptive statistics. The overall mean is 3.65. According to table 3.3 (chapter 3), we can conclude that the PMS in UTM has a moderate level of effectiveness because table 3.3 illustrated that moderate level of effectiveness is between 2.67 - 4.33. In addition, the overall reliability of effectiveness of PMS was measured by conducting Cronbach’s Alpha Test with a reliable value of 0.7.

3.2 Relationship between Organizational Factors and Effectiveness of PMS
Based on table 6, for Employee Involvement factor, the value of Pearson \( r \): 0.518 for n:100 at p < .000(2-tailed) indicated that there was moderate level of relationship between factor-1 (Employee Involvement) influencing implementation effectiveness of PMS. Similarly, for factor 2- Performance Oriented Culture, the value of Pearson \( r \): 0.603 for n:100 at p < .000(2-tailed) indicated that there is a moderate relationship between this factor and effectiveness of PMS. Lastly, for factor-3 which is Management Commitment, it has a value of Pearson \( r \): 0.341 for n:100 at p < .001(2-tailed) indicated that there is a low relationship between factor-3 and effectiveness of PMS.

Further qualitative data through an interview was used to add richness to the existing quantitative data. Table 7 depicts the main interview questions and answers.
4. DISCUSSION

As mentioned earlier, 5 internal factors were presented by Sole (2009) that influenced PMS in public organizations are leadership and internal management commitment, internal resources, performance-oriented culture, employee engagement, and maturity of PMS. In conducting this research, the authors have eliminated one of the factors presented by Sole (maturity of PMS) due to irrelevancy with the situation in UTM. However on the findings in this study, three main organizational factors were found more significant that influenced the implementation of PMS. These organizational factors were merged into another factor as they were found interrelated. The first factor is employee involvement. Employee engagement and strong internal management support is relatively important as pointed out by academic staffs to ensure the PMS is implemented successfully. These findings are also in line with the statement by Mone and London (2010) whom suggested that designing PMS processes that is able to foster employee engagement will lead to higher level of performance.

Second important factor that had been outlined in this finding is performance-oriented culture. Pettigrew (in Sole, 2009) stated that culture could be thought of as the sum total of beliefs, ideologies, behaviors, and values prevalent in organizations, which can influence organization power relationship and their response to change. Third critical factors that have been narrowed down by the analysis is management commitment. As stated by Sole (2009), leadership is important in designing and developing effective performance measurement system and internal management commitment brings formality to the performance management reviews and as a consequence, could influence employees’ commitment to achieving targets and improving performance.

It is seen that the level of effectiveness of PMS in UTM is at moderate level, as the mean of effectiveness is at 3.65. There is no evidence that shows the PMS should be eliminated due to moderate level of effectiveness. Furthermore, the system is still new to UTM as had only been implemented since the last two years till now. Although the system is still new, many improvements have been made by the coordinators for the last two years to ensure that the system is friendly and has a high commitment of system users.

The researchers used Pearson r to investigate the relationship between the three factors that have been narrowed by “Principal Component Analysis” for answering research question 1 and the effectiveness of PMS which was analyzed using descriptive statistics. Significance of two tailed have been used in this analysis. For the first factor, employee involvement, it shows that there is a relationship between this organizational factor and the effectiveness of PMS, but at moderate level. Employee involvement is very important in PMS. This is because employees have to be motivated towards being involved in PMS whereas they need to learn about the system. Second factor, which is performance oriented culture, had also a moderate level of relationship with the effectiveness of PMS. The academic staffs are performance driven people, but extend of performing well is still not at the expected level. It is very important to encourage employees to use PMS for their improvement of potential and skills, as well as to increase performance. However, the level of relationship between management commitment which is factor-3 and effectiveness of PMS are relatively low. The reason is top management involvement is not very clear according to academic staffs. The line managers in this case, head of departments have to lead and make sure that the system is appropriate in evaluating the job performed by employees.

5. CONCLUSION

This study investigates factors influencing implementation of performance management system, effectiveness of it, and the relationship between factors and effectiveness. The findings show that
there is a strong positive relationship between three factors and effectiveness of PMS. A PMS system that is implemented very strongly and positively is influenced by three factors providing significant effectiveness. In addition, this will cause high performance. However, as an important factor, management commitment is still inadequate. In order to increase effectiveness of PMS, this factor should be deemed carefully and strictly.

Overall, this study has achieved the objectives and the purpose intended. From the findings, the authors found that organizational factors are very fundamental parts of PMS. PMS is very important in increasing performance in any workplace, especially in higher educational institutions such as UTM.

In conclusion, this study can be a reference for future researchers in PMS in higher education institution settings which have very unique characteristics compared to business oriented industries. Hence, the authors hope that this study can be beneficial for properly improving the design, quality, implementation, and effectiveness of future PMS. UTM at the last stage of this study has informed of taking further actions and developments to move this system forward for the better of its system users. In addition, making it more a powerful tool for measuring employee performance.
References


Table 1: KMO and Bartlett’s Test of the Study

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<thead>
<tr>
<th>Kaiser-Meyer-Olkin Measure of Sampling Adequacy</th>
<th></th>
<th>.716</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bartlett's Test of Sphericity</td>
<td>Approx. Chi-Square</td>
<td>1.5922.849</td>
</tr>
<tr>
<td>Df</td>
<td>66</td>
<td></td>
</tr>
<tr>
<td>Sig.</td>
<td>.000</td>
<td></td>
</tr>
</tbody>
</table>

Table 2: Total Variance Explained

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% of Variance</td>
</tr>
<tr>
<td>1</td>
<td>4.869</td>
<td>40.573</td>
</tr>
<tr>
<td>2</td>
<td>1.805</td>
<td>15.043</td>
</tr>
<tr>
<td>3</td>
<td>1.480</td>
<td>12.332</td>
</tr>
<tr>
<td>4</td>
<td>.890</td>
<td>7.419</td>
</tr>
<tr>
<td>5</td>
<td>.752</td>
<td>6.264</td>
</tr>
<tr>
<td>6</td>
<td>.544</td>
<td>4.535</td>
</tr>
<tr>
<td>7</td>
<td>.503</td>
<td>4.192</td>
</tr>
<tr>
<td>8</td>
<td>.424</td>
<td>3.535</td>
</tr>
<tr>
<td>9</td>
<td>.372</td>
<td>3.097</td>
</tr>
<tr>
<td>10</td>
<td>.223</td>
<td>1.857</td>
</tr>
<tr>
<td>11</td>
<td>.133</td>
<td>1.112</td>
</tr>
<tr>
<td>12</td>
<td>.005</td>
<td>.041</td>
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</tbody>
</table>
Table 3: Cronbach Alpha Values for PMS

<table>
<thead>
<tr>
<th>Factors</th>
<th>Alpha</th>
<th>Number of Items</th>
<th>Items of each factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Employee Involvement</td>
<td>0.84</td>
<td>5</td>
<td>E2, E1, E3, IMC3, IMC4</td>
</tr>
<tr>
<td>2. Performance Oriented Culture</td>
<td>0.81</td>
<td>4</td>
<td>P1, P2, P3, E5</td>
</tr>
<tr>
<td>3. Management Commitment</td>
<td>0.81</td>
<td>3</td>
<td>L4, L5, IMC2</td>
</tr>
</tbody>
</table>

* The items are coded after factor analysis

Table 4: Descriptive Statistics for Organisational Factors (n=100)

<table>
<thead>
<tr>
<th>Organizational Factors (Overall)</th>
<th>Item Mean</th>
<th>Std. Deviation</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee Involvement</strong></td>
<td>3.78</td>
<td>0.66</td>
<td>0.86</td>
</tr>
<tr>
<td>E1= Employees feel involved during the development of PMS</td>
<td>3.68</td>
<td>0.84</td>
<td></td>
</tr>
<tr>
<td>E2= employees are informed about development of PMS</td>
<td>3.40</td>
<td>1.146</td>
<td></td>
</tr>
<tr>
<td>E3= Employees are made accountable to their own development.</td>
<td>3.82</td>
<td>1.114</td>
<td></td>
</tr>
<tr>
<td>IMC3= There is sufficient training provided on PMS</td>
<td>4.07</td>
<td>1.148</td>
<td></td>
</tr>
<tr>
<td>IMC4= There is strong support from top managers about involving in PMS</td>
<td>3.37</td>
<td>1.089</td>
<td></td>
</tr>
<tr>
<td><strong>Performance Oriented Culture</strong></td>
<td>3.99</td>
<td>0.76</td>
<td></td>
</tr>
<tr>
<td>P1= Employees are encouraged to monitor their performance.</td>
<td>3.95</td>
<td>.903</td>
<td></td>
</tr>
<tr>
<td>P2= Everyone is concerned of meeting performance target.</td>
<td>4.11</td>
<td>1.004</td>
<td></td>
</tr>
<tr>
<td>P3= There is a strong drive towards performing well.</td>
<td>3.94</td>
<td>.897</td>
<td></td>
</tr>
<tr>
<td>E5= Employees understand how their work contributes to their organization performance.</td>
<td>3.94</td>
<td>1.003</td>
<td></td>
</tr>
<tr>
<td><strong>Management Commitment</strong></td>
<td>3.68</td>
<td>0.92</td>
<td></td>
</tr>
<tr>
<td>L4= The system is perfect to evaluate the job has been done.</td>
<td>3.72</td>
<td>1.181</td>
<td></td>
</tr>
<tr>
<td>L5= It assists staffs adapting any innovation and change</td>
<td>3.87</td>
<td>1.134</td>
<td></td>
</tr>
<tr>
<td>IMC2= Manager constantly monitors activities performed by staff through PMS</td>
<td>3.45</td>
<td>.936</td>
<td></td>
</tr>
</tbody>
</table>
### Table 5: Descriptive Statistics for Effectiveness of PMS (n=100)

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Effectiveness of PMS (overall)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C1= Performance appraisal system helps me to do my job better.</td>
<td>3.65</td>
<td>.443</td>
<td>0.7</td>
</tr>
<tr>
<td>C2= Performance appraisal system helps me to develop my skill and potential.</td>
<td>4.15</td>
<td>.936</td>
<td></td>
</tr>
<tr>
<td>C3= The objectives/performance standards agree with my manager are realistic</td>
<td>4.01</td>
<td>.904</td>
<td></td>
</tr>
<tr>
<td>C4= I get useful feedbacks from my performance management review.</td>
<td>3.77</td>
<td>.952</td>
<td></td>
</tr>
<tr>
<td>C5= I am not satisfied with the way my manager/team leader conducts my performance review.</td>
<td>3.67</td>
<td>1.055</td>
<td></td>
</tr>
<tr>
<td>C6= Assessments of my performance are consistent, fair and unbiased</td>
<td>3.75</td>
<td>.936</td>
<td></td>
</tr>
<tr>
<td>C7= I feel motivated after a review meeting.</td>
<td>3.82</td>
<td>.857</td>
<td></td>
</tr>
<tr>
<td>C8= I do not understand how my manager/team leader decides my rating assessment.</td>
<td>3.98</td>
<td>.932</td>
<td></td>
</tr>
<tr>
<td>C9= Managers/team leaders give the best rating/ assessments to people they like.</td>
<td>3.39</td>
<td>1.127</td>
<td></td>
</tr>
<tr>
<td>C10= I fully understand how my objectives/performance standards relate to the business needs of the organization.</td>
<td>3.75</td>
<td>.960</td>
<td></td>
</tr>
<tr>
<td>C11= I have received adequate training in performance management</td>
<td>3.26</td>
<td>.960</td>
<td></td>
</tr>
<tr>
<td>C12= The system of performance management used here works well and does not need to change</td>
<td>3.02</td>
<td>1.025</td>
<td></td>
</tr>
<tr>
<td>C13= Time spent on performance management is worthwhile</td>
<td>3.75</td>
<td>.968</td>
<td></td>
</tr>
<tr>
<td>C14= The information disclosed in performance reviews is used sensitively and productively by the organization</td>
<td>3.69</td>
<td>.929</td>
<td></td>
</tr>
</tbody>
</table>

### Table 6: Correlations between Organisational Factors and Effectiveness of PMS

<table>
<thead>
<tr>
<th></th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee Involvement</strong></td>
<td>.518**</td>
<td>.000</td>
<td>100</td>
</tr>
<tr>
<td><strong>Performance Oriented Culture</strong></td>
<td>.603**</td>
<td>.000</td>
<td>100</td>
</tr>
<tr>
<td><strong>Management Commitment</strong></td>
<td>.341**</td>
<td>.001</td>
<td>100</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
### Table 7: Interview Responses

<table>
<thead>
<tr>
<th>Questions</th>
<th>Answers (Main points)</th>
</tr>
</thead>
</table>
| 1. What are the factors influencing PMS while you are implementing it? | • Human Factors and Demographic affects  
• Technical Factor  
• Maturity of PMS  
• Management factors |
| 2. How is the effectiveness of PMS? | • Providing feedback  
• Increasing Performance  
• Developing skills and potential |
| 3. Is there any relationship between factors and effectiveness of PMS? How? | • There is a strong relationship between some factors and effectiveness of PMS |

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**Fig 1: Scree Plot of the Items in the Study**

![Scree Plot](image_url)

Less than Eigenvalue 1.0 is **not** extracted as a factor.
THE ROLE OF WOMEN IN ENVIRONMENTAL PROTECTION IN IGABI LOCAL GOVERNMENT, KADUNA STATE, NIGERIA

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KWAME LANTEH
UNIVERSITY OF GHANA, LAGON, GHANA

ARC MICHAEL A. AJONGOLO
MARVELAC LTD. KADUNA

OLOWOLAYEMO E. JULIET,
NIGERIAN DEFENCE ACADEMY

OLOWO T. JOHN,
FEDERAL COLLEGE OF FORESTRY MECHANIZATION, AFAKA, KADUNA, NIGERIA

OJO OLALEYE SAMUEL

Abstract
This research paper focuses on role of women in environmental protection in Igabi local government, Kaduna State, Nigeria. This study specially focuses on women's role in Environmental Protection. At the end Mann Withney (U) result revealed that the roles women played are completely different to the roles played by men in environmental protection.

Keywords: Role; Women; Environmental Protection; Kaduna State

1. BACKGROUND OF STUDY

There is a growing debate about gender and the environment which highlights women's roles in the use and management of natural resources (Braidoti et. al., 1994). This debate has stimulated much developmental analysis and created greater awareness of the general activities of women. But there are dangers in conceiving of women's roles in relation to the environment in a partial, narrow, or static way. Seeing women as isolated environmental factor, separate from men, with an innate understanding of Nature can be very misleading. Current development policy initiatives are often based on this essentialist assumption that women's relationship with the environment is special and, therefore, women are particularly interested in and capable of protection of the environment. Such a view enables policy makers to argue that projects aimed at sustaining the environment will also benefit women, and vice versa. This synergistic approach can be seen as creating both a trap and an opportunity. In most countries modernization has been accompanied by a decline in women's entitlements to land and common property resources. Women are usually very dependent on common property resources for water, firewood, compost for farmland and wild herbs, mushrooms, fruits and nuts, as it is usually their responsibility to ensure that the family is supplied with these goods (Swope, 1995). When these commonly held resources become scarce and property rights are
exerted because of a perceived market value, their control tends to be assumed by men, although women's role as the supplier to the family of these resources does not change (Agarwal, 1989). The process of land reform has often led to land ownership in male hands, or when land is granted to a household it is registered in the man's name so that women lose their traditional rights to land. Where women do have legal rights to land ownership and inheritance, the plots of land they are able to control are generally the smallest, least accessible, and least fertile (Momsen, 1988). Usufruct rights are often considered to be separate from land ownership, and furthermore the ownership of trees and land may be in different hands. If women plant trees on family land in order to find a new cash-earning product and accessible firewood, as in the case of the shea-butter tree in Uganda, men see this action as a declaration of land ownership and so uproot the trees (Rukaaka, 1994). In other cases, men and women may use individual trees in different ways which are not always compatible. When resources begin to be scarce this incompatibility becomes a problem, as has occurred in the Dominican Republic, where women use palm fronds for making baskets and the fruit for pig food, while the male property owner is the only person allowed to cut the tree for timber (Rocheleau, 1994).

2. SCIENTIFIC RESEARCH AND ADMINISTRATION OF ENVIRONMENT PROTECTION

It is one of the goals of promoting women's participation and carrying out a sustainable development strategy to enhance the ratio of women amongst administrative personnel in the field of the environment and development. Now, there are two vice-chairwomen of the Committee of Environment and Resources of the NPC, one female deputy director-general of the State Environmental Protection Administration and female leaders in charge of the work of environmental protection at provincial, prefectural and county government levels.

China boasts some 400 various types of environmental scientific and technical research organs covering many different subjects. Women make up a third of the 20,000 plus-scientists and researchers working for these organizations. The Ecological Environment Research Centre of the Chinese Academy of Sciences has the majority of female scientists, occupying altogether 42 percent of the total employed there.

Women scientific technicians have made outstanding achievements in curbing pollution and protecting ecological surroundings. Professor Qian Yi from Qinghua University's Department of Environment Science and Engineering and Professor Tang Xiaoyan from Beijing University's Center of Environmental Science are both academicians of the China Academy of Engineering Science. They have scored great successes in teaching and scientific research in controlling water pollution and controlling and preventing air pollution. Besides, they have also played an important role in Sino-foreign scientific co-operation, especially in coordinating and dealing with global and regional environmental problems. Women professors and researchers in well-known universities and research institutions have presided over research and development work in the subjects of water pollution control, atmospheric chemistry, global atmosphere protection, ocean disaster reduction, mineral resource exploration, traffic noise pollution control and biological resource development. Many women have shouldered research and designing work for exploiting and utilizing methane, solar energy and wind energy.
China has laid stress on training aiming to increase awareness of environmental protection for women cadres. From 1997, the ACWF, working with women and the environmental network of the China Environmental Association, carried out the program "Building up the capability of women mayors and enterprise managers in the process of China's sustainable development." By the end of 2000, 12 terms of such training courses have been run and among the 911 trainees, one-third is made up of leading cadres from above county level. Through this training, grass-roots women cadres have raised their awareness of environmental protection, enhanced their basic knowledge of environmental science and environmental management and sharpened their management and decision-making ability.

3. WOMEN’S ROLES IN COMMUNITY FORESTRY
Community forestry encompasses the entire components of a community such as the villages, town, local authority or government, the members of which sharep0kl in cash, kind and/or other benefits, while within the commonwealth and this can also be referred to as communal forestry. In India this is called “Panchayat” (Chijioke, 2003). One of the major parts of developmental improvements of community forestry is production and processing of forest products for domestic, artisan or small scale industry which majorly involves the women can be accelerated through environmental protection. Communal forests have been known to emerge in different ecological zones of Nigeria specially targeted for various purposes. While some have emerged as a result of wood scarcity, others may have been established to check desertification encroachment, where some may become necessary to ameliorate the environment. Others may also be organized to increase earnings from the forest resources or for the purpose of profit making.

The flouristic compositions of communal forest vary from one eco-zones to another and the derivatives benefits are closely tied to the cultural and socio-economic deposition of the parent community. However, the benefits derivable from those communal forests are predicted on an effective local legislation which prevents a constant disturbance of these forests by individual members. The sustenance of such legislation also depends on an arrangement by which all stakeholders share in proceeds of communal forests. Nevertheless, forest protection will not only facilitate women participation in community development but also enhance better understanding by men living in the community who also stand a chance of been affected at the receiving end. As detail manager of living environment, women are experienced in the management of forest products, fisheries, agriculture and food products, soil energy and water resources. They also have developed skills in conservation that are built into their traditional subsistence activities. At the forest community level, co-operative action taken by women demonstrates sharing their knowledge and experience can improve the environment especially in environmental protection and promote sustainable development (Commonwealth Secretariat, 1992). It was argued that what concerns local community is fuel wood or fire wood but the course of this papers shows women are more educated and can obtained information easily hence, help to build a commendable environment sustainably.

In agriculture, women are more than half of the labour force. Often times, they are paid the lowest wages despite the fact that they carry out the menial back breaking and hazardous tasks such as weeding and chemical application. Women’s skills and needs are focal issue in sustainable development and these have often been ignored due to general misconception and marginalization of women’s role in preserving biodiversity. The paper therefore examines the role of women in environmental protection in Igabi Local Government Area of Kaduna State.
4. A REVIEW OF POSSIBLE ROLE OF WOMEN IN ENVIRONMENTAL PROTECTION AND MANAGEMENT

(i) Water Resources Management
Women are always at the center of the management of the communal water resources and household water requirement. A survey conducted by Ebam Etta (1999) at Maroko Low-Income Settlement in Lagos confirmed this. At the communal level, women are always in-charge of the control and management of communal taps or water points. At times they lock the taps to prevent children from damaging the water pipes. At the household level, the burden of fetching water for cooking, washing etc. falls on the women and girls, while men control the water trade. Where women do not have access to the tap water, they make use of streams, rainwater, wells, rivers, etc. At times, women also suffer from water pollution from untreated sewage, which has a lot of health hazards (Uyanga and Buteyo, 1999, Etta, 1999; Mascarenhas, 1999; Akwa, 2005).

(ii) Women in Agriculture and soil Conservation
All over the world, women contribute to agricultural production. They produce more than half of all the food that is grown. In Sub-Saharan Africa and the Caribbean, women produce 80% of the basic foodstuffs. In Asia, they provide fifty to ninety per cent of the labor force for rice cultivation. Women’s roles in agriculture: production and distribution, planting and cultivation, weeding, hoeing, harvesting and storage, marketing, and home preparation and distribution of foods. In addition, 80% of African food is produced by women; 50% is planted by women, and 70% of the weeding and hoeing is done by women. Women contribute to food production in Nasarawa state from growing of crops and keeping of livestock, such as sheep, goats, poultry, and rabbits (Akwa, 2005). As victims of soil degradation, women have participated actively in soil conservation projects. An example is the project Agro-Forester in Yatenga, Burkina Faso. Women’s input has been central (IDS, 1995). Thus, if humanity is to feed itself, environmental degradation must be contained.

(iii) Women and flood Management
Especially during the rainy season, incidence of flood is high (i.e April to October), so flooding is a regular problem in most places. Women play a significant role in the management of flooding either by clearing bushes, digging gutters, or baling water. At times they pay laborers to do sand filling for them. Flood management could be at the household level or community level. During the rainy season many houses get waterlogged and streets are flooded. So women play a vital role in environmental management.

(iv) Drainage Management
Women’s involvement with environmental management and problems make them participate actively in keeping drainages around them clean and free from trash and sand. According to Kwagala (1999), in his study in Kampala, Uganda, drains are mainly cleaned by the women on a regular basis or pay to have them cleaned.

(v) Solid Waste Disposal
This presents many challenges, particularly in the large cities whereby the amounts of solid waste are increasing faster than the growth of population. Solid wastes are dumped at compound dumping or undeveloped land or left at various illegal dumps (Uyanga and Buteyo, 1999). Women, because they are closer to the environment, engage in environmental management by cleaning the environment and keeping it clean, especially in terms of garbage disposal. Given the health hazard of garbage, women see to its regular disposal at the community level, either by doing it themselves or pay people to do it. This is because the dumping ground stinks and can lead to outbreak of
diseases, if it is not burnt in time or collected by the Environmental Agency Unit. In addition, polythene bags and plastics are causing a lot of eyesore in the urban centers because of their non-degradable substances. Discarded packaging plastics create a visible littering problem and contribute to air pollution if the wastes are burnt.

(vi) Human Waste Disposal

Since environmental health is essential to prevent certain diseases, women take an active part in preventive measures against environmentally transmitted diseases and waterborne diseases, such as malaria, diarrhea, cholera, cough, cold, measles, etc. In some places, the slum areas or urban informal sector or rural areas, most houses do not have latrines and so the residents do use drainage or polythene bags and later throw them on the streets, drains, or anywhere they can. Some residents that have latrines or water system toilets don’t use them, especially the children. Studies have shown that eventually, women are generally responsible for human waste disposal of children and cleanliness of latrines and other facilities (Kwagala, 1999). Thus, the burden of human waste disposal falls on women.

(vii) Forest Management and Tree Planting

The need to protect biological diversity (forest) has been realized. This is because forests play a vital role in protecting the soils, watersheds, and climatic stability. They are also a rich source of products – ranging from fruits, pharmaceuticals, and latex to timber. Apart from that, Tolba (1992) rightly noted that loss of the species and the forests is something that cannot come back again; extinction is forever. Whereas, water pollution, air pollution, ozone depletion, and desertification could all be controlled or minimized. Unfortunately, the main sources of energy (cooking fuel) for women are from natural resources: charcoal, firewood, and kerosene - intensive use of which can lead to deforestation, soil degradation, and air pollution. Only very few rich women use gas or electric cookers. The interesting part of the whole dilemma is that we have greater women’s participation in forest management through tree planting, rehabilitation, or protection. For example in India, women participate in Forest Management Scheme (IDS, 1995). Farm forestry is being practiced whereby small holders are encouraged to grow more trees on their land. The women tend the trees after planting to maturity. Similarly, in Kenya, soil degradation and deforestation have created an acute shortage of wood, the women’s major source of energy. Thus, a Green Belt Movement of Kenya was formed; it planted over 7 million trees in 10 years and set up over 1,000 tree nurseries to the extent that it harvests fuel wood from its own trees and the fruit trees are bearing fruits. In addition, women participate in providing seedlings in nursery and flowers to beautify the environment (Maye, 1994). It is now very clear that women globally are playing a key role in the protection of the environment. As rightly pointed out by Maye, (1994), women worldwide are part of a growing movement for the protection of the living world, environment health and security, social justice, and the alleviation of poverty. Women play a major part in the protection of biological diversity through their many roles and responsibilities. In the South, women act as resource managers. Women tend the fields and grow the food that feeds their families (in fact, women grow most of the food in Africa). They gather the firewood and raise the alarm when the forest dwindles.

In India, the threat of deforestation led to the rally of the local women to civil disobedience to protect the ecosystem. This is because their well-being was closely tied to that of the forest in terms of food, fire wood, pure water, etc. Pertaining to the need for restoration of the forests, women worldwide also have known the essence of not only protecting the biodiversity, but to restore and recreate it. As we have stated earlier, Wangari Maathai founded Kenya’s Green Belt Movement, which comprises of over 80,000 women for planting of trees. They established more than 1,000
nurseries and plant a variety of trees to satisfy human and non-human needs (Maye, 1994). Thus, in many countries (developed and developing), women have championed the resistance to non-sustainable resource exploitation. For example, Penan women and children have spent weeks on logging blockade in Sarawak, attempting to protect what is left of the world’s oldest rainforests on the Island of Borneo. Maye (1994) made it clear that the rate of harvesting there is clearly not sustainable, and the rate of extinction is excessively high. Vandana Shira of India has also raised awareness of the potential loss of genetic diversity as a result of the patenting of life forms. In Columbia, Margarita de Botero has increased awareness of the need to protect biodiversity through the Green University. From the foregoing, we can see that women are in the forefront of advocating for the protection of biodiversity. Women NGOs in Nigeria, Women Community Based Organizations (CBOs), and individuals have contributed a lot to the protection of the environment and forests (biodiversity). In advanced countries, Collee McCrory has done a lot as regards environment, and more specifically Late Rachel Carson of the United States raised the alarm about the dangers of biological diversity and human health from the indiscriminate use of chemical pesticides. It seems as if, women are push-full in the move for the protection of our ecosystems for sustainable human development.

5. STUDY AREA
This study was carried out in Igabi local Government of Kaduna, Kaduna state. It is located on latitude 10°37’ and longitude 7°17’E. The local government area shares boundaries with Giwa and Zaria local government areas to Kaduna North and Kaduna South local government areas. It has a good climatic condition with annual rainfall of about 1000mm-1500mm, per annual. It covers an area of about 4456.59sq./km with protected population of 350,000 (FOS, 2006). The local government comprises of three (3) tribes; Hausa, Fulani, and Gbagi people. Their main occupations are farming, civil service, traders and so on. The area is selected for study because of the prior knowledge of activities of women in environment protection.

The respondents in the study area are married (59.2 %) while 26.3 % are single. The involvement of single women in environmental protection was as a result of awareness, tree planting campaign and public enlightenment. 21 – 30 years constitute the largest (39.5 %), followed by 31 – 40 years (26.3 %) while 50 years and above range were the least (6.6 %). This implies that the group of women with majority age limit is highly involved in environmental protection and they are active, hale and hearty. Those above 50 years are not so much active in environmental protection because they are old and not active. Table 4.1.1 also revealed the educational status of the respondents in which majority (52.6 %) had secondary education while (32.9 %) had primary education and 6.6 % had tertiary education. Lastly, 7.9 % had no formal education. This indicates that majority of the respondents are semi-illiterates (dropout from class 3 or JSS3). 52.6 % of the respondents has 6 – 10 house hold size, followed closely by 0 – 5 household size and 16 above had the least with 7.9 % and majority (59.2) of these respondents are Muslims while 27 % are Christians and 13 % are traditionalists. This implies that our study area is been dominated by Muslims thus, influences polygamy and has effect on the number of the household and this also have effect on the type of occupation in which most of them are engaged because majority of them are farmers (52.6 %) thus make use of family labour to work on the farm. Few are civil servants (26.3 %), business women (13.2 %) and lastly 7.9 % of them are extension workers.
Table 1: Respondents’ roles in nursery, field and preparation process

<table>
<thead>
<tr>
<th>S/N</th>
<th>Factors</th>
<th>Sex</th>
<th>Respondents</th>
<th>Percentage(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Nursery (weeding, Clearing land broadcasting of seed e.t.c.)</td>
<td>Men</td>
<td>32</td>
<td>21.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Women</td>
<td>78.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>152</td>
<td>100.0</td>
</tr>
<tr>
<td>2.</td>
<td>Field (planting, mulching, Irrigation, seedling transfer, afforestation)</td>
<td>Men</td>
<td>42</td>
<td>27.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Women</td>
<td>72.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>152</td>
<td>100.0</td>
</tr>
<tr>
<td>3.</td>
<td>Preparation process (harvesting, cleaning, Packing e.t.c.)</td>
<td>Men</td>
<td>22</td>
<td>14.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Women</td>
<td>85.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>152</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 1: revealed that women carried out the majority of work done in the nursery (weeding, cleaning land, broadcasting if seed, shafting and transplanting of seedlings) e.t.c. (78.9 %), field (planting, mulching, irrigation, seedling transfer, planting, afforestation e.t.c. (72.4 %) preparation process, harvesting, cleaning, packaging) e.t.c. (85.5 %). This implies that women participated actively in environmental protection than their male counterpart. Nursery (21.1 %); Field (27.6 %) and preparation process (14.5 %).

Fig. 1: Showing the age difference of the respondents

Source: Field work, 2010
The following statistical tool was used to analyze data collected during the course of this experiment.

6. MANN WHITNEY TEST:

\[ U = n_1n_2 + n_1(n_1+1) - R_1 \]
\[ U^1 = n_2n_1 + n_2(n_2+1) - R_2 \]

Where:-

- \( n_1 \) = sample size for sample 1
- \( n_2 \) = sample size for sample 2
- \( R_1 \) = sample rank for sample 1
- \( R_2 \) = sample rank for sample 2
- \( U \) = Mann Whitney value for sample 1
- \( U^1 \) = Mann Whitney value for sample 2

This was used to test for hypothesis; there is significant relationship between the roles played by women and men in environmental protection.
Table 2: Mann Whitney (U) results: Roles played by women versus roles played by men in environmental protection in Igabi Local Government of Kaduna State.

<table>
<thead>
<tr>
<th>Variables</th>
<th>U calculated</th>
<th>U tabulated</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men and women</td>
<td>44</td>
<td>51</td>
<td>not significant</td>
</tr>
</tbody>
</table>

The Mann Whitney (U) result revealed that the roles women played are completely different to the roles played by men in environmental protection. Therefore the null hypothesis ($H_0^2$) is rejected, and alternative hypothesis ($H_1^2$) is accepted which says “there is no significant relationship between the roles played by women and men in environmental protection” at 0.025% probability level. ($U$ calculated < $U$ tabulated).
REFERENCES


Mann Whithney test:

Men

\[ n_1 = 7 \]
\[ R_1 = 47 \]

\[ U = n_1 n_2 + n_1 (n_2 + 1) - R_1 \]
\[ = 7 \times 9 + 7 \left( \frac{7 + 1}{2} \right) - 47 \]
\[ = 63 + 7 \times 4 - 47 \]
\[ = 44 \]

Women

\[ n_2 = 9 \]
\[ R_2 = 89 \]

\[ U = n_1 n_2 + n_1 (n_2 + 1) - R_1 \]
\[ = 9 \times 7 + 9 \left( \frac{9 + 1}{2} \right) - 89 \]
\[ = 63 + 9 \times 5 - 89 \]
\[ = 19 \]

\[ U(\alpha/2) = U_{0.025,9,7} = 51 \]

\[ U_{cal} < U_{tab} \]
\[ 44 < 51 \]

Thus: Null hypothesis rejected
Religion has very powerful influence in the lives of the people of the Niger Delta as it is in most parts of Africa. Therefore, this paper presents the religious perspective in bridging the gaps created by the problems of kidnappings in the Niger Delta. A total of 1100 questionnaires were administered to respondents. 937 questionnaires were returned by respondents. The results of the data analyzed revealed that the correlation of kidnapping and religious conversion of youths yields a coefficient of 0.748 (r=0.748), while employment and kidnapping gives r=0.652. The correlation coefficient for politically motivated youths and kidnapping is r=0.677. From these results, there exist significant linear relationship between kidnapping and religious conversion of youths, employment and kidnapping; and politically motivated youths and kidnapping at 0.01 level of significance (p<0.01). Therefore the research hypothesis H01, H02 and H03 are all rejected at 0.01 level of significance (p<0.01). This implies that there is a significant relationship between youths’ employment and kidnapping in the Niger Delta Region. The most significant linear relationship exists between religious conversion of youths and kidnapping in the Niger Delta Region. This paper recommends that paradigm shift in theologies of dispensationalism, faith gospel, dualism, teaching of Christian principles and non-violent mass demonstration against poor governance will bridge gaps in the Niger Delta region and usher in a new era of peaceful co-existence.

Keywords: Bridging Social Gaps; Niger Delta; Religious Perspective

Introduction

In Africa, religion plays a very significant role in the lives of the people. Imaekhai (2010. 60) describes this very succinctly:

Religion influences in a comprehensive way, the thoughts and actions of African life, fully determining practically every aspect of life including moral behavior. The African lives in a religious universe: all actions and thoughts have religious meaning and are inspired or influenced by a religious point of view.

A bird eye’s view of the Niger Delta region reveals a society supersaturated mostly with Christian churches of various denominations. These churches have remained as important medium of putting significant issues across to the people. In some part of the Niger Delta, it has been observed that churches are the main ‘industries’ of the people. This anecdotal reference no doubt shows the central place of the churches in communication, education, social organization and control in the area. Religion plays a significant role in the lives of the people of the Niger Delta.

Apart from the apparently rich religious heritage, Niger Delta is naturally endowed with crude oil and gas which are very vital to Nigeria’s economy. The petroleum industry derived from the crude oil in the Niger Delta is the backbone of Nigeria economy accounting for over 90% of the country’s foreign exchange revenue and about 80% of total government revenue (NDRDMP 2006. 9). In
addition to the oil and gas, there are other natural resources also important to the nation’s economy viz: timber and non-timber forest product, agricultural resources, mineral resources, wildlife and bitumen and other mineral resources.

As observed by Okai (2008), the socio-economic situation of the Niger Delta Region does not reflect the huge revenues from oil and gas exploration in the region. The area is undermined by endemic poverty and gaps among people who are ranked the poorest in the world. Uyigue (2010.1) also noted that the poverty in the area is frightening:

Economic activities of the people in the region include fishing, farming and trading. Very few are employed in the civil service and companies. GNP per capita in the region is below the national average of US$280. The rural population commonly fish or practice subsistence agriculture, and supplement their diet and income with a wide variety of forest products. Education levels are below the national average and are particularly low for women. The poverty level in the Niger Delta is exacerbated by the high cost of living. In some parts of the Niger Delta, the cost of living index is the highest in Nigeria.

Again, the Niger Delta has been described as:

A place of frustrated expectations and deep mistrust where widespread restiveness frequently erupts in violence. Long years of neglect and conflict have fostered a siege mentality, especially among youths who feel they are condemned to future without hope, and see conflict, violence, theft and kidnapping as a strategic escape (MPP 9 project sheet)

The nine States officially defined as the Niger Delta are Bayelsa, Delta, Rivers, Edo, Imo, Abia, Cross River, Akwa Ibom, and Ondo States as shown in the diagram below:

![Map of Nigeria numerically showing states typically considered part of the Niger Delta region.](from Wikipedia, the free encyclopedia)
The area has a land mass of about 112.110km² (NDRDMP 2006.8) and a population of about 31 million people, over forty ethnic groups speaking 250 different dialects. The people are generally engaged in farming and fishing, the two main occupations which the tropical climate, rain forest and numerous rivers and creeks encourage (Ekpo 2004.1). Oil exploration went on for several years before the inhabitants of the Niger Delta realized how cheated they were. About the early 1990s, conflict arose in the Niger Delta region of Nigeria primarily over tensions between the foreign oil corporations and a number of the Niger Delta's minority ethnic groups. This is because, as Kekong (2008.90) rightly notes, the Niger Delta Region of Nigeria has been deeply traumatized, robbed, massacred, degraded, discriminated against and brutally exploited successfully over generations and for centuries. The oil-bearing communities of the Niger Delta region of Nigeria gradually but forcefully came to the realization that the multinational oil companies and the Federal Government of Nigeria had taken advantage of them in key areas crucial to their very existence: environmental degradation, human rights violation, political marginalization and lack of access to oil wealth produced in the region, Kekong (2008.85). The local people began to form small groups of militants and channeled their grievances wrongly to the multinational oil companies, kidnapping their workers and demanding huge financial ransom before their release. Gradually, kidnappings became a way of life and gaps created deepened. Ekweremadu (2009:7) rightly observed that:

Since year 2005, kidnapping have become a daily occurrence in Nigeria and now envelopes the country, including the fringes of the Sahara Desert. Unfortunately, Nigeria is on with image re-branding process and yet our ears are filled with news of rampant hostage (oil workers) and so forth to mesmerize the Federal Government ongoing campaign for the nations image re-branding... poverty and unemployment of youths have been identified as one of their potent causes...

There are two major categorizations of kidnapping in the Niger Delta: the kidnapping related to the grievances with the multinational oil companies in the Niger (oil-related-kidnapping) and the second and most rampant conventional kidnapping. Most people seem to think that this last category of kidnappings have political overtone.

The emergence of poverty in the midst of plenty in the Niger Delta, has created deep social disparities, unemployment, insensitivity to the marginalized, inequality, divergence and gaps between the people and the government, and even between the people themselves. There are incessant kidnappings and the demand for huge financial ransom from the victims before their release. These issues are a reflection of administrative neglect and the religious worldview of the people. Religious options can be used in checking these two categories of kidnappings and bridging the gaps in the region.

**Motivation and the purpose for the research**

It is to be noted that the problems of the Niger Delta is multifaceted, as such many approaches are to be utilized in the efforts of finding solutions to the issues. For the past five decades, the Federal Government of Nigeria has been battling with the problems developing of the Niger Delta. There has been the Willink Commission in 1957, Niger Delta Development Board in 1961, Oil Mineral Producing Areas Development Commission (OMPADEC) in 1992 and the Niger Delta Development Commission (NDDC) in 2000. Despite all these efforts, results of development are slow, giving rise to all kinds of anti-social acts and gaps among the people.
Within the past five years, the problem of kidnapping has added another dimension to the Niger Delta issues creating more gaps and social problems. The position of this paper is that given the religious tendencies of the people, the gaps that exist in the Niger Delta can be bridged with religious options. The purpose of this paper therefore, is to present the religious options that may be utilized in bridging gaps and solving the problem of kidnappings in the Niger Delta.

Research Questions:

These research questions were used in the study.

1. In what ways can religious conversion of youths affect or influence kidnapping in the Niger Delta.
3. What is the relationship between kidnapping and youths who are politically motivated in the Niger Delta.

Research Hypotheses:

The following hypotheses were stated for this research.

H₀₁ There is no significant relationship between kidnapping and youths employment in the Niger Delta.

H₀₂ There is no significant relationship between kidnapping and religious conversion of the youths in the Niger Delta.

H₀₃ There is no significant relationship between kidnapping and youths who are politically motivated in the Niger Delta.

The religious situation in the Niger Delta Region of Nigeria

The Niger Delta is one of the areas in the West African sub-region where Christianity was successfully planted in 19th Century (Ekpo, 2004.5). But the people were not in a religious vacuum before the advent of Christianity. They practiced their indigenous religion particularly deep in the belief of a spiritual universe. The spiritual powers are to be tapped regularly to help the humans in the struggle in a mysterious universe. The kidnappers no doubt would rely on these supernatural powers to ensure they go through their operations successfully. Although the whole area is saturated with Christian churches, traditional religious practices are common among the people.

Christianity is largely practiced and is very popular among the people. The major blocs of Christians in the area are:

1. Catholics grouped under Catholic Secretariat of Nigeria (CSN)
2. ‘Protestants’ grouped under Christian Council of Nigeria (CCN)
3. Pentecostals grouped under Pentecostal Fellowship of Nigeria (PFN):
4. African Churches grouped under Organization of African Instituted Churches (OAIC)
5. Evangelicals – grouped under Evangelical Churches of West Africa (ECWA)

Apart from these main bloc, there are numerous cliental-service religious groups in the area. Taking a census of all the churches would be an onerous task as new forms keep arising everywhere and every time. It is very easy to count up to 60-70 churches in a very small town of about 4000 inhabitants. These religious groups have impacted positively in the lives of the people through humanitarian and social services to the poor, orphans, underprivileged and the marginalized, in a way bridging gaps among the people. But certain theological issues militate against their rapid work in addressing some of the gaps and kidnapping in the Niger Delta.
(a) Dispensationalism which emphasizes that the world history is divided into seven dispensations and the present age is at the end of the sixth dispensation just waiting for Jesus’ return at the seventh dispensation which will bring a new age. This will be preceded by snatching up to the heavens true believers, seven years of great suffering, climaxed by the Armageddon immediately before Jesus’ return. This theology encourages fatalism and an attitude of passive resignation to their plight.

(b) Faith Gospel which theologizes that no true Christian can be poor or sick; to be poor or sick is to have sinned or lacked faith. God wants his children to eat the best, wear the best clothes, drive the best cars etc. Prosperity is reduced to a matter of faith and generous giving to the preachers of the gospel-the vicar of Christ. This diverts attention from the immediate causes of the people’s health problems which include inadequate access to safe water, lack of medical care as well as poverty and unemployment etc. Again this theology diverts attention from poor governance, corruption and mismanagement of the people’s natural resources. The further danger of this theology is that it calls for faith and leave everything to God without considering individual societal commitment to the common good.

© Dualism encourages the framing of issues in terms of simplistic alternatives e.g either God or Satan, either this world or the next, either trust in God or reliance on self. Christians are encouraged to have as little as possible to do with this world and should flee it and avoid contamination with it. This, too, diverts attention from the ordinary causes of a political and economic nature and can leave injustice unexposed.

These theologies are partly responsible for the gaps and problems of the Niger Delta. There is need to readdress these theological emphasis in the process of finding lasting solutions to the issues of gaps in the Niger Delta of Nigeria.

Methodology:

A total of 1100 questionnaires were administered in four states of the Niger Delta region of Nigeria. 937 out of this number were returned by respondents, the socio demographic characteristics of the respondents include sex, age, educational level and Religious affiliation. A total of 449 (47.9%) respondents were male while 488 (52.1) were female. The ages of respondents were in four categories, 18-28 years, 29-38 years, 39-46 years and 55 years and above. 42.8% of the respondents were 18-23 years old, 17.3 % of respondents were 29-38 years old, 37.4 % of the respondents were in 39-40 years while 2.5% were 55 years and above. 39.5 % of the respondents had SSCE/OND as their highest qualification. 469 (50.1%) respondents posses HND/B.Sc, while 68 (7.3%) respondents are MA/Ph.D holders. Respondents with other qualifications were 3.1%. In Religious affiliation, 187 (20%)were Catholics (CSN), 373 (39.8) respondents are Pentecostal and Apostolic church members (PFN), Those that attend Methodist, Anglican, Lutheran, Qua Iboe and Presbyterian Churches (CCN) were 326 (34.5%) respondents. Respondents affiliated to Evangelical Council of West Africa (ECWA) were 4 (0.7%) while Cherubim and Seraphim/ Celestial churches (OAIC) had 14 (1.5%) respondents. Respondents in other affiliations were 33 (3.5%).
The response from the 937 respondents were summarized and subjected to statistical data analysis using Microsoft Excel, SPSS and Graph Pad Instat software. A T-test and correlation analysis were performed on the following pair of variables; employment and kidnapping; religious conversion of youths and kidnapping, politically motivated youths and kidnapping.

The result shows that the correlation of Kidnapping and religious conversion of youths yields a coefficient of 0.748 ($r=0.748$), while employment and kidnapping gives $r=0.652$. The correlation coefficient for politically motivated youths and kidnapping is $r=0.677$. From these results, there exist significant linear relationship between kidnapping and religious conversion of youths, employment and kidnapping; and politically motivated youths and kidnapping at 0.01 level of significance ($p<0.01$). Therefore the research hypothesis $H_{01}$, $H_{02}$ and $H_{03}$ are all rejected at 0.01 level of significance ($p<0.01$). This implies that there is a significant relationship between youths’ employment and kidnapping in the Niger Delta Region. Also there is a significant relationship between politically motivated youths and kidnapping in the Niger Delta Region. The most significant linear relationship exists between Religious conversion of youths and kidnapping in the Niger Delta Region. Therefore to curb kidnapping and bridge gaps in the Niger Delta region of Nigerian religious conversion of youths should be encouraged followed by employment and useful engagements for politically motivated youths.

Strategies for bridging gaps in the Niger Delta Region of Nigeria: A religious standpoint

i. Emphasis on Christian values and proper teachings of the adherents.

The data from our field work points at the significant relationship between kidnapping and religious conversion. If the many religious groups in the area have members particularly youths that are truly converted and adhere to the teachings of Christianity, then the problem of kidnapping would end. It is therefore very pertinent for the numerous Christian denominations in the Niger Delta to embark on religious conversion of their members as the members are the political leaders of the Niger Delta. Good Christian political leaders can bridge gaps and end the problem of kidnapping in the region. Christianity as a religion has very good values that can stop the problem of kidnapping in the Niger Delta. At the first instance, the Ten Commandments are models for all Christians. Among other things, these commandments and the Christian ethics forbid stealing, bribery, kidnappings, corruption, mismanagement of funds, greed, avariciousness, materialism, killings, and emphasize values like honesty, obedience, justice, fair play, and good neighbourliness. If the leaders and the people of the Niger Delta imbibe these Christian principles, the problem of kidnapping will end and gaps will be bridged.

ii. Resisting contributions from members whose sources of income are unclear

To bridge gaps and stop the problems of kidnapping, churches should resist financial contributions from members whose sources of income are doubtful.

iii. Justice Development

Religious leaders in the Niger Delta need to intensify their activities in justice development. As long as the people do not experience justice, the problem of the Niger Delta will persist.

iv. Paradigm shift in theological emphasis for social development

For religion in the Niger Delta to be effectively used in bridging gaps and curbing the problem of kidnappings, there is need for a paradigm shift in the theologies of Dispensationalism, Faith Gospel...
and Dualism described above. There is need of a change in the attitude of Christians of the Niger Delta. Rather than the numerous religious groups emphasizing on miraculous interventions in nearly all aspects of life, focusing their attention on the Devil and the ills he has done to humanity (Marshall, 2009:4), the government should be questioned and challenged for unemployment, marginalization, poverty and gaps in the religion.

v. Non-violent mass demonstration against poor governance

Ehusani (1996:104) presents a position that is worth adopting and could be very useful in the Niger Delta situation:

It is important for us Christians to know that we are not helpless in the face of evil…The world has seen many forms of peaceful resistance that are efficacious. We know of peaceful demonstrations and protest marches by which a group of people that have been denied their rights along with their sympathizers make a public outcry against the authorities on the streets, flashing protest placards and singing protest songs. This method was used very much by the oppressed Negros of the United States under the dynamic leadership of Dr. Martin Luther King (Jr) who was a Baptist Minister. It proved to be a very effective method too in Apartheid South Africa under the leadership of Bishop Desmond Tutu, Cardinal Sin of Manila led a successful revolution of the people that brought an end to the oppressive rule of President Ferdinand Marcos, using the instrument of mass demonstrations that are non-violent.

The numerous religious leaders in the Niger Delta should use this option to protest to the government about the degradation, poverty and unemployment of youths and other gaps of social disparity existing in the region.

vi. Using Abraham’s example (Gen 14:11-16)

Refusal to pay ransom to kidnappers may be a yard-stick to ending the problem of kidnapping in the Niger Delta. Christians in the area may wish to opt for the Abraham’s example in dealing with the problem of kidnapping. When Lot the nephew of Abraham and the women and children were kidnapped, Abraham refused to pay ransom. He rather pursued the kidnappers and brought back Lot, the women and the people. Christians in various towns and villages can form vigilante groups to fish out the kidnappers.

vi. Churches and the Government collaboration

The government could support the church to open and run rehabilitation/skill acquisition centres. This will take care of desperate people who are jobless and then see kidnapping as a lucrative job. The people often time believe more in their religious leaders than the government. Therefore, the government should help the Christian church build non-denominational skill acquisition centres to be supervised and run by church leaders for the good of the members.

vii. Prophetic stance against poor governance

The incessant kidnapping problem in the Niger Delta clearly shows that the region is suffering from administrative neglect and poor governance. Religious leaders therefore would be powerful instrument in bridging the gap in the situation when law enforcement and governance is still evolving. The religious leaders need courage to confront the government on issues of poor
Conclusion

The religious leaders and the religious people of the Niger Delta region should learn to question the government on the reasons for gaps, social disparity, poverty, and kidnapping in a region that has been so naturally endowed with crude oil. This is to say that the government should be made to explain the reasons for unemployment, poor health facilities and so on. There is no need to focus their attention on the Devil and the ills he has done to humanity when it is obvious that the nation’s resources are mismanaged. For instance, there is no need to expect God’s intervention in health when healthy living lifestyle is not respected. Social services to the unemployed people, the marginalized should be the responsibility of the government and the religious people should be the voice of the voiceless. The rate for seeking for miracles will be reduced drastically and emphasis can then be placed on personal transformation which will lead to total resolution of the gaps experienced in the region. In other words, de-spiritualization of issues and passing blame of poor governance and mismanagement to Satan and witches are unnecessary. Throughout the history of Christianity, the power of religion is undoubtedly obvious. Religion is a powerful instrument which can be utilized for good course in ending the social problems and bridging gaps of the Niger Delta.

Nigerians in the Niger Delta Region, are mostly Christian and they belong to one denomination or another. It is very unfortunate that it is in this region that we have the greatest number of kidnapping in Nigeria. Religious leaders can embark on religious programmes and reforms aimed at educating their members on true Christian principles to stop kidnappings and bridge gaps in the society.
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Abstract
The study examines the concept of outsourcing and the possible impact it has on the competitive advantage it has on a company in Nigerian economy. Outsourcing is the practice in which companies move or contract out some or all of their products or service operations to other companies that specialize in those operations or to companies in other countries. The problems indentified in the Nigeria service industry are high operating cost having negative impact on return on capital employed, sub-optimality in production because of ineffective utilization of resources and inability of organization to identify areas of core competence for competitive advantage. The main objective of this paper is to evaluate the competitive advantage of outsourcing the products and services in the Nigerian service industry. Questionnaire was employed in gathering data from ten sampled organization in the service industry. The following three hypotheses were formulated in null form: High operating costs have no negative impact on profitability and return on capital employed, Ineffective utilization of resources has no impact on sub-optimality in production and outsourcing has no positive relationship with competitive advantage. Chi-Square statistical method was used to analyze the data obtained from the field. Our findings are that outsourcing helps companies to compare their prices with their own costs and that of top performing companies for cost control. This enables them to adopt the appropriate price strategy for the outsourcing contracts. Further, outsourcing of a segment of the products or services enhances contribution per unit of products and services. As for the companies, it was found that outsourcing enhances their core competence and leads to effective utilization of resources. It was therefore recommended that the top management should aim at taking advantage of the services of experts who specialize in their non-core activities and functions among others. This is to help have a vantage competitive advantage.

Keywords: Outsourcing, Core competence, Competitive advantage, Market structure, Benchmarking, Strategic alliance, Sustainable competitive advantage.

Introduction
Firms need to constantly renew and develop new capabilities and resources as they respond to challenges in their environment. These resources can be developed in-house or developed among strategic partners or purchased. Outsourcing entails the delegation of tasks or jobs from internal production to an external entity such as sub-contractor. It is the process of placing the development of system components in another development organization with the aim of achieving cost reduction and a gain in the time of development. Main striking features of the Nigerian economy today is that available infrastructures of all types fall far behind the quantities and quality required. This naturally results in overstretching of most facilities. Despite huge potentials in almost every sector, poor
overall economic performances has made tapping into the opportunities unduly costly and much less profitable than they should be. According to Alaofin (2003), operating costs are high in Nigeria inspite of relatively cheap labour hence, running any business according to international standards is therefore costly. He further stated that facilities management as an area is just evolving in Nigeria through janitorial services which is the best development component, has been around for nearly 5 decades. Security services are in the level of development. He stated that there are various merits of outsourcing which include better focus, economics of scale in purchasing and specialization all obtained in Nigeria. Dalhat(2009) in analyzing the development of a service industry coalition in Nigeria stated that services regulatory bodies exist, active and with existence of a strong professional class. That a well developed services sector enhances competition, leading to stimulation of economic activities and ultimately reducing poverty. He is of the view that there should be coalition of service industry in Nigeria to develop and diversify the sector and to prepare service providers to manage the challenges and opportunities which will be presented in an era of expanding global markets. He outlined other objectives of the coalition as: (i) to promote the further development and competitiveness of Nigeria’s service sector,(ii) to ensure that the highest industry standards are met by all Nigerian service providers,(iii) to educate Nigerian service providers on relevant aspects of the World Trade Organization(WTO) and other trade agreements and on any government policies or issues which can affect trade in services,(iv)to represent the interests of Nigerian service providers by lobbying government for legislative and policy changes which will promote fair multinational rules for trade in services.

The National Outsourcing Policy and Institutional Framework for Nigeria (2007) stated that outsourcing is gaining momentum globally as a potential candidate for enhancing revenue particularly in the developing economies with net advantages in operational costs for wages and key expenses. Outsourcing occurs anytime one enterprise makes a contract with another to perform a process that is normally done internally by the first enterprise. That globalization through economic integration requires that individual economies must identify and develop a competitive strength to harness the benefits of the free flow of trade and financial investment into the future .Globalization creates a product and services markets that far exceeds the borders of any country and facilitate access to move capital flows, technology, cheaper imports and larger export markets. Outsourcing of non-core operations or jobs from internal production to an external entity that specializes in that type of operation is changing the landscape of business globally. It further stated that in every developed economy, companies are taking the advantage of cheap and readily available expertise in other markets to strengthen their competitive advantage in local markets. This same feat should be achieved in Nigerian economy.

Pearce and Robinson (2005: 75), the authors of a major text on strategy, comment, “Strategy is pivotal to a company’s survival”. With this top management game plan, the company can stake out a competitive advantage. Outsourcing is a strategy of a competitive company, which entails contracting out of the non-core activities to other organizations, which specializes in such activities. In decision-taken strategy of an organization, the strategy to continue with the production of a particular service or product or buy the product/service from outside is an issue of cost and benefit analysis.

The issue of outsourcing is an issue of decision making which deals with the future of the organization, and involves picking a choice among alternatives available to management. Decision may be under certainty, risk or uncertainty according to the degree of predictability of the consequences of the decision. The outsourcing decision can be a case of dropping a segment of the production processes, make a product line or buy a product line. Two major economic approaches
must be considered in outsourcing: The first is the economic approach under which we consider the viability of the product or the customer to the general position of the organization. We consider the degree of the economic contribution of each segment, and consider the contribution of the segment to be dropped or deleted. A positive contribution means viability and such cannot be eliminated, while a negative contribution means non-viability and such can be dropped. If the contribution is zero, the decision to drop the segment depends on the management. The second economic approach is the relevant qualitative factors like, the impact of the closure of the segment on the company’s goodwill, the effect of the closure on the total turnover of the organization, the shareholders attitude towards the decision to drop the segment, the creditors position about the closure whether to write a petition for winding up, the effect on the workers welfare and morale, and consideration of another restructuring option like diversification, merger or being acquired by another company. The decision to outsource must be carefully taken it will involve longer-term considerations, capital expenditure and revenues.

**FOCUS**

This paper sets out to examine the effects of outsourcing in order to gain competitive advantage in core areas of performance. Three fundamental problems are indentified in depressed Nigerian economy which need resolution (1) There is the manifestation of high operating costs which have negative impact on profitability and return on capital employed (ii) There is sub-optimality in the ineffective utilization of resources, as poor management of assets, poor monitoring of assets and poor replacement capability of assets have mar capacity utilization. (iii) Companies inability to recognize and institute competitive advantage of services and products in core areas of professional specialization.

The objectives of this paper are to (i) Examine the relationship between high operating cost and profitability/return on capital employed. (ii) Assess the impact of ineffective utilization of resources on sub-optimality in production (iii) Examine the relationship between outsourcing of services/product and competitive advantage.

The key research questions are: (i) Can operating cost negate profitability and return on capital employed in the service industry? (ii) What is the strength of ineffective utilization of resources on sub-optimality in production? (iii) Is there any relationship between outsourcing of services and product and competitive advantage?

This paper will research into a product that is critical to the operations of the service sector which is leasing. Lease or buy decision of Company’s vehicles and equipment for operational activities formed the major focus of this paper. The vehicles and equipment are the staff buses, the operational vehicles and vehicles attached to departments, high powered generators in their profits, cost and investment centers. However, the foregoing concerns, which have generated some worries in the heart of the researchers, have necessitated the study in this area. The layoffs that often result, and even in cases where the service provider hires former employees, they are often hired back at lower wages with fewer benefits, (Egger, et al 2006).

**Leasing option in outsourcing:** According to Uchegbu (2001), leasing is a contract between two parties, the lessor and the lessee of the asset whereby the lessee agrees to pay periodic rents to the lessor in return for the exclusive right of using the asset. The lease can either be a finance lease or an operating leasing. A finance lease is a system where all or substantially all of the benefits, burdens and risks of ownership are transferred to the lessee at the expiration of the lease agreement. Ownership of the asset is transferred to the lessee at the end of the lease period. This type of lease covers the major part of the useful life of the asset, with or without transfer of title to the lessee. An operating lease on the other hand is a lease where all the benefits, burdens and risks of ownership lie
with the lessor. The lessee does not obtain title at any time and could also terminate the lease at short notice without payment of serious penalty. International Accounting Standard 17 regulates the operations of leasing agreement.

Leasing has great advantages for organizations using the option as outsourcing: a. Leasing is a major source of finance for companies. The lease saves the company the problem of paying outright for the purchase, and it is helpful because it is not easy to assemble funds in bulk to purchase an asset outright especially where it involves a large capital outlay. b. Secondly a company may feel that considering its level of equity capital, it should finance the next purchase of fixed assets with fixed interest capital so as to maintain a certain capital structure and consequently enhance a value of the company. Leasing in this circumstance becomes attractive. c. Leasing helps buoyant and viable companies to cut down their tax burden as lease payments are tax deductible. It is a tax allowed expense. d. A company may not have adequate foreign exchange to import an equipment, and may not have the knowledge and capacity to engage in international trade, hence scarcity of foreign exchange could make a company lease the necessary asset locally.

**Hypotheses**

Testing the following hypotheses showed the accuracy of the discoveries of the research and these are stated in null form below:

1. Ho: High operating costs have no negative impact on profitability and return on capital employed in the service industry.
2. Ho: Ineffective utilization of resources has no impact on sub-optimality in production in the service industry.
3. Ho: Outsourcing has no positive relationship with competitive advantage in the service industry.

**Literature Review**

Overcoming the Challenges facing facility management operators in Nigeria to profit from hidden opportunities

Alaofin (2003) stated that Nigeria is a medium sized economy that remains largely driven by government, the oil and gas sector and commercial activities. The only other sector performing is services especially international trade, i.e. imports of goods and services, banking and insurances. The structure of incentives in the economy is presently against manufacturing. He buttressed his argument with Table 1 below about the percentage contribution of sectors to Nigerian economy

Table 1: Relative sizes of major sectors of the Nigerian economy.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>36.5</td>
</tr>
<tr>
<td>Oil and Gas/Mining</td>
<td>27.0</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4.0</td>
</tr>
<tr>
<td>Wholesale and Retail Trade</td>
<td>15.3</td>
</tr>
<tr>
<td>Services</td>
<td>17.2</td>
</tr>
<tr>
<td>Real Estate and Housing</td>
<td>4.0</td>
</tr>
<tr>
<td>Financial Services</td>
<td>1.0</td>
</tr>
<tr>
<td>Comunication</td>
<td>4.0</td>
</tr>
<tr>
<td>Other services</td>
<td>8.2</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

He explained the Nigerian economic environment that was hostile to business during much of the first half of nineties. However, over the last 5-7 years there has been a gradual return of some economic stability to the economy. In Nigeria different firms provide single components of the typical services under facility management. These component services and the firm that provide them vary significantly in terms of sophistication, customer acceptance, and market awareness/development. This in turn affects industry maturity, health, structure/complexity, size, depth and number of players. He said the scientific approach to choosing between alternatives of ownership and outsourcing is economic. Such approach will consider not only technical efficiency, but also establish financial gains from whatever choice ia made. That ample evidence abounds in Nigeria, especially in public buildings that significant improvements in the quality services can be achieved via outsourcing because outsourcing companies have more and better trained staff. Also supervision is also significantly better, all of which results in better quality of service. Outsourcing companies seek and adopt newer technologies faster than any player who decides to own such services internally. Optimizing operations and maintenance i.e managing people, place and purpose, significant gains in optimization of resources used can be achieved.

**Outsourcing Software Components: Opportunities for developing countries:**

Daramola and Bamigboye (2009) defined outsourcing in Nigeria as the delegation of tasks or jobs from internal production to an external entity such as subcontractor. Business processes can be outsourced to either domestic subcontractors or offshore subcontractors who are otherwise known as Outsourcing Service providers (OSP). They stated that the rise of globalization is making many more companies in the developed countries to embrace offshore outsourcing. This entails the subcontracting of business processes to other countries in other regions of the world. They based their study on software outsourcing. A software component is a unit of composition with contractually specified interfaces and explicit context dependences only. That a software component can be deployed independently and is subject to composition by a third party. They came out with the following reasons why companies adopt outsourcing strategy in business management (i) A lot of money could be saved on staff emoluments, equipment, training, and maintenance when projects are outsourced. (ii) There is shortage of IT professionals in the developed countries because of the rate of technological development which has reached a critical proportion. There were 340,000 vacant IT position in USA. (iii) Some of the countries to which jobs are being outsourced have a more liberal business environment with lesser taxes, less stringent labour laws compared to developing countries. (iv) Technical competence can be acquired offshore at a cheaper price. They further explained the following benefits from findings: (i) Profitable bargain from signed outsourcing contracts leading to more profit. (ii) Acquisition of more software development experience through collaboration. (iii) More profit for the company, which translate to higher potential for capacity building, staff welfare and better recruitment. (iv) Acquisition of cheap technical competence with high productivity. (v) Faster development is achieved with quality standard. (vi) Reduction in overall development cost which may be up to 50 percent.

**Development of a Service Industry Coalition in Nigeria:**

Dalhat (2009) explained that a well developed services sector enhances competition, leading to stimulation of economic activities and ultimately reducing poverty. Hence the need for coalition service industry in Nigeria. That the objective of setting Coalition Service Industry should be to develop and diversify the sector and to prepare service providers to manage the challenges and opportunities which will be presented in an era of expanding global market. That the coalition will enhance outsourcing of services in Nigeria, promote the further development and competitiveness of
Nigerian service sector, ensure that the highest industry standards are met by all Nigerian service providers, to encourage and assist service providers to export services.

**Company’s competitive advantage concept**

One measure of corporate success is relative dominance in the market place. Larger firms commonly, establish an objective in terms of competitive advantage, often using total sales or market as measure of their competitive position. Competitive advantage is the relative level of dominance (or lack thereof) a firm has in its market compared to its competitors. For example, a firm might have as a target to become the market leader, or to grow from third to second place, in the market for bank customers (Thompson, et al 2005).

However, defining a company’s competitive advantage improves a company’s chances of designing strategies that optimize its environmental opportunities. Development of competitor profiles enables a firm to more accurately forecast both its short and long term growth and its profit potentials (Frendendal, 2001). According to Fleisher and Bensoussan (2003), the exact criteria used in constructing a competitive advantage are largely determined by certain factors. These factors according to them may include; Resource strength, Market share, Strategic alliance, Benchmarking and Profitability.

Once appropriate criteria have been selected, they are weighed to reflect their importance to a firm’s success. Then the competitor being evaluated is rated on the criteria.

**The Impact of Outsourcing on the Competitive Advantage of a Company**

Businesses are beginning to feel the full impacts of outsourcing while trying to create or maintain a sustainable competitive advantage. The impacts of outsourcing on the competitive advantage of a company are experiencing a surge and sophistication. Weele,(2000) suggests that as a result of newly unruly forces coming on them, companies need to rethink their position. Doing so effectively require clear idea of their core versus non-core activities. In order to improve their competitive advantage, companies need to focus their core activities on the needs and requirements of their customers. Non-core activities are increasingly outsourced to specialist suppliers, which explain why suppliers’ management is becoming a core issue in corporate strategies, (Sanyal, 2001).

Given the above, D’Aveni, Richard and Ravenscraft,(2004); identified the positive effects of outsourcing as including,

**Low Risk:** as the business world is growing tremendously as the years pass by, an increasing number of companies are planning to outsource both low-end and high-end jobs to specialist suppliers. Also the number of companies providing outsourcing services is on the rise, thus resulting larger variety. Hence as more companies are outsourcing, the risks are getting smaller as businesses have more experience and clearer objectives.

**A mode of management strategy:** outsourcing in the world today is seen as a strategic management option rather than just a cost cutting operation. It aids companies to achieve their business objectives through operational excellence, a better market position and accelerate their competition effectiveness in the global economy.

**Price reduction:** reduction of products price are created, as outsourcing to specialist suppliers will establish demand for the company’s products. This entails lowering of the overall cost of the service to the business, leading to defining quality levels, re-pricing, re-negotiation and cost restructuring.

**Cost restructuring:** operating leverage is a measure that compares fixed costs to variable costs. Outsourcing changes the balance of this ratio by offering a move from variable to fixed costs and also by making variable costs more predictable.
Enhanced technology: many companies tend to participate in outsourcing leading to advancement in technology as manpower with technological experience from different sources are transferred from one company to another and from one regional location to another even from one continent to another. Thus enhancing high-class technology to different parts within the world.

Time saving: the availability of more skilled people brings new ideas of better work done within which the suppliers bring about raw materials and any needed material for production and prompt service delivery.

Increases productivity: as more expertise manpower skilled is very much available in an organization, the level of decision making within that organization is going to be very high and very effective at the same time. Out of good decisions, better work and less accident, the organization tends to be more productive.

However among others, competitive and economical advantages, commodification and cost reduction are other positive effects of outsourcing;

On the negative side, loss of job-opportunity loss of control of an organization-with a lot of ideas from different people, this makes the level of decision making to be slow and control can be lost within the organization.

Not only that, outsourcing for the purpose of saving cost can often have a negative influence on the real productivity of a company Engardio and Kripalana (2006), stressed the fact that rather than investing in technology to improve productivity, companies gain non-real productivity by hiring less people locally and outsourcing work to less productive facilities that appear to be more productive simply because the workers are paid less.

Methodology

The service industry is taken as the population while ten service institutions were taken as the samples to test the hypotheses and the objectives of the study. Five banking institutions, two insurance companies, two Information Technology service companies and one Oil servicing company were chosen using stratified sampling technique. Questionnaire was administered to collect data for the study to enable the researchers measure the impact of outsourcing on the competitive advantage in the industry. The questionnaire was drawn on a five linker scale of Strongly Agree, Agree, Strongly Disagree, Disagree and undecided. Fifty questionnaires were administered to the companies with five questionnaires sent to each institution. Out of the fifty questionnaires administered forty-two (42) were returned representing 84% of the respondents.

Data analysis was both descriptive and inferential. Simple percentage was used to analyse the data and chi-square was used test the hypotheses whose data take the form of countable and is often referred to as contingency tests.

Data Analysis and Discussion of findings

The analysis of data in this study is presented below. Since the study seeks to determine the impact of outsourcing of leasing on the competitive advantage of an organization for analytical purpose, the findings in this study are classified under different tables as below.

Hypothesis 1: High operating costs have no negative impact on profitability and return on capital in service delivery industry.
### Table 2: Frequency of field work

<table>
<thead>
<tr>
<th>Category</th>
<th>Observed Frequency</th>
<th>Expected Frequency</th>
<th>Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>O</td>
<td>N</td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>2</td>
<td>8.4</td>
<td>-6.4</td>
</tr>
<tr>
<td>Agree</td>
<td>1</td>
<td>8.4</td>
<td>-7.4</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>16</td>
<td>8.4</td>
<td>7.6</td>
</tr>
<tr>
<td>Disagree</td>
<td>22</td>
<td>8.4</td>
<td>13.6</td>
</tr>
<tr>
<td>Undecided</td>
<td>1</td>
<td>8.4</td>
<td>-7.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, 2009

Summary:
Chi-Square: 46.82
Level of Significance: 0.05
Degree of Freedom: 4
Tabulated: 9.49

**Decision:** At the level of significance 0.05 and degree of freedom 4, the critical value is 46.82 against the tabulated 9.49 which signifies the respondents' opinions that high operating costs have negative impact on profitability and return on capital in service industry which call for the outsourcing of the product that is a drain to the profitability of the organization.

**Hypothesis 2:** Ineffective Utilization of Resources has no impact on sub-optimality in production in the Nigerian service industry.
Table 3: Frequency of field work

<table>
<thead>
<tr>
<th>Category</th>
<th>Observed Frequency</th>
<th>Expected Frequency</th>
<th>Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>O</td>
<td>N</td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>3</td>
<td>8.4</td>
<td>-5.4</td>
</tr>
<tr>
<td>Agree</td>
<td>4</td>
<td>8.4</td>
<td>-4.4</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>14</td>
<td>8.4</td>
<td>5.6</td>
</tr>
<tr>
<td>Disagree</td>
<td>19</td>
<td>8.4</td>
<td>10.6</td>
</tr>
<tr>
<td>Undecided</td>
<td>2</td>
<td>8.4</td>
<td>-6.4</td>
</tr>
<tr>
<td></td>
<td>42</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Observed Frequency</th>
<th>Expected Frequency</th>
<th>O-E</th>
<th>(O-E)^2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>O</td>
<td>N</td>
<td></td>
<td>N</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>3</td>
<td>8.4</td>
<td>-5.4</td>
<td>29.16</td>
</tr>
<tr>
<td>Agree</td>
<td>4</td>
<td>8.4</td>
<td>-4.4</td>
<td>19.36</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>14</td>
<td>8.4</td>
<td>5.6</td>
<td>31.36</td>
</tr>
<tr>
<td>Disagree</td>
<td>19</td>
<td>8.4</td>
<td>10.6</td>
<td>112.36</td>
</tr>
<tr>
<td>Undecided</td>
<td>2</td>
<td>8.4</td>
<td>-6.4</td>
<td>40.96</td>
</tr>
<tr>
<td></td>
<td>42</td>
<td></td>
<td></td>
<td>27.77</td>
</tr>
</tbody>
</table>

Source: Field survey 2009

Summary:
Chi-Square: 27.77
Level of significance: 0.05
Degree of Freedom: 4
Tabulated: 9.49

Decision: At the level of significance 0.05, degree of freedom 4, the critical value is 27.77 which is higher than the tabulated value of 9.49 which signifies the respondents opinion that ineffective utilization of resources will lead to sub-optimality in production which calls for outsourcing of the product and service affected. This is to enable organization achieve optimal utilization of resources

Hypothesis 3: Outsourcing has no positive relationship with competitive advantage in the Nigerian service industry.
Table 3: Frequency of field work.

<table>
<thead>
<tr>
<th>Category</th>
<th>Observed Frequency</th>
<th>Expected Frequency</th>
<th>Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>30</td>
<td>21</td>
<td>9</td>
</tr>
<tr>
<td>Disagree</td>
<td>12</td>
<td>21</td>
<td>-9</td>
</tr>
</tbody>
</table>

Source: Field survey 2009

Summary
Chi-Square: 7.72
Level of significance: 0.05
Degree of freedom: 1
Tabulated: 3.84

Decision: At the level of significance 0.05, degree of freedom 1, the critical value is 7.72 which is higher than the tabulated value of 3.84. With the result of the people’s opinions it means that outsourcing of products and services in the Nigerian service industry will impact competitive advantage positively as the organization will enhance the production of their areas of specialization that will increase profitability.

Conclusion
It is obvious from the theoretical review of literature and empirical results that competitive advantage hinges largely on a company’s ability to outsource its non-core functions especially the lease service which is capital intensive. Outsourcing reduces operating cost and ensures control of cost; resources will be effectively utilized to full capacity to attain optimality in production. The leasing option provides a great opportunity for the organization to concentrate on core competence areas that will motivate the morale of the staff. Considering the major advantages of tax benefits for the bank, reduction in operating cost of maintenance of equipment and vehicles, concentration on customers’ satisfaction, maintaining a capital structure that helps to enhance the value of the organization, outsourcing leasing option is a good decision for a profit making organization. Moreover, we can rightly conclude that top management of organizations can take advantage of services of experts who are vast in their non-core activities to have a vantage competitive advantage.
Not only that, research and development should be encouraged both by private and public sectors to enable the companies familiarize themselves with the happenings in their surrounding through their external service providers and what opportunities and threats are

**Recommendations**

Based on the major findings of the researcher, the following recommendations have been put forward to top management for a better competitive advantage of their companies in the market area. These include,

- The top management should aim at taking advantage of the services of experts who specializes in their non-core activities and functions like the leasing options. Leasing will encourage the firm to use its capital for growth and development of their operations. They should concentrate on operating lease which avoid them the burden of ownership structure. The top management should be on the look out for economies of scale through outsourcing. This can help to reduce production costs through the aggregation of orders from many different external providers. The top management should recruit, motivate and manage talents through external service providers. This will further help position the company in the market by virtue of the competence of motivated and well managed talents. The top management should find out from their external service providers about what opportunities and threats are available in the market. The top management should incorporate fast, yet flexible decisions into their outsourcing relationships.
- Top management should ensure that there is a free flow of effective communication (both on-line and off-line) with its external service providers.
References
Sanyal, R.N (2001). International Management: A Strategic Perspective. USA, MCGrawhill publication.
The paper examines two fundamental issues of human existence; one, is the concept of social change and educational policy and the second, is how social factors affect the development of educational policies in Nigeria. The paper also highlighted on the concept of education from Islamic perspective, the global trend on the educational policy, the implication of the social factors such as, political, economical, socio-cultural, environmental, religious, and technological factors to the realization of the objectives of the Nigerian educational policy. Based on the literature reviewed revealed that, the delivery of education in Nigeria has suffered from years of neglect, and compounded by numerous challenges which include: inadequate attention to policy frameworks; unqualified teaching staff; acute shortages of infrastructure and facilities at all levels; access to basic education is inhibited by gender issues and socio-cultural beliefs and practices; emphasis on theoretical knowledge at the expense of technical, vocational, and entrepreneurial education. The authors argue that, for an effective educational policy to prevailed in Nigeria there should be commitment to the policy execution by the government; commitment to professionalism; upward review of schools curricula to make it relevant and practice oriented more especially in the area of information and communication technology, there is also need for adequate funding of educational system in Nigeria to meet the minimum UNESCO’s bench-mark of 26% per capital annual budget.

Keywords: Social change; Social factors; Educational policy

1. INTRODUCTION

Social change is a transitional adaptation of culture, beliefs and values of people in a given society. These changes have a multi-dimensional effect which ranges from social, educational to the burden of economic global trend which is infiltrated by the advent of industrial and technological development or globalization. Societal changed usually result in a change in people’s ways of lives, thinking and values system. (EncyclopediBritannica)

In addition to that, social change also involves change in social structure of the people in the society. There are many factors that might have come into play in the social change; this might include the social institutions, the social behavior, and the people inter-societal relations etc. What
we see, hear, eat, touch almost contribute to the social change. When a pattern of behavior changes in a society, people belonging to that society relate to each other differently either in a positive or negative way. For example, people in a primitive days like to live in hut, sustain with a fresh sea food, however, by the emergence of storey building, brick houses and fast food, people life styles transform gradually to another form as if they were not living in a hut before the discovery of this new adventures. Social change also incorporates three types of changes, such as emergent transformational changes or projectable changes, (Reeler, 2007). According to (Reeler, 2007) society tends to change emergently when a change erupts as a means of a swift growth in which all people undergo changes at a glance. For example, in most cases the changes usually occur in societies which came up with some trend of behavior which at times contradict the wishes and ideals of the already existing phenomenon of either communities or nation in a larger perspectives and this changes could be in terms of the rules and regulation governing the people’s way of lives in societies or in terms of the physical environmental changes. Furthermore, social changes could also be transformational changes which occur in people’s lives in a gradually process; which at times significantly affect people culture or behavior. Social changes could be projectable entity; in the sense that, when a societal organization or group of workers or managers suggested that an organization needs a change in its structure, products, and organizational form this could only happens when the organization injects a project of sending its managers and part of its employees to study how an organization could project itself in terms of product it produces…etc. Having done with the concept of social change, then, what is Educational Policy? Educational policy could be defined as the collection of laws; rules and regulations that governed the operational strategies geared towards the realization of educational aims and objectives of educational systems of a given country (http://en.wikipedia.org/wiki/Education_policy). Educational policies of many countries of the world are being provided by the government under the supervision Ministries of Education. These educational policies include the philosophy of education of a country, the main visions and missions of the educational system, curriculum design for various education programs and other educational infrastructural facilities which could lead to the realization of the main goal of the educational system. In most cases, the government in conjunction with the Ministry of Education controlled the transformation of educational development so as to be in accordance to the needs and aspiration of the society and nation at large. Before we discuss social factors and its effects on the development of educational policies in a given country, it seems necessary to give a little preamble on the concept of Education and its acquisition process. Education can simple be defined as a process of acquiring knowledge be it formal or informal Education. Education to a larger perspective been referred to as an act or experience that has a formative effect on the mind, character or physical ability of an individual. In its technical sense, education is the process by which society deliberately transmits its accumulated knowledge, skills and values from one generation to another. Education is a concept, referring to the process in which students can learn something through the following medium:

- **Instruction** refers to the facilitation of learning toward identified objectives, delivered either by an instructor or other forms.
- **Teaching** refers to the actions of a real live instructor designed to impart learning to the students.
- **Learning** refers to process with a view toward preparing learners with specific knowledge, skills, or abilities that could be applied immediately upon completion.
The concept of right to educational development, transformation and attainment of Nigerian citizen cannot be over-emphasized, this is because, a right to education has been created and recognized by some jurisdictions: since 1952, Article 2 of the first Protocol to the European Convention on Human Rights obliges all signatory parties to guarantee the right to education. At the world level, the United Nations International Covenant on Economic, Social and Cultural Rights of 1966 guarantees this right under its Article 13 and this was initiated because of the significance level of education to the general well-being of mankind. Education is a fundamental human right of all citizenry of any giving country irrespective of gender and any forms of impairment provided a citizen is mentally alert and emotionally stable he/she has the right to be educated. From the perspective of the world’s major religions, particularly Islamic religion emphasizes on the seek of knowledge and as a result Islam looked at seeking of knowledge as a social necessity for over 1400 years. The Qur’an and the Hadiths (sayings of the Prophet Mohammed peace be upon him) explicitly emphasise the importance of education; in Islam seeking education (knowledge) is obligatory for every Muslim, male and female. Indeed the acquisition of knowledge and the use of this knowledge for the betterment of humanity.

In Islam, the right to education is for all, without gender discrimination. Muslims are encouraged to support education for disadvantaged sections of society; this can be observed through some forms of charitable giving to promote education projects for the disadvantaged and the marginalised. Islam has a holistic view of human development, which views education and knowledge as central. Furthermore, the principles of justice and equity are important in Islam; this entitles acquiring knowledge and skills to apply such principles.

Islam emphasized greatly on the need for Education and knowledge seeking in the various verses of the Holy Qur’an such as the first verse of the Qur’an revealed to the Prophet Muhammad (pbuh) indicates the importance of education in Islam; the verse started with the word “Iqr’a”, it is a command that means ‘read’ in Arabic, and that implies the concepts of ‘learning’, ‘exploring’ and ‘seeking enlightenment'. This demonstrates that reading (knowledge) is the way to approach the Creator of all that exists. Quran 96/1-5 states:

"Read! In the Name of your Lord who has created (all that exists). He has created man from a clot (a piece of thick coagulated blood). Read! And your Lord is the Most Generous.

Who has taught (the writing) by the pen. He has taught man that which he knew not."

The importance of education has been emphasized repeatedly in the Qur’an, which is the ultimate source of guidance for Muslims. Quran 20/114 says, "My Lord! Increase me in knowledge." This verse indicates that whatever we know is limited as we need to keep asking the lord of the world to increase our knowledge. More-over, from the holy Qur’an Allah said, “

“Allah grants wisdom to whom He pleases and to whom wisdom is granted indeed hereceives an overflowing benefit.” Surah 2/269

“Those truly fear God, among His Servants, who have knowledge: for God is Exalted in Might, Oft-Forgiving.” Surah 35/28
All of the above signifies the values and importance of seeking knowledge to humanity.

Global trend of social factors and Educational policy

The relationship between educational policies and its impact sociologically has been established, in the sense that education is now internationally accepted as a key development index. It is in recognition of this importance that the international community and governments all over the world have made commitments for its citizens to have access to education. Then what is development? Development is more than economic growth; it encompasses economic, social, cultural and political dimensions. The UN's Declaration on the Right to Development Article 1 emphasises that “every human person and all peoples are entitled to participate in, contribute to, and enjoy economic, social, cultural and political development” (UNHCR 1986). Development focuses on improving the well-being of individuals on the basis of their participation and the fair distribution of benefits resulting from their active participation. Hence, along with being a basic human right, education is recognised as being at the core of development.

Education has a multidimensional impact on communities, and it is widely recognized as one of the building blocks for sustainable development. As World Bank research notes, “Investment in education benefits the individual, society, and the world as a whole” and “broad-based education of good quality is among the most powerful instruments known to reduce poverty and inequality” (World Bank, 2009). Therefore, in addition to other interrelated tools of development, promoting education is integral to socio-economic development and poverty reduction.

Investment in education serves to promote economic growth through enhancing the skills and productivity of the poor (Oxal 1997: 1). This will eventually contribute to developing the human capital of the society. Therefore, this study will look at the implication of some the social factors in the development of education in Nigeria and these social factors include: Political implication; Economic implication; Socio-cultural implication; Environmental Implication; Religious implication; Technological implication.

Political factors refer to what extent or degree of a government involvement in the provision of education to respective citizen of a nation and the level of governments’ ‘political will’ interest, commitment, initiatives, strategies, focus etc, toward realization and achievement objectives of the national educational plan which should be in line to the educational policies of a country. Political factors may also include goods and services in the area of education which the government is responsible for providing and these include the following: teachers’ training, conducive environment for teaching and learning, tackling the ideological phenomenon of brain drain, free education for all and political stability.

Furthermore, governments have great influence in the provision of laudable educational policies and educational infrastructures and social amenities for the betterment of a nation’s educational system to work efficiently and effectively. Thus, it is duty bound for governments in collaboration with international organization, non-governmental organization and civil society organisations to
come on board and advocate for the availability of quality educational opportunities that could be accessible to all. The right to education is paramount and part of the inherent dignity of all humans; it is a tool to facilitate communication and bring cooperation among societies and by extension a means of bringing peace, stability and more mutual understanding between communities and nations (UNHCR1966).

According to international declaration and convention of human right, the right to education has been spelled out clearly, example Article 26, outlines the right of everyone to free, compulsory, elementary education with tertiary levels education to be made available to all without discrimination, although higher education may be merit-based. While recognizing an individual’s right to choose their form of education, the Declaration emphasizes that, “Education shall be directed to the full development of the human personality and that concurred with the mission of the Millennium Development Goals (MDGs) of achieving eight educational goals by the year 2015 and that respond to the world's main development challenges.

The MDGs were adopted by 189 nations during the UN Millennium Summit in September 2000. The goals which includes:

- First eradicate extreme poverty and hunger;
- Second, achieve universal primary education;
- Third, promote gender equality and empower women;
- Fourth, reduce child mortality;
- Fifth, improve maternal health;
- Sixth, combat HIV/AIDS, malaria and other diseases;
- Seventh, ensure environmental sustainability;
- Eighth, develop a global partnership for development.

Source: UN Millennium Summit on MDGs reports, September 2000.

Economic factors refer to the government expenditure on educational development and transformation strategies of a nation’s educational system which include: the financial recurrent expenditure budgeted for the realization of educational objectives of a country which basically differ from one country to another. But according UNESCO declaration (2006) stipulated that 26% of every country’s annual budget should go to education, in which now some of the developing countries are yet to meet of up to this declaration and expectation, and this may be as result of lack of sound economic stability or lack of commitment towards the development of education. These factors have major impacts on how educational system operates both in terms of the provision of educational infrastructures, training of teachers, technical and professional expertise enhancement. As such there will be no any educational system that could work effectively without adequate and proper funding, but yet the situation in some of the developing countries particularly Nigeria is worrisome, this is because, the education sector is yet to meet up to some basic fundamental educational policy issues such as the controversy that exist between federal and local government on the management of basic primary education, decay in the public schools’ infrastructure, lack of qualified teaching staff, poor remuneration etc. which all of these is central to proper and adequate funding, commitment and selfless service to humanity.
Socio-cultural factors refer to the cultural aspects of people which include: belief, aspiration, norms, values of the societies or communities to which education is to be provided. There are some other aspects which include: health consciousness, population growth rate, age distribution, career attitudes and emphasis on safety. Culture is also defined as the system of shared beliefs, values, customs, behaviors and artifacts that the members of society use to cope with their world and with one another, and that are transmitted from one generation to another through teaching and learning processes. As such educational policy makers should give considerable regard to socio-cultural background of the people in educational policy formulation and execution and this priority should be given to areas of curriculum design, development and recruitment of teachers, in such a way that, the policy and philosophy of education designed should cater for the need and aspiration of the society in particular and the nation at large.

Emphasis should be given to teacher training; this is because at different time and in different part of the world teachers had been championing the role of disseminators of literacy, guardians of culture, vicars of morality, architects of the ‘good citizen’ or good personality. In more recent times, schools have been allocated the task of achieving social equality, overcoming material disadvantage and eradicating prejudice. Teachers and instructional designer need to be capable of diagnosing the needs of the individual learner and know how to meet these when discovered (Wood, 1995).

Environmental factors are worthy of note in the event of school construction and this consideration should include: environmental factors as such ecology, weather, climate, and climate change which may have especial effect on the educational development. Furthermore, lack of growing awareness of the potential impacts of climate change is affecting some educational structures and operational timing, as such policy makers should have put into consideration while making educational planning in order to avoid some negative unforeseen circumstances of massive distraction of buildings and teaching/learning materials that may result from wind or water.

Religious factors refer to the system of beliefs based on humanity's attempt to explain the universe and natural phenomena, often involving one or more deities or other supernatural forces and also requiring or binding adherents to follow prescribed religious obligations. Two identifying features of religions are to some extent require faith and seek to organize and influence the thoughts and actions of their adherents. The Influence of Religion on Social development and importance of religion as a factor in social evolution, particularly in tribal organization and race differentiation, has been acknowledged by nearly all scholars of sociology. Some have placed so much emphasis upon its importance as to lead to the conclusion that it is the primal influence in securing primitive social unity. Others have either ignored it or insisted that it has retarded social progress. Neither of these views is correct. While it has had a strong influence in cementing the social group, in bringing about its unity, and in developing social forms and social order, nevertheless it is not the fundamental factor of social organization in primitive society.

On the other hand, it has been asserted that it retards the progress of social life and that it is possible for philosophers to devise some better agency than religious organization for the advancement of civilization. Whatever may be the degree of truth in these assertions, it must not be forgotten that the careful student of the historical growth of society will find religion an ever present factor, indeed a force that must be reckoned with everywhere. In this respect it works
peculiarly, for, while, on the one hand, it has favored differentiation between the races and between the independent growth of certain groups, on the other hand, it has been a potent force in increasing the unity of the group; that is, it has brought the interior life of the group or tribe into harmonious unity. When we consider how strong religion has been in the primitive culture of early society, it is easy to infer its great power as a society builder.

As a consequence of that, educational policies makers should give reasonable regard and tribute to the religious issues/matters when formulating educational policies of a giving society or community. For instance, Islamic religion considers that humans have the responsibility (stewardship) to serve the earth and humankind and are accountable for this role. This includes serving humanity and applying the principles of justice for all. Justice is crucial for peace and social harmony. In Islam, justice is a sacred principle in all matters from personal relations to matters of governance. Justice is instrumental in fighting poverty and inequality and is vital in the achievement of sustainable development. In Islam, justice entails protecting individuals’ rights, as well as the fair distribution of wealth and resources. Justice is a human value in Islam; ignorance and illiteracy of Islamic religion would prevent the performance of justice as it is taught in the Qur’an and the hadiths of the Prophet (pbuh). Therefore, knowledge and wisdom are paramount for the achievement of justice and social harmony in Islam; The Qur’an states that individuals bear a responsibility towards the community; Verse 5/2 states:

“and help one another in goodness and piety, and do not help one another in sin and aggression; and be careful of (your duty to) Allah”

Therefore, there is no doubt that incorporation of religious studies in formal schooling and knowing its contextual meaning will lead to the better understanding of the social and economic implications which would contribute to the achievement of justice and social equity in the society. This is also apparent from the Qur’an, Surah 2/269 mentioned above, which promotes the importance of religious wisdom and knowledge.

Technological factors include technological aspects such as Information and Communication Technologies (ICTs), and automation. Information and communication technologies incentives should be incorporated in the core educational schools’ curriculum for harmonious national and international educational development and relationship between nations. When considering literature concerning educational technology and instructional design the development in information technology and communication technology is of a great importance in solidifying and harmonizing the emergence of new findings and development in the field of human capital development. (Reigeluth,1996) said that, the most important new directions for research in educational technology and advancement of the instructional prescriptions should include among other issues:

- Facilitating understanding, generic skills application, and affective learning,
- Utilizing the unique capabilities of new technologies,
- Structuring and sequencing a course or curriculum,
- Selecting mediation systems,
Designing instructional-management systems, and motivating learners to learn,

Developing expert systems as job aids for, or even replacements for, instructional designers,

Providing more help to the public schools, especially by applying systems thinking to design the structural features that are more appropriate for the educational needs of an Information society.

The arguments for why we need to introduce technology into education are often that “we need to prepare workers for the competitive global economy” (Kerr, 1996, p.7). Educational technology is almost everywhere discussed in terms of method, which is seen as having direct effects that are meaningful to national purposes or the formation of citizens that could be able to contribute in specific ways to the society and the economy (Kerr, 1996).

RECOMMENDATION
There is dire need for understanding of the process of policy formulation and implementation. This understanding will be apt to positively influence the processes of educational policy implementation from its beginning to the last drop point with vigor and directed focus toward achieving the main aims and objectives of Nigerian philosophy of education without any ambiguity or lost of generality. Nigeria as a country has its own national development plan on education and recognizes the need of education as an essential tool for comprehensive, sustainable development and as an instrument for economic and social development. Furthermore, education is instrumental in promoting equal opportunities and higher income levels amongst the entire population. Economic growth, per se, does not necessarily imply the reduction in economic inequality. Combating poverty necessitates having equal opportunities in economic activities and more equitable income distribution. While the past 20 years have witnessed a marked decrease in global poverty rates, inequality in many regions has increased. Among developing regions, inequality is highest in Latin America and sub-Saharan Africa, and it is increasing in Asia as well (UNESCO 2008: 14). While education on its own cannot solve the problem of economic inequality, it is one important tool in promoting equal opportunities for all, including children from marginalized social or economic backgrounds and women.

“Unless compensating policies are introduced, especially targeting children from the least advantaged backgrounds,” contends UNESCO, “existing socio-economic inequalities could even be reinforced because of poor education quality, low achievement, high dropout rates, differentiated school systems and limited access to higher education levels” (UNESCO 2008:19). Where education is considered as part of a broader tool to promote equal opportunities, the effects are likely to be more profound. Corresponding policies, such as promoting equitable employment opportunities are necessary if the “potential equalizing benefits of education expansion are to materialize” (UNESCO 2008: 23). Thus, education is one tool that can help the poor and marginalized to contribute to and benefit from economic growth. Therefore, all the aforementioned benefits that could be derived by mean of having proper and executable educational policies could only be actualized if and only if the following hold good: policy makers, curriculum developers, federal and state ministries of education, non-governmental educational organizations in Nigeria, Nigeria tertiary institutions of higher learning, faculties and departments of education, educators and professors in education, Parents, schools heads educational researchers, educational consultants, teachers and concern individual etc. have to come on board in salvaging the flight of Nigerian educational system from total deterioration by way of carrying out and execution of their civic national educational responsibilities with utmost level of sincerity and honesty, distancing
oneself from sharp practices and corruptions. Otherwise the situation will remain pathetic and the end result will be under development in all aspect of human capital development.

CONCLUSION

The severe decline of the oil market in the early eighties, combined with the Structural Adjustment Program (SAP), led to drastic reductions in spending on education. Even though in the late nineties and midst 2000 Nigeria has witnessed and realized huge amount of revenue more especial in the oil sector, but yet, the resultant effect in the educational transformation and development of the country has nothing to write home about. There were laudable policies and programs being formulated such as universal basic education (UBE) vision 2015 of the Millennium Development goals (MDGs) but the results were delay in the payment of teachers’ remuneration and some unpaid teacher salaries, degradation of education facilities at all levels and strikes in universities/public schools, culminating in declining literacy rates.

The poor state of education in Nigeria is aptly captured in the National Empowerment Development Strategy (2006) as follows:

‘...the delivery of education in Nigeria has suffered from years of neglect, compounded by inadequate attention to policy frameworks within the sector. Findings from an ongoing educational sector analysis confirm the poor state of education in Nigeria. The national literacy rate is currently 57 percent. Some 49 percent of the teaching forces were unqualified. There are acute shortages of infrastructure and facilities at all levels. Access to basic education is inhibited by gender issues and socio-cultural beliefs and practices, among other factors. Wide disparities persist in educational standards and learning achievements. The system emphasizes theoretical knowledge at the expense of technical, vocational, and entrepreneurial education. School curricula need urgent review to make them relevant and practice oriented’

Over the years, Nigeria has expressed a commitment to education, with the belief that overcoming illiteracy and ignorance will form a basis for accelerated national development. However, regardless of the incontrovertible evidence that education is crucial to the development of the community and the nation, there remain inequalities in access to education. Despite its potential for leveling opportunities, education is pathetically used to perpetrate inequalities. Millions of poor people are still being excluded from the processes and outcomes of education.
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Effect of organizational identity and commitment on organizational citizenship behavior (Case study: Educational department of Isfahan province)

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Abstract
Organizational citizenship behavior is one of the subjects that organizations are required to it. Existence of such behaviors in organization without imposing any cost, improves performance and organizational effectiveness indirectly. The purpose of current study is investigating the effect of organizational identity and organizational commitment on organizational citizenship behavior. The study is an applied research and regarding its nature is a descriptive-survey research. Data collection tool was a third-part questionnaire that its validity and reliability has been approved. Data analysis using descriptive statistics, t-test and path analysis by LISREL 8.53 was performed. Conducting pre-test, reliability of organizational citizenship behavior questionnaire was estimated equal to 0.856 and organizational commitment questionnaire reliability was equal to 0.875 also reliability of organizational identity questionnaire was equivalent to 0.846. Findings indicate the appropriate status of variables in population. The effect of organizational identity and organizational commitment on organizational citizenship behavior was confirmed. Therefore identity and commitment are considered two predictors of organizational citizenship behavior. About 56 percent of the variation of organizational citizenship behavior was explained by identity and commitment.

Keywords: Organizational Citizenship Behavior (OCB); Organizational identity (OI); Organizational commitment (OC).

1. Introduction
In currency world that inflexible and bureaucratic structures do not respond to organizations, for surviving and achieving sustainable competitive advantage the need to flexible and organic structures for responding to the environmental changes on time has been felt. In this structure, organizations require staffs who are not only perform their formal role requirements, but also to promote performance and effectiveness of their organization in order to achieve sustainable competitive advantage, they should go beyond the role expectations and job duties. Organizational citizenship behavior for any organization is desirable because it deals with major variables such as: organizational effectiveness and productivity. By enhancing the sense of justice and fairness and
paying attention to the values and goals of organizational goal setting improve variables such as commitment and identity and ultimately they will observe extra-role behavior of their staff in their organizations. The purpose of current study is investigating the effect of organizational identity and organizational commitment on organizational citizenship behavior.

2. Organizational citizenship behavior (OCB):
In recent years, researchers have begun to study behaviors that are not component of essential requirements and formal role in organization. This behaviors are recognized as citizenship behavior. Behaviors in organizations were divided into in-role behavior in accordance with formal role descriptions, and extra-role behavior which is beyond formal role requirements. extra-role behavior arises from feelings of “citizenship” with respect to the organization (Burns & Collins, 1995). These feelings have been perceived as the backbone of behaviors that were not required by an organization, but which have positive impact on organizational function (Organ, 1988). Diverse terms to describe extra-role behavior have been suggested such as organizational citizenship behavior (Organ, 1988; Smith, Organ, & Near, 1983), prosocial organizational behavior (Brief & Motowidlo, 1986), civic organizational behavior (Graham, 1991), organizational spontaneity (George & Brief, 1992), and contextual performance (Borman & Motowidlo, 1997). Organ in his book on title of “organizational citizenship behavior:syndrome of good soldier” defined OCB as “individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, but totally it promotes the effective functioning of the organization” (Kernodle, 2007).

2.1 Types of citizenship behavior in organization
Graham believes that OCB is divided in three groups consisting of organizational obedience, organizational loyalty and organizational participation.

1- Organizational obedience: this term describes behaviors that their necessity is recognized and in a reasonable structure of discipline and regulations has been accepted. Indicators of organizational obedience are behavior such as respect to organizational regulations, performing duties and responsibilities completely in regards to human resources.

2- Organizational loyalty: loyalty to organization is different from loyalty to other individuals or loyalty to organizational units. It describes staff loyalty level towards organizational interests and support and defense of the organization.

3- Organizational participation: this term with staff active participation in organizational affairs will be meant. These affairs include participating in meetings, sharing their ideas with others and awareness of current issues in organization.
2.2 Dimensions of Organizational citizenship behavior

Perhaps it can be said that the most reliable and widely used classification on components of organizational citizenship behavior was presented by Organ. These dimensions include: 1. Altruism 2. Civic virtue 3. Conscientiousness 4. Courtesy 5. Sportsmanship which are showed in figure 1.

1) Altruism
Altruism is the category consisting of discretionary behaviors that aim at helping certain people in an organization with a relevant task or problem.

2) Civic virtue
Civic virtue is the involvement that the employee shows in the political life of the organization.

3) Conscientiousness
Conscientiousness is originally termed general compliance, which involves employees going beyond the minimum requirements of the organization.

4) Courtesy
Courtesy includes proactive gestures that consider consulting with other workers in the organization before acting, giving advance notice, and passing along information.

5) Sportsmanship
Sportsmanship refers to the forbearance of doing some action such as filing petty grievances.

Organ remained that all five dimensions of OCB may not be simultaneously appeared for example a person may be conscientious and not be sportsman or that some of these dimensions, such as altruism and conscience are tactical tools for putting pressure on organization managers (Castro, 2004, 141).
2.3 Key properties of Organizational citizenship behavior

1) It is a kind of behavior that goes beyond formal role requirements prescribed.
2) Behavior that is discretionary and it is base on individual interests.
3) Behavior that is not directly seeking compensatory and through the formal system will not be appreciated.
4) Behavior that for organization performance and operation success is important.

3. Organizational commitment

Organizational commitment is an attitude about loyalty to organization and a continuous process through participation of individuals in organizational decisions, it indicates welfare and success in organization. In the dictionary commitment defined as a essence which limits freedom of action. As noted by Porter and colleagues (1982), commitment is the “relative strength of an individual’s identification with and involvement in the organization” in terms of values and goals. This definition of organizational commitment has three factors:

1) Belief in and acceptance of the organization’s goals and values.
2) A willingness to focus effort on helping the organization achieve its goal’s, and
3) A desire to maintain organizational membership

In relation to organizational commitment, several studies carried out. The most important studies belong to Allen & Meyer. They explained the kinds of commitment that express the following:

Affective commitment is defined as the emotional attachment, identification, and involvement that an employee has with its organization and goals. Continuance commitment is the willingness to remain in an organization because of the investment that the employee has with “nontransferable” investments. Normative commitment (Bolon, 1993) is the commitment that a person believes that they have to the organization or their feeling of obligation to their workplace.

4. Organizational Citizenship Behavior and Organizational Commitment

Organizational commitment that is considered as honesty and loyalty towards the organization have a relationship with the acceptance of objectives and values of the organization and means a type of tendency to try in organization and interesting to work in it (Porter and others, 1974). Results of a meta-analysis by Brian and organ in 1995 were showed that organizational emotional commitment is related to dimensions of sacrifice and obedience of organizational citizenship behavior. Mayer and others (2000) expressed that government employees with strong emotional commitment possibly try more for the government and help others in achievement organizational objectives. Employees search the best ways and methods to increase the quality of job performance voluntarily and without any reward. Positive emotional reactions depend on organizational attachment with organizational commitment; organizational citizenship behavior is in direction of positive emotions, therefore organizational citizenship behavior will increase organizational commitment. Bormann (2004) states that OCB
increases the organization ability to attract and retain of people by creating an attractive environment in work. Organizational citizenship behavior help to create the belonging sense, group cohesion, work ethic and maintenance of employees in the organization which all of these leads to increase organizational performance. Sportsmanship is one of the components of organizational citizenship behavior that has a strong relationship with organizational commitment. Sportsmanship means suffering without profess and complain about the problems and issues of organization. Ryan and Ang in a study which conducted in Singapore in 1995 had showed the effect of organizational citizenship behavior on organizational commitment among specialized personnel of banks and hospital. They stated that staffs with higher citizenship behavior have more commitment.

5. Organizational identity
In the past several decades, organizational scholars have implemented the social identity theory and have used it widely in the organizational environment. Organizational identity is one of the parts of this theory. In definition of organizational identity, most experts agree on differentiation and oneness. Organizational identity is the sense of psychological attachment or the sense of dependency to the organization or company. This concept is representing distinction and membership in a particular organization (Ashforth et al, 2008). Rousseau (1998) defined organizational identity as a degree to which people consider themselves as members of an organization, it means that people are proud of their membership in an organization and if people consider their individual identity based on organizational identity, then they have high organizational identity. Organizational identity will creates motivation needed for arousing voluntary behaviors in the organizations. Organizational citizenship behavior can be considered as part of voluntary behaviors, because these behaviors are not recognized by formal reward systems of organization. In the next section, the relationship between organizational identity and citizenship behavior has been studied.

6. Organizational citizenship behavior and organizational identity
Most of researches which conducted about the relationship between organizational citizenship behavior and organizational identity have included the identity as predictor variable for organizational citizenship behaviors. In most studies, organizational identity has been predicted change in citizenship behavior. Liponen and others (2004) in a study found that organizational identity has the effect on organizational citizenship behavior and enhances this behavior in the organization. Blow and others (2006) in a correlation study was conducted among nurses and doctors found positive and significant Relationship between identity and citizenship behavior. So we can say that there is a positive and significant relationship between organizational identity and citizenship behavior and both of these variables have effect on each other. Former researches introduced identity as predictor of citizenship behavior. There are limited studies about the effect of organizational identity on organizational citizenship behavior.
7. Research model
The research model is shown in figure 2.

![Organizational Identity](image1.png) ![Organizational Commitment](image2.png) ![Organizational Citizenship Behavior](image3.png)

**Figure 2: Research Model**

8. Method of research
Since the aim of this research was to determine causal relationships among organizational identity, organizational commitment and organizational citizenship behavior variables, so according to the goal, this study is applied research and according to the manner of collecting information, this study is descriptive-correlation research type. In this regard, regression analysis and path analysis were used.

9. Tools of Data collection
The main tool to gather data was a questionnaire and to measure organizational identity and organizational commitment, Ashforth and Mayer questionnaires respectively were used and also Organ questionnaire was used to measure of organization citizenship behavior. For measuring reliability and validity 30 questionnaires as pre-test was used. For validity measurement the factorial validity was used. Load factor of all questions was more than 0.7. This represents that the questionnaire is valid.

Confidence coefficient (reliability) was calculated using Cronbach's alpha coefficient, which these values respectively for the questionnaire of organizational identity 0.875, organizational commitment 0.894 and organizational citizenship behavior 0.856 was calculated.

10. Statistical population and sample
Population of this study was all of employees of Educational Department of Isfahan province, with population 300 people who were randomly sampled. The statistical sample size using formula of limited population, was equal to 100.

11. Data analysis
First the Kolmogorof-Smirnoff test was used to evaluate normality of variables, output of SPSS software in Table 1 are shown.
According to significance, all of the three variables had normal distribution. To analysis of data, parametric test has been used. The overall features of sample including mean, standard deviation and independent t-test are shown in Table 2. Relationship between organizational commitment and organizational citizenship behavior ($r = 0.674$, $p = 0.01$) and organizational identity and organizational citizenship behavior ($r = 0.671$, $p = 0.01$) which is positive strong and significant. Therefore, increasing (reducing) the level of organizational identity and organizational commitment, organizational citizenship behavior level will be increased (decreased). According to Mackenzie and Podsakf research which have considered the dimensions like job satisfaction, organizational commitment, identity and justice as predictors of organizational citizenship behaviors, and also the dependence of research variables according to Table 1, organizational identity and organizational commitment were selected as predictors of behavior organizational citizenship. Since correlation coefficient of organizational identity and organizational commitment is relatively strong (0.604). To refuse the existence of self-correlation between independent variables, the Durbin-Watson test was used that are shown in Table 4.

### Table 1

<table>
<thead>
<tr>
<th></th>
<th>OC</th>
<th>OI</th>
<th>OCB</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Normal Parameters (a,b)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>24/27</td>
<td>22/93</td>
<td>77/38</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>3/6</td>
<td>4/67</td>
<td>8/14</td>
</tr>
<tr>
<td>Most Extreme</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Positive</td>
<td>0/092</td>
<td>0/074</td>
<td>0/069</td>
</tr>
<tr>
<td>Negative</td>
<td>-0/13</td>
<td>-0/14</td>
<td>-0/13</td>
</tr>
<tr>
<td>Kolvomgorov-Smirnov Z</td>
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<td>0/94</td>
<td>0/90</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td>0/433</td>
<td>0/336</td>
<td>0/381</td>
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### Table 2

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>S.D</th>
<th>t</th>
<th>df</th>
<th>Asymp. Sig. (2-tailed)</th>
<th>95 % Confidence Interval of the Difference</th>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>Upper</td>
<td>Lower</td>
</tr>
<tr>
<td>OCB</td>
<td>4/07</td>
<td>0/42</td>
<td>16/6</td>
<td>99</td>
<td>0/01</td>
<td>0/94 1/02</td>
</tr>
<tr>
<td>OC</td>
<td>4/04</td>
<td>0/61</td>
<td>11/3</td>
<td>99</td>
<td>0/01</td>
<td>0/85 1/23</td>
</tr>
<tr>
<td>OI</td>
<td>3/82</td>
<td>0/77</td>
<td>6/9</td>
<td>99</td>
<td>0/01</td>
<td>0/58 1/05</td>
</tr>
</tbody>
</table>
Lack of self-correlation exists when value of Durbin–Watson test is between 1/5 to 2/5. Considering the amount of 1/627 in Table 3, it can be found that the self-correlation between independent variables does not exist.

<table>
<thead>
<tr>
<th>Variable</th>
<th>OC</th>
<th>OI</th>
<th>OCB</th>
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<tbody>
<tr>
<td>OC</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>OI</td>
<td>0/604</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>OCB</td>
<td>0/674</td>
<td>0/671</td>
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<table>
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<tr>
<th>Durbin-Watson</th>
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<tbody>
<tr>
<td>1.62</td>
</tr>
</tbody>
</table>

11.1. Test of research Hypotheses

Two indices of critical value and P to test the significance of hypotheses have been used. Critical value (t) is the "regression weight estimate" over "standard error". In the significance level 0/05, critical value must be greater than 2. If critical value of a parameter is less than this amount, then it is not to be considered as important parameter in the model and also smaller amounts of 0/05 for P value indicate significant difference in the value calculated for the regression weights with zero value at confidence level 0/95. Hypotheses along with the regression coefficients and the values of partial indicators related to each hypothesis are given in Table 5.

<table>
<thead>
<tr>
<th>NO.</th>
<th>Hypothesis</th>
<th>Standardized Coefficient</th>
<th>t</th>
<th>P</th>
<th>Result</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>OI → OCB</td>
<td>0.42</td>
<td>3.285</td>
<td>0.001</td>
<td>Accepted</td>
</tr>
<tr>
<td>2</td>
<td>OC → OCB</td>
<td>0.42</td>
<td>3.353</td>
<td>0.00</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

11.2. Test the hypothesis 1

Impact factor for this hypothesis is equal to value 0.42, as it is observed in the table, the critical value (3/258) for the hypotheses is larger than 1.96 and also P-value for the hypothesis 0/001, thus we can say that regression coefficient of this hypothesis has significant different with zero, so with confidence level of 0.95, this hypothesis can be confirmed and can be stated that organizational identity is effective on organizational citizenship behavior.

11.3. Test the hypotheses 2

Standardized regression coefficient for this hypothesis is 0.42 that given the amount 3.353 for C.R and P value related to this regression coefficient that is smaller than 0.05, we can say that this hypothesis is confirmed, in other words the organizational commitment has a significant effect on organizational citizenship behavior. Therefore
both of the research hypotheses were confirmed. We can use of Standardized regression coefficient to compare the effect of each variable on the dependent variable. The values of impact coefficient of two variables of organizational commitment and organizational identity are equal, and both of them are equal to 0.42. One unit change in organizational identity or organizational commitment will change organizational citizenship behavior to the 0.42. The high rate of these coefficients reveals importance of research factors. Analyzing model was done by lisrel 8.53 software that output this software is shown below.

In figure 3, Significance of regression coefficients is shown; According to the figure t all coefficients are greater than 2 that is representing the significance of all coefficients including regression and correlation. T- Value (3.32) indicates relationship between organizational identity and organizational commitment. Covariance value of these two factors is positive that indicates direct relationship between the variables of organizational identity and organizational commitment. In figure 3, regression coefficients are shown in standard status. Because the study model has been the regression type, so the type of model is saturated and the amount of chi – square and freedom degree of model is zero. In this kind of model, the determination coefficient is used for the measurement and interpretation of data fit (fitness) with model. Considering the rate of error in Figure 4 that is 0/44, the determination coefficient of the Model is 0/56 (table 6).

![Figure 3](image_url)

Chi-Square=0.00, df=0, P-value=1.00000, RMSEA=0.000

Because in this model the determination coefficient is used for data fit, the significant test of determination coefficient was used to ensure the accuracy of this coefficient. The results are shown in table 7. According to the table 7 because sig F is 0/000, then the coefficient of determination has significant difference from zero. In total the coefficient of determination is significant. Thus the data have well fit (fitness) with model and model of research is confirmed. In total organizational identity and organizational commitment explain 56 percent of organizational citizenship behavior changes. So we can say that
organizational identity and commitment are predictors of organizational citizenship behavior.

Table 6

<table>
<thead>
<tr>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.751</td>
<td>0.564</td>
<td>0.543</td>
<td>0.50</td>
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</table>

Table 7

<table>
<thead>
<tr>
<th>R Square</th>
<th>F</th>
<th>df1</th>
<th>df2</th>
<th>Sig. F</th>
</tr>
</thead>
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<tr>
<td>0.564</td>
<td>26/52</td>
<td>2</td>
<td>97</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Figure 4

12. Discussion & Conclusion

Using the Kolmogorof – Smirnoff test, it was found that research variables follow of normal function. By one sample independent T-test, it was determined that all research variables including organizational commitment, organizational identity and organizational citizenship behavior have had suitable condition among employees. The mean of organizational citizenship behavior and organizational commitment was almost equal and the mean of organizational identity has been slightly difference and is less than the means of two factors of organization commitment and organizational citizenship behavior. The correlation coefficients of organizational commitment and identity with organizational citizenship behavior are representing a relatively strong relationship between these factors. The research model was tested through structural equation. According to saturation model (fitted model), the determination coefficient has been fit
index (fitted the index), the determination coefficient was also significant that shows the data fitness with model. Both of the research hypotheses were confirmed that it continues to be paid. Lowell in his research has studied the relations among organizational justice, commitment and citizenship behavior and introduced the organizational commitment as one of variables affecting organizational citizenship behavior. Also Tabersa and others investigated the factors affecting organizational citizenship behavior and discussed about the organizational commitment as effective and significant factor on organizational citizenship behaviors. Sohrabi and Khanlari in an article have examined the relationships among ethics, information technology and organizational citizenship behavior, their findings were representing the effect of organizational commitment on organizational citizenship behavior (individual and organizational). In this study the effect of organizational commitment on citizenship behavior was confirmed. Organizational commitment variable has been introduced as one of the predictors of organizational citizenship behavior. So through strengthen of organizational commitment in the research community can increase emergence likelihood of voluntary behaviors in the organization and will help to improve the performance and effectiveness of the organization. In a simple regression equation, the organizational commitment and citizenship behavior that were controlled as demographic variables; the organizational commitment is explained 50 percent of changes in organizational citizenship behavior. If regulations be implemented in the organization fairly, promotion and progression done and based on competencies and also if the employees objectives have been attended in determining the organizational values and objectives, we can increase the level of organizational commitment and thereby help to increase the organizational citizenship behavior. One of the most important variables affecting on organizational commitment is organizational justice that in many of research its effect is confirmed. Also job satisfaction is considered as influential factors. So managers should pay more attention to this issue. In the correlation research projects that are performed, organizational identity and citizenship behavior have had a direct and significant relationship. Blue and others have been confirmed the significant relationship of these two factors. Liponen in a study introduced the organizational justice as an effective factor on organizational identity, he said that organizational citizenship is affected by organizational identity. In this study, the effect of organizational citizenship behavior on organizational identity was confirmed. In a simple regression equation that demographic variables were controlled, the organizational identity explained 50 percent of the variance of organizational citizenship behavior.
References


Assessing the Constructs of Sport Sponsorship Effectiveness and Theoretical Relationships between them among Football Fans in Iran

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Abstract
Nowadays, sponsorship especially sport sponsorship is one of the most important parts of marketing activities in the world. Sport sponsorship traverses an ascending trend in Iran too. Therefore, managers need accurate and complete information about effectiveness of sport sponsorship to make right decisions about issues such as resource allocation to sport sponsorship. The purpose of this study was to examine theoretical relationships between key variables of sport sponsorship effectiveness (i.e. sports involvement, sponsor awareness, corporate image and future purchase intention) among Persepolis and Esteghlal fans in Iran. The statistical population of this study was all of Persepolis and Esteghlal fans in Iran. In this research, questionnaires were sent electronically to 384 of Persepolis and Esteghlal fans and these fans answered to 16 main questions of questionnaire. By using statistical method (Regression analysis), the relationships between these key variables of sport sponsorship effectiveness were evaluated. According to the findings, Consumer involvement had a direct positive effect on brand awareness, perceptions of corporate image and intention to purchase a sponsor's product. Sponsorship awareness had a direct positive effect on corporate image and finally sponsorship awareness and corporate image had a direct positive effect on intention to purchase a sponsor's products. This test also was performed on Persepolis and Esteghlal fans separately and the result of Persepolis and Esteghlal fans was the same as whole sample.

Key words: Sport sponsorship, Sport involvement, Brand awareness, Corporate image, Purchase intention.
1. Introduction

In today’s marketplaces companies look for new methods for their marketing activities and they try to be different from competitors and increase their market share and sales and for these purposes they spend a lot of money. One of these methods is sport sponsorship that companies look for different goals sponsoring the events or sports club. Corporate sponsorship, defined as "an investment, in cash or in kind, in an activity, in return for access to the exploitable commercial potential associated with that activity" (Meenaghan, 2001). Companies have paid more attentions to sport sponsorship in the past few years and they consider it as a suitable communicative method to communicate with consumers which has a high efficiency. Worldwide corporate investment in the sponsorship market grew from approximately US$2 billion in 1984 to US$23 billion in 1999 to an estimated US$28 billion in 2004 (Yong Jae et al, 2008). In 2002 more than 70% of sponsorship dollars were invested in sport and sports events (Howard & Crompton, 2004). In this environment, sports sponsorship has become an important marketing tool due to its flexibility, its broad reach and the high level of brand or corporate exposure that can be gained through the process (Yong Jae et al, 2008). One reason for the increase in sports sponsorship expenditure is that sponsorship can contribute to reaching large and diverse audiences—for example, the 37 billion television viewers of the 1998 FIFA World Cup (Lardinoit & Derbaix, 2001). According to a recent survey, a second reason driving investment in sports sponsorship is that nearly three-quarters of corporate sponsors of sport have been generally satisfied with their relationships with sports leagues, teams and organizations (Yong Jae et al, 2008). Now that most of the sports leagues specially soccer have become professional and attract a lot of people, a competition has been formed among companies for sponsoring the events and famous sports club. Nowadays sponsorship is a essential part of incomings in sports club. Fans pay attentions to the product which the name of it's company as a sponsor is been curved on the shirt of their favorite team. Fans consider the products of their team’s sponsor more attractive than the same one. On the other hand, sponsoring the events by big companies can help both sports club and sponsors succeed and benefit from this deal (Eshghi,2009). In light of the phenomenal growth of sports sponsorship, understanding sponsorship effectiveness has become increasingly important for both sports marketers and sponsors. Sport sponsorship is often attractive to corporations because sporting events, especially those produced within the same league or association (i.e., NFL, NBA, NCAA), provide a highly involved, passionate, and loyal audience that is comprised of individuals with similar demographics. Therefore, creating unique marketing messages to target these specific audiences is time efficient and cost effective (Dees et al,2008). Sponsorship is also appealing to the firm because it can be used to link consumers to sponsoring brands, using the sporting event as the tie, or association, and influence consumers to form positive brand images or make purchases from these corporations. Ideally, sponsoring firms would like the fans of a particular event to equate or connect positive feelings for the property to their brands or specific products and services (Meenaghan, 2001), a process often operationalized as image transfer. Thus, many corporate sponsors seek to develop, improve, or change their brand image by associating their company or brand with a specific sporting event. Other marketing objectives that can be accomplished through sponsorship endeavors include generating goodwill within the target audience (Meenaghan, 2001), fostering positive attitudes toward the brand and increasing consumer purchase intentions (Dees et al,2008).
2. Statement of Problem

Due to the fact that commercial sponsorship has become a major form of marketing communication, it is necessary to continually study this phenomenon in an effort to determine its impact on consumers and their perceptions of commercial sponsors and their products and services. There is a plethora of original research, position papers, and theoretical manuscripts exploring the topic of advertising effectiveness. While there is a wealth of scholarship on sponsorship, a relative paucity of original research exists on the effectiveness of CS. An even greater disparity exists regarding the relationships between key variables of sponsorship effectiveness (i.e. Sport involvement, Brand awareness, Corporate image and Purchase intentions). Nowadays most of the companies want to evaluate the effectiveness of their marketing activities to make a better decision. Unfortunately a few studies have been conducted that attempt to evaluate sponsorship effectiveness in Iran. Consumer sports involvement, brand awareness, corporate image and purchase intentions need to be measured in the context of sponsorship effectiveness. However, only a few sponsorship effectiveness studies have done so. Although companies spend a lot of moneys to return their investments, but they have problem in measuring their marketing activities effectiveness. In this study the effectiveness of sport sponsorship among football fans (Persepolis and Esteghlal fans) in Iran is measured by analyzing the constructs of sponsorship effectiveness.

With due attention to the firms attitude towards sports sponsorship and their success in reaching their goals, Iranian companies want to support sports clubs or events, but a few studies have been conducted to examine how these activities influence target market and how to measure the effectiveness of these activities. Sports involvement, brand awareness, corporate image and purchase intentions are the main factors of measuring sports sponsorship effectiveness (Yong Jae et al, 2008). we want to study these factors and the theoretical relationships between them. The level of sports involvement, brand awareness, corporate image and purchase intentions among football fans in Iran and the theoretical relationships between these factors have not been examined in any researches. Lack of information in this context is clear in Iran and we want to resolve these requirements. Therefore the main question of this research is: Is there any significant relationships between key variables of sponsorship effectiveness (i.e. Sport involvement, Brand awareness, Corporate image and Purchase intentions)?

While previous research has advanced our understanding of single variables, a more complete understanding of sponsorship effectiveness requires assessment of more complex relationships among the key variables. Additionally, many scholars have attempted to evaluate sponsorship effectiveness. However, most have concentrated largely on the use of a single variable such as consumer awareness or effect of sponsor image as a predictor of sponsorship effectiveness. The objectives of this study are:

1. To evaluate the communication process of sponsorship and the consumer responses to that.
2. To recognize and investigate the factors of measuring the effectiveness of sports sponsorship.
3. To assess the theoretical relationships between key variables of sport sponsorship effectiveness.
4. To investigate how sponsorship works in the minds of consumers.
5. To offer a framework to managers so that they can evaluate the activities of sports sponsorship via that.
3. Literature review
A few studies have been conducted in the context of sponsorship specially sports sponsorship in Iran compared to outside of Iran. Some of the sport sponsorship studies in Iran are as follows:

- **Evaluating effectiveness of sport sponsorship among football fans in Iran** is one of the numerable studies about effectiveness of sport sponsorship in football leagues of Iran that was conducted by Kamran Eshghi in 2009. This study evaluated the effect of sport sponsorship on five important variables of consumer maturation process. The results indicated that sport sponsorship enhanced the corporate image, increased the probability of purchase intention and loyalty of fans to the company and its’ product but it did not increase brand awareness and liking of company and its’ products.

- **Describing the marketing mix elements in football industries of Iran compared to some Asian countries (South Korea & Japan) and offering a theoretical model** is the title of a PhD thesis that was conducted by Reza Mohammadkazemi in 2007. In this research four elements of marketing mix in football industries were measured and compared to South Korea & Japan and ultimately a model was suggested to use these four elements in football industries.

- **Strategic assessment of sport sponsorship as a marketing communication tool in electronic industries of Iran** (Faed, 2007): The purpose of this research is to achieve a better understanding of how and why companies in the electronic industry get involve in sports sponsorship, also the thesis describes the varieties of objectives when involving in sports sponsorship also the process of sports selection as well as the evaluation approaches that are related to the electronic brands.

- **Describing the factors that effect on corporate sponsors of Iran’s professional football in sponsorship attraction** (Eezadi, 2004): This study was conducted in the context of sponsorship in Iran’s football league by Eezadi at Tarbiat Moallem University. He believed that one of the ways of providing sufficient budget for doing sports activities specially championship activities was attracting companies and organizations as sponsors or financial supporters. He noted that commercial advertising was different from sports sponsorship, because sponsorship is an indirect part of sport marketing. The purpose of this research is to describe sponsorship goals of corporate sponsors of Iran’s professional football. The results of this study indicated that football sponsorship in Iran could partly help the firms access to the target markets and competitive advantages against the competitors.

A lot of studies have been conducted in the context of sponsorship specially sports sponsorship in outside of Iran specially in Australia, Ireland, America. One of the most famous researchers in this context is Tony Meenaghan who has provided a lot of articles in the context of sponsorships. Some of these are as follows:

- Commercial sponsorship (1983)
- Sponsorships-Legitimaizing the medium (1991)
- The role of sponsorship in marketing communications mix (1991)
- The effect of medium on Commercial sponsorship (1999)
- Understanding sponsorship effects (2001)

In above researches Tony Meenaghan points out the sponsorship totalities and sponsorship effects on target market and offers some models to evaluate sponsorships effectiveness and
communicate with other marketing factors. Other researchers have also conducted important and effective studies in this context. Some of these studies are as follows:

- **Measuring the Effectiveness of Sponsorship of an Elite Intercollegiate Football Program (Dees, Bennett & Villegas, 2008):** In this study the sponsorship of an elite intercollegiate football program was evaluated by analyzing the effects of the constructs of attitude toward the sponsor, goodwill, and fan involvement on consumer purchase intentions. The results of this study indicate that although attitude toward the sponsor and fan involvement are important facets of sponsorship effectiveness, goodwill may be one of the keys to transforming avid fans into loyal consumers and has the most impact on consumers' intentions to support the corporate sponsors via purchasing behaviors.

- **The Evaluation of Sponsorship Effectiveness: A model and some methodological considerations (Pham, 2000):** In this study the Evaluation of Sponsorship Effectiveness has been discussed. The most emphasis of this research is on corporate image and brand awareness. A theoretical model for the objectives of these two dimensions (i.e., Image & Awareness) was suggested that indicated the communication process of sponsorship and the consumers' responses to that. Generally the purpose of this study is to offer a framework to managers so that they can evaluate the activities of sports sponsorship via that.

- **The Effects of Consumer Knowledge on Responses to Event Sponsorships (Roy & Cornwell, 2004):** Roy and Cornwell stated that the effect of consumer knowledge on responses to sponsorships has received considerably less research attention. This research refers to the difference of events information between experienced consumers and inexperienced consumers and discusses if there is any differences between these two groups and also if there is any congruencies between sponsor and event. 6 sponsors and events were selected for this purpose and the congruency was evaluated among them.

- **Corporate sponsorship: The measurement of effectiveness** is the title of a thesis that was conducted by Glaser & Rum in Canada. The purpose of this study is to investigate the sponsorships and difficulties of measuring effectiveness. Glaser and Rum investigated the history of sponsorships and methods of measuring sponsorship effectiveness and expressed the sponsorship goals of firms. Finally they concluded that assessing the sales and purchase intentions are two appropriate scales for measuring the effectiveness of sponsorships.

- **Sport Sponsorship Management: Major Australian Sponsor Practices in Objective Setting and Measurement** is the title of a study that was conducted by Kara in Australia. The purpose of this research is to examine the sponsorship management practices of Major Australian Sponsors. This study emphasizes on the objectives of these firms and the tool that they use to evaluate their practices effectiveness.

**4. Research model**

While various researchers have attempted to measure sponsorship effectiveness, there has been no consistency with respect to the predictor variables and outcomes being measured (Cornwell, 1995). In addition, assessing sponsorship effectiveness based on single variables may not be sufficient due to the complex nature of the process of developing perceptions about a sponsorship.
It has been suggested different models to study sponsorships specially sport sponsorship effectiveness. The researchers have not reached any consensus about sport sponsorship effectiveness, because this field is on its’ primary ages. One of these models that have been agreed by experts is a model provided by Yong Jae et al. This research model was used to delineate the relationships among the four constructs (i.e. sports involvement, sponsor awareness, corporate image and future purchase intention) of sponsorship effectiveness (see Figure 1). Figure 1 illustrates the hypotheses that fan sports involvement directly affects awareness, image and purchase intention. Heightened levels of awareness and image predict a higher level of purchase intention. Corporate image is directly influenced by sponsor awareness. Each construct is discussed next followed by pertinent research hypotheses.

**Figure 1: The relationships among the constructs of sponsorship effectiveness (Yong Jae et al, 2008)**

1.1 Fan sport involvement

A consumer's sports involvement is defined as "the perceived interest in and personal importance of sports to an individual" (Shank & Beasley, 1998, p.436). Highly involved consumers are those individuals who are often most knowledgeable about their favored event, team, or player (Meenaghan, 2001). These individuals are generally aware of the sponsor and whether or not that sponsor is helping or hindering the progress of the sport (Dees et al, 2008). The level of a consumer's involvement provides a powerful explanation of social behavior, as witnessed in the adulatory responses to rock music stars and the fanatical loyalty of sports fans (Meenaghan, 2001). Depending on how involved consumers are with their favorite sports or other events (such as the arts), they can establish a range of relationships with the commercial sponsors (Dees et al, 2008). Because the target market of corporate sponsors is the sports consumer who watches and participates in sponsored sporting events, consumer sports involvement needs to be measured in the context of sponsorship effectiveness (Yong Jae et al, 2008). Fan involvement is an integral construct when assessing the effectiveness of commercial sponsorship, because the various emotional levels of commitment fans have with the sponsored event will affect how attentive they are to that event's sponsors (Dees et al, 2008).

Shank and Beasley (1998) developed a Sports Involvement Scale (SIS) that consists of cognitive and affective dimensions of sports involvement. These two dimensions were evaluated relative to...
viewing sport on television, reading about sport in magazines and newspapers, attending sporting
events and participating in sport.
Current sponsorship literature supports the idea that consumer sports involvement plays an
important role in determining the overall effectiveness of sports sponsorship (Lardinoit &
Derbaix, 2001; Lascu et al, 1995; Levin et al, 2001; Meenaghan, 2001; Pham, 2000 ;Yong Jae et
al, 2008). Research indicates that highly involved consumers are most likely to develop an
awareness of sponsors and a positive image of them (Lascu et al, 1995; Levin et al, 2001
;Meenaghan, 2001; Pham, 2000; Yong Jae et al, 2008). For example, Meenaghan (2001), in his
focus group interviews, found that increased event or fan involvement in a particular sponsored
activity evoked a positive emotional orientation towards the sponsor. These results were further
supported by Lascu et al (1995) in their golf sponsorship research. The authors found that there
is a positive relationship between golf spectators' involvement and their ability to identify
sponsors of a golf tournament. Spectators at a Professional Golfers' Association of America
(PGA) tournament who had a high level of involvement with golf could correctly name the
major official sponsors. Similarly, Levin et al (2001) found that individuals who had higher
levels of involvement with the National Association for Stock Car Auto Racing (NASCAR) were
more influenced by marketers' sponsorship activities. Therefore, it is expected that:

**H1: Consumer involvement has a direct positive effect on sponsorship awareness.**

Several studies have found that consumers with high involvement were more likely to buy the
sponsor's products and expressed a strong preference for the particular sponsor's product (e.g.
Dees et al,2008; Yong Jae et al, 2008). The results suggest that future purchase intention can be a
strong indicator of sponsorship effectiveness, particularly when a corporate sponsor participates
in sports events targeted at sports fans who share a unique identity (Yong Jae et al, 2008). In
sum, involvement has a direct positive influence on consumer awareness and perception of a
sponsor's corporate image which is likely to contribute to future purchase intentions (Dees et
al,2008; Turco, 1995; Yong Jae et al, 2008). Accordingly, the next two research hypotheses are:

**H2: Consumer involvement has a direct positive effect on perceptions of corporate image.**

**H3: Consumer involvement has a direct positive effect on intention to purchase a sponsor's
product.**

1.2 **Brand awareness**

Brand awareness is defined as "brand recall and recognition performance by consumers" (Yong
Jae et al, 2008). Generally three levels of brand awareness are recognition, brand recall and top
of the mind (Aaker,1991). In measuring brand awareness, unaided recall and aided recall
(recognition) of sponsors are used (Lardinoit & Derbaix, 2001). Sports sponsorship researchers
often use recall methods to assess awareness of a sponsor's brand. Unaided recall tasks are
considered to be a more appropriate measure than recognition tasks because they require the
respondent to retrieve the sponsor's name from memory rather than by recognising their brand
name from a list (Yong Jae et al, 2008). Recall increases as a function of duration of exposure to
sponsors, previous brand awareness of sponsors, message length and design, sociodemographic
variables of the spectators and interest in the event sponsored (Walliser, 2003).
A review of the sponsorship literature indicates that the primary objectives of corporate sponsorship are (a) increasing brand awareness, (b) enhancing corporate image (Meenaghan, 1991) and (c) increasing sales and market share (Yong Jae et al, 2008). Both brand awareness and corporate image have been used as indicators of whether a sponsorship deal achieved the communication objectives sought through sponsorship involvement (Meenaghan, 1991; Yong Jae et al, 2008).

Sponsorship awareness has a positive effect on corporate image (Turco, 1995; Yong Jae et al, 2008). The researchers found that individuals who could recall sponsors had stronger beliefs (i.e. a more positive image) about sponsors than those who could not recall sponsors. Corporate sponsorship can enhance corporate image, particularly when the company has a positive image before participating in the sponsorship. Corporate sponsorships might exacerbate a negative image if consumers hold prior negative perceptions (Yong Jae et al, 2008).

H4: Sponsorship awareness has a direct positive effect on corporate image.

H5: Sponsorship awareness has a direct positive effect on intention to purchase a sponsor's products.

1.3 Corporate image

Corporate image is defined as "the positive or negative image of a particular company or brand that is formed in mind of consumers" (Eshghi, 2009).

Corporate image is the impressions of a particular company held by some segment of the public. Sport encompasses a rich range of values and symbols that can be expressed in image. The image of sport and/or a sports organization has the potential to influence the behavior of all those involved with a sports organization, including its members, spectators and sponsors (Yong Jae et al, 2008).

Although enhancement of corporate image is one of the most important communication objectives for corporate sponsors, image-related evaluation has received considerably less research attention (Turco, 1995) than brand awareness. Additionally, previous research has not been consistent in terms of the method used to measure the effect of corporate image. For example, in some studies, consumers' attitude towards sponsors was measured to evaluate corporate image (Dees et al, 2008; Turco, 1995). However, other scholars have suggested that to measure corporate image correctly it is necessary to measure specific 'qualitative' characteristics of a company's personality rather than measuring a consumer's overall attitude towards corporate sponsors (Yong Jae et al, 2008). Furthermore, while some researchers measure corporate image (Turco, 1995), others measure brand image as an indicator of sponsorship effectiveness. Although brand (i.e. product) image is an important indicator of sponsorship effectiveness, one of the ultimate goals of sponsorship involvement is to enhance overall positive image of corporate sponsors. Accordingly, in this study, we focus on overall corporate image of sponsors and thus measurement of a relatively long-term and broader effect of sponsorship rather than short-term enhancement of a single brand image.

In an empirical study, Turco (1995) found that customers with a more favorable image of a sponsor were more likely to purchase that sponsor's products than those with a less favorable image. Similarly, Dees et al (2008) examined the impact on consumer purchase intentions of attitude toward sponsors, goodwill and fan involvement. Therefore, it is hypothesized that:
H6: Corporate image has a direct positive effect on intention to purchase.

1.4 Purchase intention

The final construct in this model is a consumer's future intention to purchase a sponsor's products. Most studies concerned with the prediction of human behavior from attitude have relied on the theory of planned behavior and the theory of reasoned action. People act in accordance with their intentions and perceptions of control over their behavior: intentions are influenced by attitudes towards the behavior, perceptions of behavioral control and subjective norms (Yong Jae et al, 2008).

A significant number of studies have shown that attitudinal variables are important predictors of behavioral intentions (e.g. Aaker, 1991). Attitude towards advertising is one of five antecedent variables (i.e. ad credibility, perceptions of ads, attitude towards the advertiser, attitude towards advertising and mood) that may influence attitude towards a specific advertisement. Attitude towards the advertisement then has a significant and positive influence on attitude towards the brand. Attitude towards the advertisement indirectly affects purchase intention through attitude towards the brand or acts as an important mediator variable on brand choice (Yong Jae et al, 2008).

The relationship between intention and actual behavior has been supported by previous studies focusing on condom use, dieting and voting. Clearly, intentions play an important role in guiding behavior. However, to date, only a few sponsorship studies have examined sports consumers' future purchase intentions, that is, the sales objective of corporate sponsorship (Yong Jae et al, 2008). Howard and Crompton (1995, 2004) noted that stages in the communication process could be measured to evaluate sponsorship effectiveness. This approach, as observed in the advertising research, suggests that individuals go through a series of stages from first becoming aware of a company to finally making a purchase decision. More specifically, potential customers move from awareness to interest to intent to purchase before investing in a sales action. "Hence, intent to purchase studies are the most useful indicators of the impact of sponsorship on future sales" (Howard & Crompton, 1995, p. 363).

5. Methodology

According to Fade (2007), research can be divided in to three different categories of studies. Choosing the analytic strategy for a research will help the researcher treat evidence fairly, produce compelling analytic conclusions, and rule out alternative interpretations. The different types of studies are: exploratory, descriptive and explanatory studies (Faed, 2007).

In view of the fact that we want to gain a better understanding of sport sponsorship effectiveness, our study is to some extent exploratory. The study is also descriptive because we portray the key variables of sport sponsorship effectiveness and theoretical relationships between them. The study is also partly explanatory because it focuses on football fans to try to explain relationships between key variables of sport sponsorship effectiveness.

Given the fact that the purpose of this research is to find out football fans’ attitudes, a builds research questionnaire has been used for gathering the data.

The validity and reliability of expected responses to the questionnaire were evaluated using a panel of experts and an internal consistency measure (Cronbach, 1951). The content validity of the initial survey was evaluated first by a panel of experts who were asked to judge the items' content validity. The panel consisted of two management professors and one sport management
professor. The experts were asked to comment on the relevance, representativeness, and clarity of items and provide suggestions for improving the questionnaire. Reliability measures were calculated for each of the four variables of the instrument. For the four items constituting consumer sport involvement, $\alpha = .908$. For the three items constituting brand awareness, $\alpha = .863$. For the six items constituting corporate image, $\alpha = .822$. For the three items constituting purchase intentions, $\alpha = .902$. Therefore, coefficient alpha reliability tests run for each factor satisfied Nunally's (1978) criterion of .60 or higher as a standard for an exploratory research study. The total Reliability of the questionnaire was $\alpha = .922$

The questionnaire that was made by the researcher included 16 questions and measured consumer sport involvement, brand awareness, corporate image and purchase intentions. The first section of the questionnaire was related to the demographics of the respondents. There were three items on brand awareness and purchase intentions, four items on consumer sport involvement and six items on corporate image. This amounted to 16 total items measuring the variables of sport sponsorship effectiveness. All of the variables in the analysis were measured using a five-point Likert scale ranging from 5 (Strongly agree) to 1 (Strongly disagree). Table 1 displays the list of questionnaire items for each variable in the study.

**Table 1.**
**Questionnaire Items**

<table>
<thead>
<tr>
<th>Fan Sport Involvement items</th>
</tr>
</thead>
<tbody>
<tr>
<td>It is important to me to be a part of football.</td>
</tr>
<tr>
<td>My friends view me as a strong fan of football.</td>
</tr>
<tr>
<td>It is very important to me that football games are played.</td>
</tr>
<tr>
<td>I see myself as a strong fan of football.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Brand Awareness items</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Top of the mind): What is the name of the first sponsor of your favorite team that you can recall?</td>
</tr>
<tr>
<td>(Unaided Recall Item): Please mention some of the sponsors of your favorite team.</td>
</tr>
<tr>
<td>(Aided Recall Item): From the list below, please select the sponsors of your favorite team.</td>
</tr>
<tr>
<td>A: City bank  B: Iran furniture market  C: Razi insurance  D: Tat bank  E: Samsung</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Corporate Image items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies who sponsor my favorite football team provide quality products/services.</td>
</tr>
<tr>
<td>Companies that sponsor my favorite football team only want to make money.</td>
</tr>
<tr>
<td>Companies that sponsor my favorite football team try to help doing sport activities with the intention of improving sports.</td>
</tr>
<tr>
<td>Companies that sponsor my favorite football team are good companies to work for.</td>
</tr>
<tr>
<td>Companies that sponsor my favorite football team care about the consumer needs and respond to them.</td>
</tr>
<tr>
<td>Companies that sponsor my favorite football team are famous and creditable.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Purchase Intentions items</th>
</tr>
</thead>
<tbody>
<tr>
<td>If I need a product/service that the corporate sponsors of my favorite football team present, I will buy it from them.</td>
</tr>
<tr>
<td>If the corporate sponsors of my favorite football team present a new product/service, I will try it.</td>
</tr>
<tr>
<td>My overall attitude toward purchasing products/services from companies that sponsor my favorite football team is positive.</td>
</tr>
</tbody>
</table>
After collecting the questionnaires, some questionnaires were excluded because of being incomplete and lack of cooperation of fans which in final 384 complete questionnaires [192 Persepolis fans and 192 Esteghlal fans] were used as the sample of this study.

The data analysis in the study included descriptive statistics (i.e. means and standard deviations), reliability measures and regression analysis. Also the analysis of data were in significant level $p<0.05$ by using software SPSS 16. The overall means of sponsorship effectiveness factors were 5.48 (involvement), 3.23 (image), 3.54 (awareness) and 3.02 (purchase intention), and standard deviations ranged from .73 to 2.90.

6. Results
The demographic variables analyzed in this study were gender, age and education level. Of the 384 respondents, 66% (n=254) were male and 34% were female. The majority of the respondents were between 15 and 29 (57.7%) and 30 and 55 years old (27.2%). The majority of the respondents were highly educated (high school, 3%; high school graduate, 3%; college graduate, 25%; university or higher, 69%).

A regression analysis was conducted to answer the 6 research questions that probe the theoretical relationships between the key variables of sport sponsorship effectiveness (i.e. Sport involvement, Brand awareness, Corporate image and Purchase intentions). The results are displayed in table 2.

Hypothesis 1 regression analysis ($R=0.534$, $\beta=0.367$, Sig=0.3) indicates that sport involvement has a direct positive effect on brand awareness and the effect of sport involvement on brand awareness is significant at $p < 0.05$ level. According to the results of Hypothesis 2 regression analysis ($R=0.641$, $\beta=0.389$, Sig=0.0), sport involvement has a direct positive effect on corporate image and the effect of sport involvement on corporate image is significant at $p < 0.05$ level. According to the results of Hypothesis 3 regression analysis ($R=0.549$, $\beta=0.433$, Sig=0.0), sport involvement has a direct positive effect on purchase intentions and the effect of sport involvement on purchase intentions is significant at $p < 0.05$ level. According to the results of Hypothesis 4 regression analysis ($R=0.610$, $\beta=0.524$, Sig=0.0), brand awareness has a direct positive effect on corporate image and the effect of brand awareness on corporate image is significant at $p < 0.05$ level. According to the results of Hypothesis 5 regression analysis ($R=0.641$, $\beta=0.700$, Sig=0.0), brand awareness has a direct positive effect on purchase intentions and the effect of brand awareness on purchase intentions is significant at $p < 0.05$ level. According to the results of Hypothesis 6 regression analysis ($R=0.635$, $\beta=0.825$, Sig=0.0), corporate image has a direct positive effect on purchase intentions and the effect of corporate image on purchase intentions is significant at $p < 0.05$ level.
Table 2: Regression Analysis Results for Research Hypotheses

<table>
<thead>
<tr>
<th>Hypothesizes</th>
<th>R</th>
<th>R Square</th>
<th>α</th>
<th>β</th>
<th>Std Error</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypothesis 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D.V: Brand awareness</td>
<td>.534a</td>
<td>.285</td>
<td>-.974</td>
<td>.367</td>
<td>.030</td>
<td>.030</td>
</tr>
<tr>
<td>I.V: Involvement</td>
<td></td>
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<tr>
<td>Hypothesis 2</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>D.V: Corporate image</td>
<td>.641a</td>
<td>.411</td>
<td>15.467</td>
<td>.389</td>
<td>.024</td>
<td>.000</td>
</tr>
<tr>
<td>I.V: Involvement</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Hypothesis 3</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>D.V: Purchase intention</td>
<td>.549a</td>
<td>.301</td>
<td>3.524</td>
<td>.433</td>
<td>.034</td>
<td>.000</td>
</tr>
<tr>
<td>I.V: Involvement</td>
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<tr>
<td>Hypothesis 4</td>
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<td></td>
</tr>
<tr>
<td>D.V: Corporate image</td>
<td>.595a</td>
<td>.354</td>
<td>18.811</td>
<td>.524</td>
<td>.036</td>
<td>.000</td>
</tr>
<tr>
<td>I.V: Brand awareness</td>
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<tr>
<td>Hypothesis 5</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>D.V: Purchase intention</td>
<td>.610a</td>
<td>.373</td>
<td>6.742</td>
<td>.700</td>
<td>.046</td>
<td>.000</td>
</tr>
<tr>
<td>I.V: Brand awareness</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hypothesis 6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D.V: Purchase intention</td>
<td>.635a</td>
<td>.403</td>
<td>-7.616</td>
<td>.825</td>
<td>.051</td>
<td>.000</td>
</tr>
<tr>
<td>I.V: Corporate image</td>
<td></td>
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7. Discussion

The present study was conducted to examine theoretical relationships among the four constructs (i.e. sports involvement, sponsor awareness, corporate image and future purchase intention) of sponsorship effectiveness. Results of the regression analysis generally support the hypothesized relationships. Hypotheses 1, 2 and 3 predicted that sports fan involvement would have a direct and positive influence on sponsor awareness, corporate image and consumers' future purchase intentions. Regression analysis between involvement & awareness (R=0.534, β=0.367, Sig=.03), involvement & image (R=0.641, β=0.389, Sig=.0) and involvement & intention (R=0.549, β=0.433, Sig=.0) provided empirical support for these hypotheses. The results support previous findings that highly involved consumers are more likely to be aware of sponsors (Lardinoit & Derbaix, 2001; Lascu et al, 1995; Yong Jae et al, 2008). The results also indicate that increased event or fan involvement in a particular sponsored activity will evoke a positive emotional orientation towards the sponsor and highly involved consumers are more likely to develop a positive image of the sponsors (Turco, 1995; Yong Jae et al, 2008). In addition, these highly involved consumers are likely to report an intention to purchase sponsors' products (Dees et al, 2008; Yong Jae et al, 2008). According to the results of this study, individuals who described
themselves as loyal and dedicated fans of the team or event were much more likely to purchase or consider purchasing from sponsors than those who were not avid fans. This substantiates previous studies indicating that highly involved or loyal fans purchase more sponsors’ products and services than casual fans (e.g. Dees et al, 2008; Yong Jae et al, 2008).

On the other hand, Pham (2000) suggested that sports involvement may have a directional property. He found that spectator involvement during a soccer game had a curvilinear (i.e. inverted-U) effect on the recognition of embedded billboards. In this case, as involvement to process the event reaches high levels, attention becomes more focused on the relevant sources of information (e.g. the game itself) and away from irrelevant information such as sponsorship stimuli. Accordingly, people highly involved in sport are no longer willing to process irrelevant billboards while watching a soccer game. Thus, timing of sponsorship activities may be another important aspect of involvement that should be considered in future research. Additional variables for future research might include knowledge and social alliances of consumers, as suggested by Cornwell et al (2005). Additionally, the link between purchase intention and actual purchase behavior needs to be more fully explored in the sports sponsorship context. Further empirical investigation of involvement in the context of sponsorship effectiveness might contribute to a greater understanding of this relationship.

Hypothesis 4 predicted that fans who are aware of sponsors are likely to develop a positive image of the sponsoring companies. The results of regression analysis (R=0.595, β=0.524, Sig=0) confirmed that there is a positive relationship between these two salient sponsorship variables. The results support the findings of Yong Jae et al (2008) that individuals who recall sponsors have stronger beliefs (i.e. positive images) about sponsors than those who cannot recall sponsors.

Hypotheses 5 and 6 predicted that favorable purchase intentions are likely to occur for consumers who are aware of sponsors and hold a positive image of them. The highest correlation coefficient between image and intentions (.63) suggests that image is the most significant predictor of sports fans’ intention to purchase sponsors’ products. These results support previous research findings that customers with a more favorable image were more likely to purchase a sponsor's products compared to those with a less favorable image. Interestingly, however, the result supported that consumers' awareness of sponsors directly influenced their future purchase intention. The significant impact of image on future purchase intention may suggest that corporate image is a better predictor of sponsorship effectiveness than sponsor awareness when we consider future purchase intention as an ultimate dependent variable of sponsorship.

The findings here should be interpreted with caution, for two reasons. First, fans may be aware of corporate sponsors of a sports event, this awareness might not increase purchase intention if fans do not have a positive image of those sponsors. This supports a recent argument that sponsor identification responses may be a judgment task as opposed to a strict memory task, that is, sponsor identification involves a substantial degree of constructive processes that capitalize on general characteristics of the brand such as their perceived relatedness, prominence and general involvement in sponsorship. (Yong Jae et al, 2008)

Second, intention to purchase sponsors’ products was determined in a general fashion; the specific questions were not repeated for each sponsor recalled. Overall, this study contributes to the field of sponsorship research by extending our understanding of key variables of sponsorship effectiveness and their relationships. Future research should include analysis of sponsor impact on sponsor image as well as the role of sponsor image in evaluating sponsorship effectiveness.
The results of this study also have practical implications for corporate sponsors and sports organizations. One of the most important goals of sponsorship is to develop an association between sponsors and sponsored properties. Although exposure to a brand through such vehicles as on-site signage may increase awareness, awareness alone may not achieve the full potential of sponsorship effectiveness (Cornwell et al., 2005). The results of this study suggest that to maximize sponsorship effectiveness, corporate sponsors should go beyond brand awareness efforts and develop more effective marketing strategies geared to enhance consumers' positive perception of sponsors' image.

According to the results of this study that indicates consumer involvement has a direct positive effect on sponsorship awareness, perceptions of corporate image & intention to purchase a sponsor's product, it is suggested that sponsors should consider passionate and devoted fans when creating marketing messages and they should be the target of most sport marketing activities.

It is also suggested that sponsors should develop brand association with sports events that are particularly targeted at sports consumers with a unique identity. Participants in the current study were highly involved loyal fans of soccer events and most particularly their national team. This type of mega-event held in a unique culture provides corporate sponsors with an opportunity to maximize their sponsorship effectiveness due to the high level of interest and identification among the target public.

8. Limitations and Future Research

There were several limitations that took place in the course of the study. First, this was a web-based survey and participants had to complete the questionnaire on-line. Additionally, the fact that a computer and internet access were necessary to participate may have contributed to the age distribution of the sample. The young adults who participated may have been more comfortable completing the questionnaire using the requisite technology. Second, in order to measure sponsorship effectiveness of a global event such as a World Cup soccer event, a broader sample should be selected from various countries. Convenience sampling using a sample within one geographic location limits our ability to generalize our findings. Finally, to further validate the model it will be necessary to conduct follow-up studies in other sports sponsorship contexts such as the Olympics and various other national and regional sporting events. Further research should examine the constructs of attitude toward sponsor and goodwill and their relationships to purchase intentions and additional constructs. The study of sponsorship effectiveness in other settings is also a suggestion for future research. Since sports at the various levels receive different finding, attract different demographics, and provide different forms of entertainment, it would be very interesting to study how corporate sponsorship is sold, who buys it, who is exposed to it, and how effective it is in each of these diverse settings. It would also be advantageous to further analyze the various constructs with different measurement designs, especially structural equation modeling or path modeling to determine more scientifically the relationships of these constructs. Additionally, a larger sample, increased minority participation, and further analysis of the constructs' reliability and validity would ideally need to be addressed. Future research should also include an in-depth investigation of highly involved fans, such soccer, and action sports enthusiasts. These types of consumers tend to be so vested that they represent the pinnacle of fan involvement. Therefore, their responses to corporate sponsorship may differ greatly from the average sport or leisure consumer.
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Mohammadkazemi, R.,(2007), Describing the marketing mix elements in football industries of Iran compared to some Asian countries (south Korea & Japan) and offering a theoretical model, PHD thesis, Department of sport sciences, Tarbiat Moallem University, Tehran. 
Comparative study of servant leadership characteristics in management texts and Imam Ali’s tradition (Case study: Najaf Abad Branch, Islamic Azad University, Isfahan, Iran)

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Abstract
Higher education is considered one of the most important elements in the society in every country; the kind of the dominant leadership in the university is very significant. Servant leadership style is one of the styles of leadership that has been focused on during recent years. The basis of this theory is to value equality of human beings, concentrate on followers and satisfy their needs. The objective of the present survey is to determine and match servant leadership's components in view of management texts and Imam Ali’s tradition in Najafabad Islamic Azad University. Two separate questionnaires were designed and distributed in order to perform this survey. By comparing the average score of servant leadership characteristics, the results implied that all characteristics except commitment to growth of people were higher than the average level in view of management texts. In viewpoint of Imam Ali’s tradition all characteristics except encouragement were higher than the average level. Average comparison of servant leadership characteristics in terms of demographic characteristics revealed that the observed F about conceptualization and commitment to growth of people based on educational degree, and awareness based on working experience has been significant in view of management texts. Observed F about foresight, stewardship, commitment to growth of people, conceptualization and building of integrated communities based on educational degree has been significant in view of Imam Ali’s tradition.

Key words: Leadership; Servant Leadership; Imam Ali’s tradition

1. Introduction
Leadership has always been intertwined with human beings from the beginning of creation. The subject of leadership has gained more importance due to passing of time and human changes, and most of the clear-sighted expertson of management and organization regard the twenty-first century as the leadership century for organizations. Leadership has a special position in every organization but it is more significant in an institution like university which is the source of great scientific, social and cultural changes in every society. because managers who will be the future leaders in different organizations and various posts are trained there. Today various leadership styles are applied in different organizations of the world but it could certainly be said that servant leadership style has a wide application in all kinds of organizational environments, and many organizations have utilized this style in recent years in order to manage their organizations. This confirms Greenleaf’s claim (servant leadership is a leadership style for all social institutions). According to Nair, although leadership idea has ruled over our minds from the past, we haven't yet achieved a high standard of leadership. We should place serving in the center and core of leadership. Power has always been related to leadership but it should be kept in mind that power
has just a legal and accurate usage, serving (Rusell and Stone, 2002:145). Many scholars have expressed their views about servant leadership, and all have emphasized that the basis of servant leadership style lies in giving value to equality of human beings, concentration on followers and satisfaction of their needs; and through this, individual development of members of the organization is materialized. All humans are equal in Islam's viewpoint and serving people is among the highest actions and worships, as in some narrations serving has been stated as one of the main characteristics of a Muslim. Imam Ali (peace be upon him) says: "avoiding benefaction to people is the calamity of power" (Gherar al-Hikam and Dorar al-Kilam). Imam Khomeini, The founder of the Islamic Republic of Iran has repeatedly stressed upon the necessity of serving and rendering services to people. In this regard he says: "all of us should be servants of people and it is our honor of us is to serve the God's people… I feel better if I am called a servant rather than the leader" (Imam Khomeini, Sahifeh Noor, volume 9: 76 and 456).

Due to the closeness and conformity of principles of servant leadership style with the teachings of Islam, it appears that performing a comparative evaluation in this regard could be effective in explaining, developing and compiling of leadership model and style according to Islamic culture and ideology.

2. Objectives of research

1- Studying and matching components and characteristics of servant leadership in viewpoint of management texts and Imam Ali’s tradition.
2- Determining the extent of servant leadership in view of management texts and Imam Ali’s tradition in Najafabad Islamic Azad University.

3. Research questions

1- To what extent do the indices of servant leadership exist in Islamic Azad University in view of management texts and Imam Ali’s tradition?
2- Is there a difference between indices of servant leadership in view of management texts and Imam Ali’s tradition based on demographic factors?

4. Research methodology

This research is descriptive-metrical and the studied population includes managers and employees of Najafabad Islamic Azad University. Estimating the sample number was carried out based on the formula and through classification proportional to the volume that one-hundred and fifty (150) individuals were considered. Historical study was used to collect one part of data and researcher self-made questionnaire was applied for field studies. The above questionnaire was prepared in two sections with fifty-five (55) questions according to likert five-option spectrum. The first section included twenty-three (23) questions to measure the characteristics of servant leadership in view of management texts and the second section consisted of thirty-two (32) questions to measure the characteristics of servant leadership in view of Imam Ali’s tradition. Reliability of the questionnaire was examined based on the primary study and pre-test, so questionnaires were first distributed randomly among thirty-five (35) employees of Najafabad Islamic Azad University and twenty eight (28) questionnaires were returned. After data analysis and by means of Cronbach alpha coefficient the validity of the questionnaire was estimated (the questionnaire for studying the characteristics of servant leadership in view of management texts) 0.987 and (that for studying of characteristics of servant leadership in view of Imam Ali’s tradition) 0.968 . In addition to measurement of total reliability of the questionnaire, the reliability of each characteristic of servant leadership was measured, too. The amount of Cronbach alpha higher than 75% showed high reliability of questionnaires. One variable t-test and F-test were used to study and analyze the collected data, and SPSS software was applied for data analysis.
5. Research background

Results obtained from studies conducted by some researchers in the country demonstrate that patriarchal leadership dominates servant leadership in governmental organizations in Iran and ignorance of followers' role in the organization has led to weakness of organizational effectiveness (Norouzi, 2008).

Another research titled "adaptation of managers' behavior with indices of servant leadership and its effect on employees' confidence level" that has been done at Ferdowsy University in Mashhad reveals that the more the adaptation of managers' behavior to indices of servant leadership, the higher the organizational confidence of employees (Khojaste Boujar, 2010).

Studies that have been performed by some foreign researchers in institutes and schools of higher education imply that institutions in which servant leadership style is executed act more successfully than others (Murray (2008), McClellan (2008), Vidic (2007), Lcon (2005) and Carraway (2003)).

6. Leadership in viewpoint of Islam

Existence of a leader and guide for every nation is essential in viewpoint of Islam and the Holy Koran. According to verse 7 of Al-Raad, the sura existence of a leader and guide is necessary for every nation.

Necessity of existence of leadership has repeatedly been referred to in the Prophet and Imams' tradition and especially in eloquent sayings of Imam Ali (peace be upon him). The holy prophet says: when there are three passengers on a trip, one of them must undertake the group leadership (Kanz Al-Ummal, volume 6:717). Regarding the necessity of existence of a leader for the society, Imam Ali (peace be upon him) says: "O people! Know that your interests are provided only by having a government and a leader, whether he is beneficent or maleficent (description of Nahj al-Balagha, Ibn Abi Al-Hadid, volume 2, page 307).

7. Serving in Islam's viewpoint

Serving has an extensive and wide concept. It is much recommended in Islamic culture and education directly or indirectly so that in Islam's viewpoint the most valuable individual is the one who is the most useful for others (Nahj al-Fasaha:315). In other words, there is a direct relationship between serving people and the individual's spiritual value and grade in Islam.

The holy prophet considers usefulness and serving people beside having faith in God as the standard of human's value and says: "faith in God and to serving people are two good traits and there is nothing better than them" (Bihar al-Anvar, volume 137:74).

8. Boundary of serving

Islam doesn't specify a limit or boundary for serving and doesn't differentiate between Muslims and non-Muslims. In other words, serving human beings and creatures of God is a desirable and competent action in view of Islam. The holy Prophet says: "after faith in God, philanthropy and doing good to people are the best of all reasonable actions, whether people are good and beneficent or wicked and libertine" (al-Mustadrak, old edition, volume 8:67). Imam Ali (peace be upon him) says: "goodness and doing good to people are the highest steps of faith" (Gherar al-Hikam and Dorar al-Kilam, volume 2:1154).

9. Background of servant leadership

Greenleaf stated the term servant leadership for the first time in his impressive article titled "servant in the role of leader" in 1970. After that time the concept of servant leadership has had a deep and stable impact on many modern theories and methods of management and leadership.
The result of his experiences and findings during half a century has been reflected in an article titled "servant in the role of leader". According to him, accurate leadership starts from deep tendency to help others, and leaders act as servers in order to satisfy necessary needs of employees and customers, and the society acts as a servant. Servant leadership in the first phase starts from the individual's natural feeling for service and then deliberate choice leads him towards servant leadership (Spears, 2004:9).

10. Definitions of servant leadership
Servant leaders emphasize serving others, and sacrifice their personal interests for others' interests so that people would enjoy more knowledge, authority and health and are changed to servant leaders (Greenleaf, 1971). Servant leadership is the leader's perception and action in a way so that he prefers others' interests to his personal tendency and interest (Luob, 2004). Servant leadership values humans' equality and looks for individual development of the members of the organization (Russel, 2002).

11. Fostering servant leadership
Many individuals and organizations have accepted servant leadership as a strategic philosophy that suggests an elevation method and tool for individuals like spiritual, professional, sensational and mental growth. Strong power of servant leadership leads to encouraging all individuals to search actively for opportunities of serving and guiding others and so begins enhancement of life's quality across the society. An increasing number of companies such as Toro Company, Synovus Financial Corporation, Servis Master Company, South-West airlines and TD Industries have adopted servant leadership as a part of the company's philosophy or as the basis of their apostolate statement. TD Industries, a contracting company of temperature and plumbing is one of the first users of servant leadership. It is always in the ranking of ten selected superior companies in Fortune Magazine and is one of the best companies in America (Spears, 2004:9).

12. Characteristics of servant leadership
Spears, manager of Greenleaf's servant leadership foundation has stated the following ten characteristics for servant leadership based on writings of Greenleaf: listening, sympathy, healing, awareness, persuasion, conceptualization, foresight, stewardship, commitment to growth and improvement of others, and establishing coherent communities (Spears, 2004:8-12). These characteristics have been compared with Imam Ali’s tradition and statement (peace be upon him) and matched to them in a comparative study by referring to existent resources.

12.1 Listening
Servant leaders are good listeners. They are interested in others’ viewpoints and opinions and accept them (Barbuto, 2007: 2). Leaders have always been evaluated on the basis of their relational skills and decision-making.
Servant leaders must be reinforced with more participation and commitment through listening eagerly to others’ opinions and hearing employees' speeches (Spears, 2004:8). Imam Ali (peace be upon him) recommends much about the necessity of effective listening in Nahj al-Balagha: "a seeing person is one who listens and thinks, sees, observes and learns" (Nahj al-Balagha, letter 53).
He commands to his governor: "Devote a part of your time to those who need you to (listen to their remarks) personally and deal with their affairs and sit with them in a public party" (letter 53).

12.2 Sympathy
Servant leaders are able to place themselves in others’ situation. They understand others' problems and sympathize with them. Leaders who have a sense of sympathy attract others' confidence by perceiving of the situation they have encountered (Barbuto, 2007: 5). Sympathy is the ability to perceive another person (to a large extent) as he perceives himself (Bolton, 2006: 373-378).

We can observe abundant emphasis on sympathy in Imam Ali’s statement (peace be upon him), for example he says to one of his governors in a letter: "shall I consent to this to call me Commander of the faithful and not share with people in bitters of the time? And be not their example in life's problems?" (Nahj al-Balagha: letter 45).

12.3 Healing
Servant leaders are those that others want to refer to when a shocking event happens. Leaders pay increasing attention to psychical and mental health of individuals. They facilitate the healing process and make mental relation with them whenever individuals feel the need, and console them (Spears, 2004:9).

Generally, healing is fulfilled with due attention to psychical and mental health of individuals and satisfying of their mental and psychical needs. In this regard, Imam Ali (peace be upon him) writes to his managers "so, in their affairs (your subordinates) think in away that a kind father thinks about his child, and satisfy the needs of your subordinates" (Nahj al-Balagha, letter 53).

12.4 Awareness and vigilance
Servant leaders have a shrewd sense about what is happening around them. They are always looking for signs from the environment in order to prepare opinions and decisions. They know what will happen and are rarely deceived by the appearance (Spears, 2004:9). Awareness has a high position in viewpoint of Islam and Imam Ali (peace be upon him) this esteem and position is perceptible in the tradition of imams and especially Imam Ali (peace be upon him). In letter 31 to Imam Hassan, which is one of the complicated letters of Nahj al-Balagha, he says: "If you have a problem about the world and changes of the time, relate it to unawareness" (Nahj al-Balagha, letter 31). About the importance of awareness, Imam Ali (peace be upon him) says elsewhere: "No worship is like thinking" (Gherar al-Hikam and Dorar al-Kilam, volume 2:1162).

12.5 Persuasion and encouragement
Servant leaders try to persuade individuals to perform action rather than work with the order of formal authorities. They are naturally very persuasive and state clear and convincing reasons for their demands. They never force individuals to perform an action (Spears, 2004:10). About the necessity of encouraging employees, Imam Ali (peace be upon him) orders to Malik-ashtar: "Malik! know that no tool is better than beneficence with people, tax reduction and non-compulsion of them to a job they don't like in order to attract the governor's confidence in people... always extol them and recall the important tasks that they have done, because recalling their valuable actions stimulates brave men (they are persuaded to do tasks) and stimulates cowards to try" (letter 53).

12.6 Foresight
Servant leaders have a strange ability to predict the future events. This does not mean that they are predictors or that they always say what is correct. But they are skillful in benchmarking from
the environment and seeing what will happen in the future. They usually predict the result of
decisions with a high precision (Spears, 2004:10).
Foresight in view of Imam Ali (peace be upon him) is one of the prominent characteristics of a
manager and is among the points that he suggests to his managers. "O Malik! Be provident"
(Nahj al-Balagha, letter 53).
In Imam Ali’ view (peace be upon him) "the most provident individual is one whose motto and
action are patience and thought in affairs" (Gherar al-Hikam and Dorar al-Kilam, volume
1:256).
He knows victory as the result of foresight and says: "victory is achieved by foresight and
 providence" (Nahj al-Balagha, letter 53).

12.7 Stewardship
Generally, servant leaders consider themselves as supervisors of individuals and resources that
are under their control and stewardship. One of the tasks of leaders and managers is stewardship
over affairs and actions of the organization (Spears, 2004:10).
Regarding stewardship Imam Ali (peace be upon him) says: "Examine your agents' behavior"
(Nahj al-Balagha, letter 53). ((After selecting a judge, think more about his judgments and
control his work)) (Nahj al-Balagha, letter 53).

12.8 Commitment to growth of people
Commitment to growth of people could be considered the concept of helping humans to enjoy
existential talents, abilities and capabilities in various dimensions of human personality (Barbuto,
2007: 4). Human force has a special position in the viewpoint of Imam Ali (peace be upon
him), and existential value of human differentiates him from other organizational resources and
factors settling his guidance and training among the major functions and tasks of management
and the leader. He orders his mangers to try to help others in any possible way while paying
attention to growth of subordinates: "Allocate a part of your time to those who need you and deal
personally with their affairs" (Nahj al-Balagha, letter 53).
"Thus satisfy your employees' wishes (try to satisfy their needs) and always extol them and pay
attention to important duties that they have done" (Nahj al-Balagha, letter 53).

12.9 Conceptualization
Servant leaders spend much time and attempt to create more extensive thoughts conceptually.
They nurture the ability and capability to perceive the world and its surrounding events and
provide an environment that encourages great thinking, and values creativity (Spears, 2004:11).
Imam Ali (peace be upon him) suggests to his son: "Reason with what you have seen or heard in
the past for what hasn't still come because life's changes and affairs are similar" (Nahj al-
Balagha, letter 31). "Every day do the activities of that day, as each day has special work for
itself" (Nahj al-Balagha, letter 53).

12.10 Building coherent groups (building community)
Servant leaders have a stable feeling of social spirit and try to train such feelings in the
organization. They believe it is necessary for an organization to act like a community (Barbuto,
2007: 6). Idea of building coherent groups tells us that humans can work beside each other, with
each other and along a total harmony and consistency without the need to establish a formal
organization (Hamell, 2009).
Elsewhere Imam Ali (peace be upon him) states that the task of the leader in lieu of creating a
coherent community with the sense of altruism, sincerity and cooperation is heavier than that of
other individuals, and the leader of the community must pay more attention to this issue.
"Know that there is no one like me in Islam's nation who is more compassionate with regard to
unity of Mohammad 's nation and their (people) association with each other" (Nahj al-Balagha,
letter 77).
13. Data analysis

Descriptive and inferential statistics methods are used to study and analyze the collected data consistent with objectives and questions of research. Diagrams and tables are used in descriptive statistics section and t-test and F-test are applied in inferential statistics section.

1-To what extent do the indices of servant leadership exist in Islamic Azad University in view of management texts and Imam Ali’s tradition?

Table 1- comparison of average score of servant leadership characteristics in viewpoint of management texts with supposed mean of 3

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Average</th>
<th>Standard deviation</th>
<th>Standard error</th>
<th>T</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listening</td>
<td>3.54</td>
<td>0.869</td>
<td>0.077</td>
<td>7.09</td>
</tr>
<tr>
<td>Sympathy</td>
<td>3.19</td>
<td>0.970</td>
<td>0.086</td>
<td>2.28</td>
</tr>
<tr>
<td>Healing</td>
<td>2.54</td>
<td>1.06</td>
<td>0.094</td>
<td>4.76</td>
</tr>
<tr>
<td>Awareness</td>
<td>3.70</td>
<td>0.810</td>
<td>0.071</td>
<td>9.85</td>
</tr>
<tr>
<td>Encouragement</td>
<td>3.21</td>
<td>0.956</td>
<td>0.084</td>
<td>2.55</td>
</tr>
<tr>
<td>Conceptualization</td>
<td>3.37</td>
<td>0.973</td>
<td>0.86</td>
<td>4.32</td>
</tr>
<tr>
<td>Foresight</td>
<td>3.51</td>
<td>0.846</td>
<td>0.075</td>
<td>6.81</td>
</tr>
<tr>
<td>Stewardship</td>
<td>3.24</td>
<td>0.901</td>
<td>0.075</td>
<td>3.10</td>
</tr>
<tr>
<td>Commitment to growth of people</td>
<td>3.04</td>
<td>1.02</td>
<td>0.091</td>
<td>0.518</td>
</tr>
<tr>
<td>Building of coherent groups</td>
<td>3.46</td>
<td>0.842</td>
<td>0.074</td>
<td>6.21</td>
</tr>
</tbody>
</table>

According to the findings in table 1, observed t with regard to characteristics of servant leadership in aspects of listening, sympathy, healing, awareness, encouragement, conceptualization, foresight, stewardship, building coherent groups is higher than the critical amount of table (1.64) on error level of 5%. Thus, the above characteristics are more than the average level. The observed t about the characteristic of commitment to growth of people is lower than the critical amount of table on error level 5% ; hence, this characteristic is lower than the average level.
Diagram 1- Comparison of average score of servant leadership characteristics in viewpoint of management texts with supposed mean of 3

![Diagram](image)

Table 2- Comparison of average score of servant leadership characteristics in viewpoint of Imam Ali’s tradition with supposed mean of 3

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Average</th>
<th>Standard deviation</th>
<th>Standard error</th>
<th>T</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listening</td>
<td>3.22</td>
<td>0.895</td>
<td>0.079</td>
<td>2.87</td>
</tr>
<tr>
<td>Sympathy</td>
<td>3.59</td>
<td>0.919</td>
<td>0.081</td>
<td>7.32</td>
</tr>
<tr>
<td>Healing</td>
<td>3.31</td>
<td>0.880</td>
<td>0.078</td>
<td>3.98</td>
</tr>
<tr>
<td>Awareness</td>
<td>3.62</td>
<td>0.732</td>
<td>0.065</td>
<td>9.56</td>
</tr>
<tr>
<td>Encouragement</td>
<td>3.08</td>
<td>0.754</td>
<td>0.066</td>
<td>1.33</td>
</tr>
<tr>
<td>Foresight</td>
<td>3.52</td>
<td>0.856</td>
<td>0.076</td>
<td>6.86</td>
</tr>
<tr>
<td>Stewardship</td>
<td>3.51</td>
<td>0.856</td>
<td>0.074</td>
<td>6.91</td>
</tr>
<tr>
<td>Commitment to growth of people</td>
<td>3.20</td>
<td>0.984</td>
<td>0.087</td>
<td>2.34</td>
</tr>
<tr>
<td>Conceptualization</td>
<td>3.46</td>
<td>1.00</td>
<td>0.089</td>
<td>5.15</td>
</tr>
<tr>
<td>Building of coherent groups</td>
<td>3.39</td>
<td>1.02</td>
<td>0.091</td>
<td>4.36</td>
</tr>
</tbody>
</table>

According to the findings in table 2, observed t with regard to characteristics of servant leadership in aspects of listening, sympathy, healing, awareness, encouragement, conceptualization, foresight, stewardship, building coherent groups is higher than the critical amount of table (1.64) on error level 5%. Thus, the above characteristics are more than the average level. The observed t about the characteristic of encouragement is lower than the critical amount of table (1.64) on error level 5%; hence, this characteristic is lower than the average level.
Diagram 2- Comparison of average score of servant leadership characteristics in viewpoint of Imam Ali’s tradition with supposed mean of 3

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Education</th>
<th>Working experience</th>
<th>Job position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>P</td>
<td>F</td>
</tr>
<tr>
<td>Listening</td>
<td>1.17</td>
<td>0.322</td>
<td>0.875</td>
</tr>
<tr>
<td>Sympathy</td>
<td>2.57</td>
<td>0.057</td>
<td>1.26</td>
</tr>
<tr>
<td>Healing</td>
<td>2.27</td>
<td>0.083</td>
<td>1.82</td>
</tr>
<tr>
<td>Awareness</td>
<td>0.452</td>
<td>0.717</td>
<td>2.97</td>
</tr>
<tr>
<td>Encouragement</td>
<td>1.85</td>
<td>0.142</td>
<td>0.62</td>
</tr>
<tr>
<td>Conceptualization</td>
<td>2.90</td>
<td>0.037</td>
<td>0.414</td>
</tr>
<tr>
<td>Foresight</td>
<td>0.488</td>
<td>0.691</td>
<td>0.257</td>
</tr>
<tr>
<td>Stewardship</td>
<td>2.12</td>
<td>0.101</td>
<td>0.607</td>
</tr>
<tr>
<td>Commitment to growth of people</td>
<td>3.65</td>
<td>0.015</td>
<td>0.546</td>
</tr>
<tr>
<td>Building of coherent groups</td>
<td>2.35</td>
<td>0.075</td>
<td>1.80</td>
</tr>
</tbody>
</table>

2-Is there a difference between indices of servant leadership in view of management texts and Imam Ali’s tradition based on demographic factors?

Table 3- Comparison of average score of servant leadership characteristics in viewpoint of management texts in terms of demographic characteristics

Results of table 3 show that the observed F about conceptualization and commitment to growth of
people based on educational degree, and awareness based on working experience is significant.

Table 4- Comparison of average score of servant leadership characteristics in viewpoint of Imam Ali’s tradition in terms of demographic characteristics

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Education</th>
<th>Working experience</th>
<th>Job position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>P</td>
<td>F</td>
</tr>
<tr>
<td>Listening</td>
<td>1.95</td>
<td>0.124</td>
<td>0.222</td>
</tr>
<tr>
<td>Sympathy</td>
<td>2.25</td>
<td>0.086</td>
<td>0.201</td>
</tr>
<tr>
<td>Healing</td>
<td>2.36</td>
<td>0.074</td>
<td>0.751</td>
</tr>
<tr>
<td>Awareness</td>
<td>0.997</td>
<td>0.397</td>
<td>0.457</td>
</tr>
<tr>
<td>Encouragement</td>
<td>1.66</td>
<td>0.178</td>
<td>0.418</td>
</tr>
<tr>
<td>Foresight</td>
<td>6.52</td>
<td>0.001</td>
<td>0.344</td>
</tr>
<tr>
<td>Stewardship</td>
<td>2.89</td>
<td>0.038</td>
<td>0.305</td>
</tr>
<tr>
<td>Commitment to growth of people</td>
<td>3.99</td>
<td>0.009</td>
<td>0.136</td>
</tr>
<tr>
<td>Conceptualization</td>
<td>5.67</td>
<td>0.001</td>
<td>0.330</td>
</tr>
<tr>
<td>Building of coherent groups</td>
<td>3.98</td>
<td>0.012</td>
<td>0.350</td>
</tr>
</tbody>
</table>

Results of table 4 show that the observed F about foresight, stewardship, commitment to growth of people, conceptualization and building coherent groups has been significant based on educational degree.

14. Discussion and conclusion

Serving human beings whether Muslims or non-Muslims has been much recommended in Islam and serving creatures is among the superior worships. In management texts, theoretical aspects of serving are just referred to, while Imam Ali (peace be upon him) has explained diverse dimensions of serving as he talks about serving skills through stating applied skills. Results obtained from data analysis in the present survey about determining the existence level of servant leadership indices in viewpoint of management texts and Imam Ali’s tradition in Najafabad Islamic Azad University are as follows: results of one variable t-test (comparison of average score of servant leadership characteristics in viewpoint of management texts and Imam Ali’s tradition with supposed average of 3) show that the observed t with regard to the characteristic of commitment to growth of people is lower than the critical amount of table on error level 5%. Therefore, this characteristic is lower than the average level. The observed t about servant leadership characteristics in viewpoint of Imam Ali’s tradition about the encouragement characteristic is lower than the critical amount of table (1.64) on error level 5%. Thus, this characteristic is lower than the average level.

Comparison of average score of servant leadership characteristics in viewpoint of management texts and Imam Ali’s tradition in terms of demographic characteristics reveal that the observed F about conceptualization and commitment to growth of people based on educational degree, and awareness based on working experience has been significant in management texts' view. The observed F about foresight, stewardship, commitment to growth of people, conceptualization and
building coherent groups based on educational degrees has been significant in view of Imam Ali’s tradition.

With the regard to the results obtained from the study the following suggestions are presented in two parts:

A) The following cases are recommended in order to develop and extend servant leadership characteristics in Najafabad Islamic Azad University:

1- Due to the results of t-test, it is recommended to managers the organizations to harmonize employees with long-term objectives and programs of the organizations through holding useful educational courses for employees and their families so that individual and organizational growth and development will be fulfilled.

2- Due to the results of t-test, it is recommended to review and design the reward system in a way that the majority of employees who play a main role in the growth and development of the organization enjoy rewards and encouragement to the essential amount.

3- Through long-term programming for training employees it is possible to reinforce the sense of sympathy among them, to improve perceptional and human skills and to help them build coherent groups by growing of employees.

B) The following cases are recommended to researchers in order to perform future researches:

1- Due to the emphases of the supreme leader about preparing an Iranian-Islamic model of improvement and necessity for the domestication of sciences’, various researches should be performed by concentrating upon Islamic and Iranian resources about topics like servant leadership which are useful in preparing this model.

2- Due to the closeness of concepts of servant leadership our religious and national culture, it is recommended to researchers to design models for the implementation and execution of this theory in all organizations.

3- It is recommended to study and measure the adaptation level of servant leadership style with the existing leadership styles in governmental and private organizations in Iran.
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Optimization of Technical Rules by Genetic Algorithms (GA)
in IRAN Stock Market

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Abstract
This paper investigates the profitability of a simple and very common technical trading rule applied to the General Index of the Madrid Stock Market. The optimal trading rule parameter values are found using a genetic algorithm. The results suggest that, for reasonable trading costs, the technical trading rule is always superior to a risk-adjusted buy-and-hold strategy.

Keywords: Technical trading rules, Genetic algorithms, Security markets

1. Introduction
Technical analysis is aimed at devising trading rules capable of exploiting fluctuation on the financial markets. Recent results indicate that the market timing strategy may be a viable alternative to the buy-and-hold strategy, where the assets are kept over a relatively long time period. The market timing approach is more dynamic and focuses on market fluctuations. The trading rules, through technical analysis, are devised to generate appropriate buying and selling signals.

The first results, using technical analysis in various financial domains, in the 1960s and 1970s supported the “efficient market hypothesis”, which implies that there should not be any exploitable pattern in the data (Fama, 1970; Jensen & Bennington, 1970). Some recent results seem to indicate otherwise (Brock et al., 1992), followed by Bessembinder and Chan (Bessembinder & Chan, 1995), also demonstrated the simple trading rules could be profitable (but, without transaction costs).
Nevertheless, these developments are based on a priori rules determined through technical analysis. The emergence of new technology, in particular evolutionary algorithms, allows a system to automatically generate and adapt trading rules to particular applications. Genetic algorithms (Holland, 1975) have already been applied to a number of financial applications (Bauer, 1994). For learning trading rules, the genetic programming (GP) approach of Koza (1992) looks more promising, as it provides a flexible framework for adjusting the trading rules. Although, the first attempts by Chen and Yeh (1996) and Allen and Karjalainen (1999) on the stock exchange markets did not show any excess returns with regard to the buy and hold approach, other recent applications of GP are more encouraging (Neely et al., 1997; Neely&Weller, 1999; Marney et al., 2001).

A considerable amount of work has provided support for the view that simple technical trading rules (TTRs) are capable of producing valuable economic signals (Brock et al., 1992; Bessembinder&Chan, 1995; Mills, 1997; Fernández Rodríguez et al., 1999). However, the majority of these studies have ignored the issue of parameter optimization, leaving them open to the criticism of data snooping and the possibility of a survivorship bias (Lo&MacKinley, 1990; Brown et al., 1995) respectively. To avoid this criticism, a more objective and valid approach consists in choosing TTRs based on an optimization procedure utilizing in-sample data and testing the performance of these rules out-of-sample. In this sense, a genetic algorithm is appropriate method to discover TTRs (Allen&Karjalain, 1999).

The aim of this paper is to investigate the profitability of some popular TTRs using genetic algorithm optimization procedures. Section 2 describes the TTRs examined in this paper, while Section 3 presents the genetic algorithms and. The empirical results are shown in Section 4.

2. Technical trading rules

In this section, we review the different ingredients that constitute the basis of a trading model and reformulate them in terms of simple quantities that can be used in conjunction with a genetic algorithm. We first need to specify an appropriate universe of trading rules from which the current GA may have been applied to. Real trading models can be quite complicated and may require many different rules that also depend on the models own trading history. Here we limit ourselves to simple models that depend essentially on a set of indicators that are pure functions of the price history or of the current return.

E.g. Moving Average rules (MA). (Ryan et al., 1999)
Define the following parameters for a simple Moving average rule:
Short run (term/day): sr
Long run (term/day): lr
Short run average: s, is the average price of the sr days trading price;
Long run average: l, is the average price of the lr days trading price;
Fix band: x.
Generating a buy alert signal, when sr-lr>x;
Generating a sell alert signal, when lr-sr>x; (see Figure 1)
About the data set, we divide them into two parts: in sample set (training set) and out-of-sample set (testing set). In training set, we find the robust parameters and we use the same parameters in the testing set to evaluate the result. In this paper, we use a one-year-long data as training set and continued one-year-long data as testing set. We have tested four trading rules: Filter Rules, Moving Average (MA), Support and Resistance and Channel Break-outs (Ryan et al., 1999).

The evaluation used in this paper is Sharpe Ratio, which is defined by \( \frac{R_p - R_f}{\sigma_p} \), where \( R_p \) is Expected portfolio return, \( R_f \) is Risk free rate and \( \sigma_p \) is portfolio standard deviation. The reason we use Sharpe Ratio is because it considers both return and risk at the same time, and more and more researchers and traders are considering it.

Then, The simplest and most common trading rules are moving averages (MA). In particular, we consider a generalized MA (GMA) rule that can be represented by the following binary indicator function:

\[
S(\Theta)_t = MA(\theta_1)_t - (1 + (1 - 2S_{t-1})\theta_3)MA(\theta_2)_t
\]

(1)

Where \( \Theta = [\theta_1, \theta_2, \theta_3] \) denotes the parameters associated to the GMA rule, and \( MA(\theta) \) is a MA indicator defined as follows:

\[
MA_\theta(t) = \frac{1}{\theta} \sum_{i=0}^{\theta - 1} P_{t-i}, \quad t = \theta, \theta + 1, \ldots, N
\]

The lengths of the short and long MA are given by \( \theta_1 \) and \( \theta_2 \) while \( \theta_3 \) represents a filter parameter included to reduce the number of false buy and sell signals generated by a MA rule when price movement is nondirectional.

The GMA rule is used to indicate the trading position that should be taken at time \( t \). In particular,
equation (1) returns either a one or zero, corresponding to a buy or sell signal, respectively.

3. Genetic algorithms

A genetic algorithm is a population-based search and optimization method that mimics the process of natural evolution. The two main concepts of natural evolution, which are natural selection and genetic dynamics, inspired the development of this method. The basic principles of this technique were first laid down by Holland and are well described, for example, in (De Jong, 1975; Goldberg, 1989).

The performance of a genetic algorithm, like any global optimization algorithm, depends on the mechanism for balancing the two conflicting objectives, which are exploiting the best solutions found so far and at the same time exploring the search space for promising solutions. The power of genetic algorithms comes from their ability to combine both exploration and exploitation in an optimal way (Holland, 1975). However, although this optimal utilization may be theoretically true for a genetic algorithm, there are problems in practice. These arise because Holland assumed that the population size is infinite, that the fitness function accurately reflects the suitability of a solution, and that the interactions between genes are very small (Beasley, 1993).

In practice, the population size is finite, which influences the sampling ability of a genetic algorithm and as a result affects its performance. Incorporating a local search method within a genetic algorithm can help to overcome most of the obstacles that arise as a result of finite population sizes.

Incorporating a local search method can introduce new genes which can help to combat the genetic drift problem (Asoh & Mühlenbein, 1994; drift, 1998) caused by the accumulation of stochastic errors due to finite populations. It can also accelerate the search towards the global optimum (Hart, 1994) which in turn can guarantee that the convergence rate is large enough to obstruct any genetic drift.

The Parallel Recombinative Simulated Annealing (PRSA) algorithm (Mahfoud & Goldberg, 1995) fights the genetic drift problem in another way by combining the concept of the cooling schedule of simulated annealing (Kirkpatrick et al., 1983) Boltzmann tournament selection (Mahfoud, 1997), and standard genetic operators.

Due to its limited population size, a genetic algorithm may also sample bad representatives of good search regions and good representatives of bad regions. A local search method can ensure fair representation of the different search areas by sampling their local optima (Gruau & Whitley, 1993) which in turn can reduce the possibility of premature convergence.

---

2. Three different MA rules are nested within the GMA rule and can be derived individually by imposing certain restrictions on equation (1):

1) Simple MA: \( R_1 = 1, R_2 > 1, R_3 = 0 \)
   \[ S(T)_2 = R_2 - MA(T_2)T_e \]

2) Filtered MA: \( R_1 = 1, R_2 > 1, R_3 > 0 \)
   \[ S(T)_2 = R_2 - (1 + (1 - 2S_{t-1})R_3)MA(T_2)T_e \]

3) Double MA: \( R_1 > 1, R_2 > R_3, R_3 = 0 \)
   \[ S(T)_2 = MA(T_2)T_e - MA(T_2)T_e \]
In addition, a finite population can cause a genetic algorithm to produce solutions of low quality compared with the quality of solution that can be produced using local search methods. The difficulty of finding the best solution in the best found region accounts for the genetic algorithm operator’s inability to make small moves in the neighborhood of current solutions (Reeves, 1994). Utilizing a local search method within a genetic algorithm can improve the exploiting ability of the search algorithm without limiting its exploring ability (Hart, 1994). If the right balance between global exploration and local exploitation capabilities can be achieved, the algorithm can easily produce solutions with high accuracy (Lobo & Goldberg, 1997).

Although genetic algorithms can rapidly locate the region in which the global optimum exists, they take a relatively long time to locate the exact local optimum in the region of convergence (Jong, 2005; Preux & Talbi, 1999). A combination of a genetic algorithm and a local search method can speed up the search to locate the exact global optimum. In such a hybrid, applying a local search to the solutions that are guided by a genetic algorithm to the most promising region can accelerate convergence to the global optimum. The time needed to reach the global optimum can be further reduced if local search methods and local knowledge are used to accelerate locating the most promising search region in addition to locating the global optimum starting within its basin of attraction.

The improper choice of control parameters is another source of the limitation of genetic algorithms in solving real-world problems (Deb, 1997) due to its detrimental influence on the trade-off between exploitation and exploration. Depending on these parameters the algorithm can either succeed in finding a near-optimum solution in an efficient way or fail. Choosing the correct parameter values is a time-consuming task. In addition, the use of rigid, constant control parameters is in contradiction to the evolutionary spirit of genetic algorithms (Eiben et al., 1999). For this reason, other search techniques can be utilized to set the values of these parameters whilst the search is progressing.

This process, which can be described as an automated, intelligent approach to trial and error, based on principles of natural selection, is depicted in Figure 2.
As indicated, the first step in the process is initialization, which involves choosing a population size (M), population regeneration factors, and a termination criterion. The next step is to randomly generate an initial population of solutions, P(g=0), where g is the generation. If this population satisfies the termination criterion, the process stops. Otherwise, the fitness of each individual in the population is evaluated and the best solutions are "bred" with each other to form a new population, P(g+1); the poorer solutions are discarded. If the new population does not satisfy the termination criterion, the process continues.

**Fig 2: The GA Process**

**Types of GAs**

The simplest genetic algorithm represents each chromosome as a bit string (containing binary digits: 0s and 1s) of fixed-length. Numerical parameters can be represented by integers, though it is possible to use floating-point representations for reals. The simple GA performs crossover and mutation at the bit level for all of these. (Goldberg, 2002; Wikipedia, 2004). Other variants treat the chromosome as a parameter list, containing indices into an instruction table or an arbitrary data structure with pre-defined semantics, *e.g.*, nodes in a linked list, hashes, or objects. Crossover and mutation are required to preserve semantics by respecting object boundaries, and formal invariants for each generation can specified according to these semantics. For most data types, operators can be specialized, with differing levels of effectiveness that are generally domain-dependent. (Wikipedia, 2004).

**Applications**

Genetic algorithms have been applied to many classification and performance tuning applications in the domain of knowledge discovery in databases (KDD). De Jong *et al.* produced **GABIL (Genetic Algorithm-Based Inductive Learning)**, one of the first general-purpose GAs for
learning disjunctive normal form concepts. (De Jong et al., 1993). GABIL was shown to produce rules achieving validation set accuracy comparable to that of decision trees induced using ID3 and C4.5. Since GABIL, there has been work on inducing rules (Zhou et al., 2003) and decision trees (Cantú-Paz & Kamath, 2003) using evolutionary algorithms. Other representations that can be evolved using a genetic algorithm include predictors (Au et al., 2003) and anomaly detectors (González & Dasgupta, 2003). Unsupervised learning methodologies such as data clustering (Hall et al., 1999; Lorena & Furtado, 2001) also admit GA-based representation, with application to such current data mining problems as gene expression profiling in the domain of computational biology (Iba, 2004). KDD from text corpora is another area where evolutionary algorithms have been applied (Atkinson-Abutridy et al., 2003). GAs can be used to perform meta-learning, or higher-order learning, by extracting features (Raymer et al., 2000), selecting features (Hsu, 2003), or selecting training instances (Cano et al., 2003). They have also been applied to combine, or fuse, classification functions (Kuncheva & Jain, 2000).

Future Trends

Some limitations of GAs are that in certain situations, they are overkill compared to more straightforward optimization methods such as hill-climbing, feed forward artificial neural networks using back propagation, and even simulated annealing and deterministic global search. In global optimization scenarios, GAs often manifest their strengths: efficient, parallelizable search; the ability to evolve solutions with multiple objective criteria (Llorà & Goldberg, 2003); and a characterizable and controllable process of innovation. Several current controversies arise from open research problems in GEC:

- Selection is acknowledged to be a fundamentally important genetic operator. Opinion is, however, divided over the importance of crossover versus mutation. Some argue that crossover is the most important, while mutation is only necessary to ensure that potential solutions are not lost. Others argue that crossover in a largely uniform population only serves to propagate innovations originally found by mutation, and in a non-uniform population crossover is nearly always equivalent to a very large mutation (which is likely to be catastrophic).
- In the field of GEC, basic building blocks for solutions to engineering problems have primarily been characterized using schema theory, which has been critiqued as being insufficiently exact to characterize the expected convergence behavior of a GA. Proponents of schema theory have shown that it provides useful normative guidelines for design of GAs and automated control of high-level GA properties (e.g., population size, crossover parameters, and selection pressure). Recent and current research in GEC relates certain evolutionary algorithms to ant colony optimization (Parpinelli et al., 2002).

In order to determine which solution candidates are allowed to participate in the crossover and undergo possible mutation, we apply the genitor selection method proposed by Whitley (1989). This approach involves ranking all individuals according to performance and then replacing the poorly performing individuals by copies of better performing ones. In addition, we apply the commonly used single point crossover, consisting in randomly pairing candidates surviving the selection process and randomly selecting a break point at a particular position in the binary representation of each candidate. This break point is used to separate each vector into two sub vectors. The two sub vectors to the right of the break point are exchanged between the two vectors, yielding two new candidates. Finally, mutation occurs by randomly selecting a particular
element in a particular vector. If the element is a one it is mutated to zero, and vice versa. This occurs with a very low probability in order not to destroy promising areas of search space.

4. Empirical results

The data consists of daily closing prices of the General Index of the Iran Stock Exchange and the daily 3-month rate in the interbank deposits markets, covering the 2 January 1985-15 November 2010 period (4376 observations). The total period is split into an in-sample optimization period from 2 January 1985 to 16 December 2001 and an out-of-sample test period from to 16 December 2001 to 15 November 2010 (2188 observations in each sub period).

The initial population was set at 150 candidates, while the maximum number of both generation allowed and iterations without improvement was fixed at 300. The maximum the probabilities associated with the occurrence of crossover and mutation were set at 6% and 0.5%, respectively. These choices were guided by previous studies (Bauer, 1994) and experimentation with different values. The signals from the trading rules are used to divide the total number of trading days ($N$) into either “in” the market (earning the market return $rm_t$) or “out” of the market (earning the risk-free rate of return $r_f$). Therefore, the objective function used to evaluate the trading rules is given by the following expression:

$$r_{fr} = \sum_{t=1}^{N} S_{t-1} rm_t + \sum_{t=1}^{N} (1 - S_{t-1}) r_f - T^* c$$

Where $T$ is the number of transactions and $c$ is the cost per transaction. As an appropriate benchmark, we consider the return from a risk adjusted buy and hold strategy defined as

$$r_{bh} = \alpha \sum_{t=1}^{N} r_f + (1 - \alpha) \sum_{t=1}^{N} rm_t - 2 c$$

where $\alpha$ is the proportion of trading days that the rule is out of the market. Table 1 summarizes the results. As can be seen, the best GMA rules are double MA rules, without a filter parameter (except for the case of 0 transaction costs). The Sharpe ratio and the annualized returns corresponding to the best GMA rule are higher than those from the risk adjusted buy and hold strategy, both for the in-sample and out-of-sample periods. It is interesting to note that this result holds for all transaction costs examined.

3. The Sharpe ratio is a measure of risk-adjusted returns: $SR = \frac{\overline{F}}{\sigma \sqrt{T}}$, where $\overline{F}$ is the average annualized return of the trading strategy, $\sigma$ is the standard deviation of daily trading rule returns, and $Y$ is equal to the number of trading days per year.
Table 1: Performance statistics

<table>
<thead>
<tr>
<th>Transaction Costs</th>
<th>Parameter Values</th>
<th>In-sample</th>
<th>Out-of-sample</th>
<th>In-sample</th>
<th>Out-of-sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.25%</td>
<td>(207,242,0)</td>
<td>33.30</td>
<td>0.0072</td>
<td>14.63</td>
<td>0.0068</td>
</tr>
<tr>
<td>0.10%</td>
<td>(120,0)</td>
<td>38.58</td>
<td>0.0105</td>
<td>16.89</td>
<td>0.0072</td>
</tr>
<tr>
<td>0</td>
<td>(1,2,3)</td>
<td>43.21</td>
<td>0.0122</td>
<td>13.36</td>
<td>0.0078</td>
</tr>
</tbody>
</table>

Notes: GMA trading rules are identified as \((s,l,b)\), where \(s\) and \(l\) are the length of the short and long period (in days) and \(b\) is the filter parameter.

\(\%\) is the average annualized return of the trading strategy and \(SR\) is the Sharpe ratio.
References


Assess and Identify Factors Associated With Improved Information Systems For Performance Assessment Production Methodology Push Versus Pull Systems (Case Study of Electronic Industries of Iran)

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Abstract  
This paper first researcher to introduce short of push and pull systems is then paid to the effect of various factors related to information systems are and can evaluate performance of many organizations to help study the research has In the present part of E Company was undertaken by using appropriate statistical methods and indicators that were identified.

Keywords: Performance, DSS, indicators, assessment, push production

1. Introduction  
managers contemplating the installation of a pull system cannot measure progress toward meeting pull system goals without knowing the significant metrics of his system. This manager also requires a method for predicting when the system should change from one transition state to the next and a means to control the analysis of these changing metrics. The methods presented fulfill these needs. First, a simulation model of a real electronics assembly system is developed. The simulation model provides a case study, a mechanism for obtaining data and a vehicle for method validation. Step-wise multiple regression is used to determine which factors and factor interactions significantly influence the simulation model output. The transition functions of pull system implementation are then estimated using dynamic programming. Validation of the transition functions is accomplished by comparing simulated results and results predicted by using the transition functions. A decision support system framework provides guidelines for the development of software employing these methods.

2. Literature review  
In the 1990s, companies came up with new manufacturing philosophies that enabled them to reduce costs and compete in volatile markets. Manufacturing operations need to cultivate capability to deal with unanticipated events. In other words, manufacturing operations need to be agile. One can analyze flexibility in manufacturing operations in three levels: firm, function and operations. “Flexibility is always studied in context of resources or labor but never as manufacturing planning and control” (Slack&Correa,1992).
2.1. Push Systems

A push system supports batch manufacturing operations. In batch manufacturing, the material-planning department of an organization typically releases a schedule that is developed by taking into consideration the lead times of various components and subassemblies (Vollmann et al., 1997). These lead times consist mainly of the waiting time and the queue time for a particular component as the actual processing time only constitutes a small part of the total lead time. The main objective of the push system is to effectively utilize the capacity of each work center. This type of manufacturing system schedules shop orders by taking into consideration the routing of every component. The criterion used to allocate the schedule is the due date of the finished product. As MRP systems have evolved, it has become possible to track the progress of the components produced throughout the shop floor. In the mid 1970’s, Orlicky introduced the concept of ‘Material Requirements Planning’ and is recognized by many as the father of the modern MRP system (Vollmann et al., 1997). Various studies have been conducted to understand the performance of MRP or push systems. Suri, Krishnamurthy and Vernon (2004) identify the following key issues in modeling a push system:

- Estimating release lead-times
- Modeling future requirements for different products
- Determining the safety lead-times and stock

Buzacott and Shanthikumar (1994) conducted research that studied safety stock vs. safety lead-time in a MRP-controlled production system. Their research proposes that safety lead time is preferable than safety stock whenever it is possible to have a good forecast of the future requirements. But in cases where it is only possible to predict the mean demand then either of the two can be used. Even Suri et al (2004) conclude that in case of single product systems where future demand is accurately known it would be more appropriate to implement push strategy with safety lead times.

2.2. Pull Systems

Pull (kanban) strategies have been the subject of numerous studies by researchers (Uzsoy et al., 1990; Berkley, 1992; Liberopoulos & Dallery, 2000; the references therein). A kanban system is a common example of a pull production system that is extensively used in industry. The Toyota Production System has made the word kanban so synonymous with the pull system they practice that pull systems are often referred to as kanban systems (Ohno, 1988). In Japanese, kanban means display or a card. A kanban in a pull system is an authorization to produce. It is a signal from a downstream manufacturing process that prompts the upstream process to begin production of a component that has been consumed from inventory. The two things that have become integral to the pull type manufacturing system are:

- kanban cards
- Standardized containers

The containers are used to standardize the production batch sizes, protect the material from damage and also assist in maintaining visual control of the WIP inventory (Hyer & Wemmerlov, 2002). Though kanban type pull systems are most commonly used, there exist other pull systems, like POLCA (Paired-cell overlapping loops of cards with authorization), CONWIP (Constant WIP), and DBR (Drum-buffer-rope) (Hyer and Wemmerlov, 2002). POLCA is a generic card system in which the cards are circulated immediately after a product exits the

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last of the two cells in a loop. With CONWIP, an authorization to produce the next batch is produced when another batch is removed from inventory, regardless of the product type. DBR is a system in which the master schedule sets the production rate according to the output rate of the bottleneck resource. Researchers have extensively studied pull strategies; Tayur (1993) developed theoretical results to characterize the dynamics of kanban systems and reduce the simulation effort needed to study them. Gstettner and Kuhn (1996) show that the performance of a kanban system is significantly affected by the distribution of kanban cards.

In the Push scheme each time a demand arrives it immediately authorizes the release of a new job. The demand is either immediately satisfied from the stock or it is backlogged. The Pull scheme examined is similar to CONWIP (Spearman, 1992; Spearman et al., 1990; Spearman & Zazanis, 1992). The main difference is that instead of the requirement that the WIP in the system remain constant we require that the total work-in-process including the Finished Goods Inventory (FGI) remain constant and equal to $S$. External demands, if not immediately satisfied, are again backlogged. In this scheme the arrival of a demand authorizes the release of a new job only when the work in process is less than $S$ or equivalently the finished goods inventory is greater than zero. Proper operation of this scheme, which of course depends crucially upon the right choice for $S$, results in the same benefits in terms of increased system efficiency and reduced inventory levels as other pull systems (Buzacott & Shanthikumar, 1993; Hall, 1983; Karmarkar, 1986; Mitra & Mitrani, 1990; Mitra & Mitrani, 1991; Spearman et al., 1990; Spearman & Zazanis, 1992).

2.3 Push/Pull Interface

It is not necessary that a production line be pure push or pure pull. One can design a line so that a segment of the line operates as push and the another segment operates as pull. We present a specific example to illustrate this.

2.4 Electronics assembly case in Iran industry

An actual push design electronics assembly system was modeling using the SIMAN simulation language. The simulation model was a representation of a real electronics assembly facility prototype line, producing one product style in high volume. Although the prototype production line is very simple, the case provides an adequate demonstration of these research methods.
The unit load of the simulation model was a single circuit board. The production process begins with board washing and serialization. The next process is surface mount technology (SMT) with solder paste screening, parts placement and either phase or infrared (IR) solder reflow. The SMT process is completed with degreaser cleaning. The automatic insertion (A/I) process forms the second part of this electronics assembly system and includes: automatic part insertion, manual part insertion, wave soldering, aqueous cleaning and special parts assembly. Inspection and rework stations are located after: solder screening, SMT parts placement, SMT solder reflow, aqueous cleaning and special assembly. The last step in the simulation model was final inspection. Circuit boards passing final inspection left the system.

In the literature, there has been considerable interest in comparing push and pull strategies, and in studying the driving factors for choosing between push and pull. Table 1 summarizes the literature comparing push and pull in a production system context to capture the following issues: 1) manufacturers’ key performance metrics; 2) key factors that influence the performances; and 3) research methods. While push is still the most widely employed strategy by semiconductor manufacturers today (Fowler et al., 2002), leading manufacturers such as Xilinx (Brown et al., 2000) and solution providers such as Technology have initialized the transition from push to push-pull for the next-generation production of high-margin, high-volume products. The push-pull system that takes the advantage of both push and pull characteristics may outperform pure push and pure pull systems (Spearman & Zazanis, 1992). In general, however, no identical conclusions can be drawn from Table 1 for choosing a better strategy since there are numerous factors that influence system performance.

<table>
<thead>
<tr>
<th>Article</th>
<th>Industry Area</th>
<th>Method</th>
<th>Performance Metrics</th>
<th>Influential Factors</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonney et al., (1999)</td>
<td>Generic</td>
<td>Simulation</td>
<td>Fill Rate; Mean Waiting Time</td>
<td>The flow of control information (order size, batch size, kanban size, etc.)</td>
<td>It may be possible to obtain similar performance improvement in push systems as in pull systems with particular control information.</td>
</tr>
<tr>
<td>Damodaran and Melouk (2002)</td>
<td>Generic</td>
<td>Analytical Model</td>
<td>Throughput; Average Waiting Time; Machine Utilization</td>
<td>Processing time variation; Demand variation; Transporters; Batch size</td>
<td>Research shows that the number of transporters used and the batch sizes have a significant effect on the performance measures of both push and pull systems.</td>
</tr>
<tr>
<td>Dengiz and Akbay (2002)</td>
<td>PCB production</td>
<td>Simulation</td>
<td>Throughput; Cycle Time</td>
<td>Number of boards in different operation stages.</td>
<td>Implementation of a pull system increase productivity by 12%.</td>
</tr>
<tr>
<td>Grosfeld-Nir et al., (2000)</td>
<td>Generic</td>
<td>Simulation</td>
<td>WIP; Throughput</td>
<td>Processing time variability</td>
<td>Surprisingly, often push outperforms pull on WIP, while maintaining higher throughput.</td>
</tr>
<tr>
<td>Hirakawa (1996)</td>
<td>Generic</td>
<td>Analytical Model</td>
<td>JIT Delivery; Inventory</td>
<td>Variance of inventory level and production level</td>
<td>Suggests shorter processing cycle time for each of the multiple stages to achieve JIT delivery without having excessive inventory.</td>
</tr>
<tr>
<td>Hoshino (1996)</td>
<td>Generic</td>
<td>Analytical</td>
<td>Level of Safety</td>
<td>Variance of the</td>
<td>Pull performs better in reducing</td>
</tr>
</tbody>
</table>
2.5. Simulation model

Digital simulation was utilized to model the actual production system. Although a brute force method and worker intensive, simulation supplies a feasible mechanism to analyze complex simultaneous activity. The simulation model employed standard probability distributions for input data. A run time period of 40 h, after steady-state, was observed. If the output change was statistically equivalent to zero, steady-state was said to have been reached. Input data were verified by comparison to actual system process standards using derived probability distributions and the chi-squared goodness of fit test. Simulation model validation included internal mathematical consistency checks and comparing simulation model output to the physical system metrics.

3. Identification of metrics

Step-wise multiple regression was used to determine which factors and factor interactions significantly influence the simulation model output parameters. Total cost, as a function of simulation run time, was the dependent variable in a factorial design, and was tested step-wise for response to various combinations of six potentially significant factors. These factors were based on metrics deemed most important by managers familiar with this system and by literature
search (Galbraith et al., 1991). The six factors were: mean flow time (MFT), quality, flexibility, material flow, process utilization and mean queue time. Three levels of each factor tested were represented by three critical processes of the real system under study. The three levels (processes) for each factor were: component placement, wave solder and solder reflow. This method could be applied to other discrete parts manufacturing systems by selecting three critical processes for the system of interest. MFT was measured as the time spent in the system by a unit of product (Baker, 1974). A direct output value from the simulation model, MFT was measured in hours, with lower values being desirable. Quality was calculated as the percentage of defects: the ratio of inspection failures to the total number of product units flowing through a process block. Quality control included 100% inspection of product. A lower non-conformance ratio indicated better quality. Flexibility was calculated as the mean number of available workstations able to process an operation (Chang, 1986), where: flexibility = 1 - process utilization. Material flow smoothness was measured by the level of congestion. Congestion was defined as the ratio of time spent in queue to time spent in process (Allen & Chavous, 1989; Spearman, 1988). Process utilization and mean queue time were obtained directly from simulation results. It may appear that MFT and mean queue time would be co-dependent. Good material flow with low congestion would be expected to result in a low mean queue time, high or low flexibility depending on process utilization, and low MFT. On the other hand, poor material flow with high congestion centred around one or two large queues associated with bottleneck processes near the beginning of the line can result in downstream processes being starved. These downstream processes will have low mean queue time and high flexibility. Overall, the system may have a high MFT. These two examples show that MFT and mean queue time should not be assumed to be co-dependent based on definition. From a multicollinearity study, it was concluded that multicollinearity was present for process utilization and flexibility, and MFT, material flow and mean queue time. Figure 2 graphically portrays the factor dependencies. System product flow was evaluated using the metrics of MFT, material flow congestion and mean queue time. The material flow measure of congestion is a direct indication of mean queue time and a significant influence on MFT. Flexibility was thought to give a more direct indication than process utilization of overall system efficiency and capacity for meeting changes in demand. Quality, an independent factor, was also used in the regression. The multicollinearity analysis was continued using the metrics of quality, flexibility and material flow. The results for placement and IR reflow processes are printed above wave solder for each matrix cell of Table 2. Table 3 shows the eigenvalues of the correlation matrix for quality, flexibility and material flow, and further substantiates the relative independence of these three metrics. The correlation matrix eigenvalues were not very close or equal to zero. Step-wise regression was then performed using these three metrics and their two-way interactions. Three way interactions were assumed to be negligible. If three-way interactions were in fact significant, it would be very difficult to interpret for an actual system (Hicks, 1982; Law & Kelton, 1986; Taguchi, 1986). The response variable was total production cost as a function of simulation system run time. A constant cost of $1000 per run hour was assumed to relate system run time to production cost. Other cost per run hour values could be chosen to reflect a particular system under study. Table 4 presents the best model of the step-wise multiple regression results. Those factors and factor interactions that were not shown to be significant influences (α = 0.05) on run time were not included in the model. The best model was defined in terms of coefficient of determination.
closest to 1.0, lowest standard error and lowest residual variance. The coefficient of determination indicated that 90.34% of the variation in the response data was explained by the model, and hence was considered a favorable indicator of model fit for these data. The input data did not contain gaps and the input data magnitudes were in the hundred thousands. The standard error of prediction indicated that the estimator of mean response had moderately low variance. The balanced spread of the residuals about zero was indicated by the low coefficient of skewness.

![Figure 2. Performance measure dependence](image)

Table 2. Quality, flexibility and material flow correlation coefficients

<table>
<thead>
<tr>
<th>Quality</th>
<th>Flexibility</th>
<th>Material flow</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Quality</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Placement</td>
<td>1.0000, -0.0513</td>
<td>-0.1539, -0.3526</td>
</tr>
<tr>
<td></td>
<td>-0.1026</td>
<td>-0.2052</td>
</tr>
<tr>
<td>IR reflow</td>
<td>-0.0513, 1.0000</td>
<td>-0.30, -0.1026</td>
</tr>
<tr>
<td></td>
<td>0.3000</td>
<td>-0.3000</td>
</tr>
<tr>
<td>Wave</td>
<td>-0.1026, 0.3000</td>
<td>-0.30, 0.1823</td>
</tr>
<tr>
<td></td>
<td>1.0000</td>
<td>-0.2000</td>
</tr>
<tr>
<td><strong>Flexibility</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Placement</td>
<td>-0.1539, -0.2301</td>
<td>1.0000, 0.0513</td>
</tr>
<tr>
<td></td>
<td>-0.4000</td>
<td>0.0719</td>
</tr>
<tr>
<td>IR reflow</td>
<td>-0.2690, -0.1026</td>
<td>0.0513, 1.0000</td>
</tr>
<tr>
<td></td>
<td>-0.1823</td>
<td>0.3591</td>
</tr>
<tr>
<td>Wave</td>
<td>0.2052, -0.3173</td>
<td>0.0719, -0.3591</td>
</tr>
<tr>
<td></td>
<td>-0.2000</td>
<td>1.0000</td>
</tr>
<tr>
<td><strong>Material flow</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Placement</td>
<td>-0.2052, 0.1615</td>
<td>0.2615, -0.3078</td>
</tr>
<tr>
<td></td>
<td>0.3000</td>
<td>0.2000</td>
</tr>
<tr>
<td>IR reflow</td>
<td>0.3862, 0.30</td>
<td>0.3382, 0.2892</td>
</tr>
<tr>
<td></td>
<td>0.2999</td>
<td>0.2000</td>
</tr>
<tr>
<td>Wave</td>
<td>0.2183, 0.1615</td>
<td>0.2301, 0.3558</td>
</tr>
<tr>
<td></td>
<td>0.2000</td>
<td>0.1096</td>
</tr>
</tbody>
</table>
Table 3. Eigenvalues of the correlation matrix for quality, flexibility and material flow

<table>
<thead>
<tr>
<th>Performance measure</th>
<th>Critical process Placement</th>
<th>IR reflow</th>
<th>Wave Solder</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality</td>
<td>3.2500</td>
<td>2.1047</td>
<td>1.2297</td>
</tr>
<tr>
<td>Flexibility</td>
<td>-2.2715</td>
<td>-2.1663</td>
<td>5.0176</td>
</tr>
<tr>
<td>Material flow</td>
<td>0.7701</td>
<td>3.8120</td>
<td>1.4997</td>
</tr>
</tbody>
</table>

Table 4. Multiple regression results

<table>
<thead>
<tr>
<th>Regressor</th>
<th>Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>2.0486</td>
</tr>
<tr>
<td>Quality - wave solder</td>
<td>29889.9264</td>
</tr>
<tr>
<td>Material flow - placement</td>
<td>670.8824</td>
</tr>
<tr>
<td>Material flow - IR reflow</td>
<td>2.4639</td>
</tr>
<tr>
<td>Quality - placement</td>
<td>1.0519</td>
</tr>
<tr>
<td>Flexibility - IR reflow</td>
<td>-1.7091</td>
</tr>
<tr>
<td>Quality - IR reflow</td>
<td>-2.7817</td>
</tr>
<tr>
<td>Flexibility - wave solder</td>
<td>-4.1799</td>
</tr>
<tr>
<td>Model fitting results</td>
<td>0.9034</td>
</tr>
<tr>
<td>Coefficient of determination</td>
<td>68.8858</td>
</tr>
<tr>
<td>Standard error of prediction</td>
<td>0.3829</td>
</tr>
<tr>
<td>Residual mean</td>
<td>28.7452</td>
</tr>
<tr>
<td>Residual variance</td>
<td>-7.5326</td>
</tr>
<tr>
<td>Minimum residual</td>
<td>8.4147</td>
</tr>
<tr>
<td>Maximum residual</td>
<td>-0.2778</td>
</tr>
<tr>
<td>Residuals standardized skewness</td>
<td>0.9034</td>
</tr>
</tbody>
</table>

Two-way interactions were not shown to be significant for this system model. The three critical processes were separated by several other processes in each case, so that the model indicating no significant interaction between critical processes' metrics seemed to be a reasonable result. The regression model results suggested that this system was heavily influenced by quality and material flow. Two disadvantages associated with the traditional push system design are complex material flow and poor quality.

4. Estimation of transition functions

The case study metrics found to be significant in the regression analysis were used as the metrics for estimating transition functions. Dynamic programming methods were used to estimate the transition functions. Once these transition functions are identified, a manager has milestones for when to initiate changes to the system Decisions cause a system to change from one stage to the next by activating transition functions. The decision variable chosen in this research was buffer size of critical process workstations. Buffer size may be considered a limit to the effectiveness of pull systems. Inflated buffers placed before critical processes can increase work-in-progress (WIP) while inadequate buffers may result in unbalanced production flow and blockage. An ideal pull system would not require buffers, but a realistic goal for pull system buffer size may be one part. The transition from one state to another (based on buffer size
decisions) occurred when reducing the buffer size further caused a deterioration in significant metrics or when the buffer size equaled one. Overall pull system implementation stages have been said to be:

- process improvements;
- group technology layout
- pull system scheduling;
- cell operations stopping with any cell equipment failure (cell down rule).

An example first state of the process improvements stage would be applying process improvements to the first process, perhaps improving the screen printing process. The second state for the process improvement stage would then be improving the second process. Example states within the stage of group technology (GT) layout may be the number of cells developed. For example, the first state in the GT layout stage may have only one cell, while the second state of the GT stage may have two or three cells.

5. Pull system implementation

The simulation model was revised for each of the four major pull system implementation stages. Process improvements, the first implementation stage, included reducing process times, inspection times and the number of defects to a level thought realistic by engineers familiar with the system. In an actual manufacturing facility, process changes could be made continually. Implementing a group technology layout was the next stage. Machines to be grouped into cells were selected by their criticality to the process, original location and number of duplicate equipment. First, four cells were formed in the A/I area. Next, two cells were created in the SMT area. The third implementation stage was pull system scheduling. A simple Kanban system was integrated process-by-process working backward from final inspection. The fourth and last pull system implementation stage was the rule of stopping all cell operations when any of that cell's equipment broke down (cell down rule). The enforcement of the cell down rule is similar to having a buffer of zero within the cells. This strict rule must be implemented last because of its dependence on high quality, high machine reliability and balanced smooth production flow.

Global variable toggles were placed in the simulation model to stop a given cell's operations when any of that cell's machines broke down. A part loaded on a machine at the time of machine failure was assumed to be destroyed. Implementation stages were layered, i.e. pull scheduling was integrated into a group technology model. One simulation model was run for each of the manager-recommended buffer sizes from one to five, for the critical processes, for each implementation stage. When the last major pull system implementation stage was reached and further buffer size changes in that stage did not result in significant metrics improvement, the transition endpoint was said to be reached. Without substantial process enhancement, additional significant performance measure improvement was assumed not to be possible after reaching complete pull system implementation. When a saddle point or inflection point was reached the buffer size associated with the minimum system run time was chosen. Buffer size changes from five to one did not significantly impact the quality performance measure for the first three pull system implementation stages. When the cell down rule was added to the installed protocol of pull scheduling, quality became sensitive to buffer size. IR reflow and wave solder, involving fewer non cellular machines, did not show this sensitivity to buffer size. In this case, cellular grouping seemed to decrease the sensitivity of
critical processes to buffer size changes. Within each implementation stage and overall, wave solder flexibility decreased as the buffer size increased. The wave solder process was conveyorized, allowing little flexibility in material movement within the process, but was sensitive to receiving a steady delivery of material. Another conveyorized process, IR reflow, was quite sensitive to buffer size changes. IR reflow material flow congestion seemed to be sensitive to cell formation before or after its workstation. Pull scheduling did not seem to smooth out production flow for the IR process when the buffer size increased. Since pull scheduling is based on an assumption of minimum WIP, this result seems reasonable. These results indicated that the IR process congestion can be reduced with smaller buffer sizes if the cell down rule is applied on top of pull scheduling. A significant increase in system run time was noted with the implementation of the cell down rule. For this particular system, it seemed that the improvements made in equipment maintenance and process enhancement were not sufficient to allow the enforcement of the cell down rule without jeopardizing significant metrics. Real manufacturing lines must have excellent process and quality control before implementing the cell down rule. This result demonstrates one of the major weaknesses associated with the application of pull system philosophy in actual production systems.

6. Dynamic programming results

When the last major pull system implementation stage was completed and further buffer size changes in that stage did not result in significant performance measure improvement, the transition endpoint was said to be reached. Once an assumed endpoint was reached, the transition functions were defined using dynamic programming. The recursive equation for the transition functions may be described as:

$$f_n(s_n, x_n) = \sum_{i=1}^{n} \left[ C_i + f^*_{n+1}(i) \right]$$

where $s_n$ is stage $n$, $x_n$ is the decision to move from stage $n$ to stage $n+1$, and $C_i$ is the contribution to cost from being in state $i$ of stage $n$, $f^*_{n+1}(i)$ is the minimum future cost of the decisions taken for stages $n + 1$ onward, while $f_n(s_n, x_n)$ is the cost contribution of stage $n$ plus the minimum future cost, $n.f^*_{n+1}(i)$. By assuming constant cost values per system run hour, $C_i$, and using the definitions above, the transition functions were defined. The dynamic programming stages were the pull system implementation stages, one through five. The number of states varied for each stage. The decision variable $x_n$ was the buffer size. Table 5 shows the predicted and simulated results. Predicted results were derived from the use of the dynamic programming recursive equations. In Table 4, group technology is abbreviated as GT.

Working backwards from the endpoint, the decision leading to a state was defined. Stage by stage, from the endpoint to the initial state, each state and decision was derived by observing the decisions made during the state transitions of the dynamic programming model. The state having the minimum simulated system run time was chosen as the level of implementation for that stage. The decision of buffer size was based on system run time and
significant metrics selected. The case study implementation recommendations based on dynamic programming results are shown in Table 6.

Table 5. Mean predicted and simulated results

<table>
<thead>
<tr>
<th>Stage</th>
<th>Buffer size</th>
<th>Predicted system run time</th>
<th>Simulated system run time</th>
<th>Predicted stage production cost($)</th>
<th>Simulated stage production cost($)</th>
<th>Predicted total production cost($)</th>
<th>Simulated total production cost($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process improvement</td>
<td>1</td>
<td>1.6317</td>
<td>1.2087</td>
<td>1631.74</td>
<td>1208.70</td>
<td>3185.88</td>
<td>3648.00</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>0.7987</td>
<td>1.2110</td>
<td>798.67</td>
<td>1210.10</td>
<td>2352.80</td>
<td>2649.40</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>1.6128</td>
<td>1.2218</td>
<td>1612.78</td>
<td>1221.80</td>
<td>3166.91</td>
<td>3661.10</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>1.6006</td>
<td>1.2126</td>
<td>1600.63</td>
<td>1212.60</td>
<td>3154.76</td>
<td>3651.90</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>0.8324</td>
<td>1.2064</td>
<td>832.42</td>
<td>1206.40</td>
<td>2386.55</td>
<td>3645.70</td>
</tr>
<tr>
<td>GT: just A1</td>
<td>1</td>
<td>0.6992</td>
<td>0.5257</td>
<td>699.18</td>
<td>525.70</td>
<td>1907.83</td>
<td>2444.30</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>0.3607</td>
<td>0.5228</td>
<td>360.73</td>
<td>522.80</td>
<td>1569.38</td>
<td>1944.40</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>0.7019</td>
<td>0.5199</td>
<td>701.87</td>
<td>517.90</td>
<td>1910.52</td>
<td>2438.50</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>0.6736</td>
<td>0.5103</td>
<td>673.60</td>
<td>510.30</td>
<td>1882.25</td>
<td>2428.90</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>0.3593</td>
<td>0.5207</td>
<td>359.28</td>
<td>520.70</td>
<td>1567.93</td>
<td>2439.30</td>
</tr>
<tr>
<td>GT: SMT and A1</td>
<td>1</td>
<td>0.7029</td>
<td>0.5207</td>
<td>702.94</td>
<td>520.70</td>
<td>1572.78</td>
<td>1918.60</td>
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<tr>
<td></td>
<td>2</td>
<td>0.3508</td>
<td>0.5315</td>
<td>350.79</td>
<td>531.50</td>
<td>1223.63</td>
<td>1929.40</td>
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<tr>
<td></td>
<td>3</td>
<td>0.7482</td>
<td>0.5422</td>
<td>748.24</td>
<td>542.20</td>
<td>1621.08</td>
<td>1940.10</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>0.7042</td>
<td>0.5335</td>
<td>704.22</td>
<td>533.50</td>
<td>1577.06</td>
<td>1931.40</td>
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<tr>
<td></td>
<td>5</td>
<td>0.3358</td>
<td>0.5247</td>
<td>355.81</td>
<td>524.70</td>
<td>1208.65</td>
<td>1922.60</td>
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<tr>
<td>Pull schedule</td>
<td>1</td>
<td>0.7277</td>
<td>0.5390</td>
<td>727.65</td>
<td>539.00</td>
<td>1271.33</td>
<td>1408.80</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>0.3362</td>
<td>0.5336</td>
<td>336.17</td>
<td>533.60</td>
<td>879.85</td>
<td>1403.40</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>0.6971</td>
<td>0.5281</td>
<td>697.09</td>
<td>528.10</td>
<td>1240.77</td>
<td>1397.90</td>
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<tr>
<td></td>
<td>4</td>
<td>0.7123</td>
<td>0.5396</td>
<td>712.27</td>
<td>539.60</td>
<td>1255.95</td>
<td>1409.40</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>0.3292</td>
<td>0.5396</td>
<td>329.16</td>
<td>539.60</td>
<td>872.84</td>
<td>1409.40</td>
</tr>
<tr>
<td>Cell down rule</td>
<td>1</td>
<td>1.2041</td>
<td>0.8919</td>
<td>1204.06</td>
<td>891.90</td>
<td>1204.06</td>
<td>891.90</td>
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<tr>
<td></td>
<td>2</td>
<td>0.5814</td>
<td>0.8809</td>
<td>581.39</td>
<td>880.90</td>
<td>581.39</td>
<td>880.90</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>4.1481</td>
<td>0.8698</td>
<td>1148.14</td>
<td>869.80</td>
<td>1148.14</td>
<td>869.80</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>1.1791</td>
<td>0.8734</td>
<td>1179.09</td>
<td>873.40</td>
<td>1179.09</td>
<td>873.40</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>0.5437</td>
<td>0.8769</td>
<td>543.68</td>
<td>876.90</td>
<td>543.68</td>
<td>876.90</td>
</tr>
</tbody>
</table>

Table 6. Implementation recommendations

<table>
<thead>
<tr>
<th>State</th>
<th>Implementation Stage</th>
<th>Buffer size</th>
</tr>
</thead>
<tbody>
<tr>
<td>All three</td>
<td>Process improvement</td>
<td>5 (largest)</td>
</tr>
<tr>
<td>Both</td>
<td>Both Group technology A/I 5</td>
<td>5</td>
</tr>
<tr>
<td>First two</td>
<td>Group technology A/I and SMT</td>
<td>1 (smallest)</td>
</tr>
<tr>
<td>All T3</td>
<td>Pull scheduling</td>
<td>3</td>
</tr>
<tr>
<td>First four</td>
<td>Cell down rule</td>
<td>3</td>
</tr>
</tbody>
</table>
7. Validation of transition functions

An Analysis Of Variance (ANOVA) was performed to evaluate the validation of the transition functions estimated above. Total production cost as a function of simulation run time was used as the response variable. The hypothesis tested was that there was no significant difference between the predicted and simulated total production costs.

The total production cost was predicted for the various transition states and stages using the estimated transition functions and the regression model previously defined. The predicted results were then compared to the original simulation results using ANOVA. Bartlett's test was run to test the assumption of homogeneity of variance: Bartlett's test: 1.0317 with probability 0.2256. Probability values well above 0.05 are considered to suggest homogeneous variances (Hicks,1982).

The ANOVA results indicated an F ratio of 3.568 with 0.0649 significance, so that the hypothesis was not rejected for the chosen $\alpha$ level of significance of 0.05. A rank test was also performed to non-parametrically compare the two methods for estimating total production cost. The Wilcoxon test, based on signed ranks, gave a very low probability of equaling or exceeding the Z test statistic. This test supported the conclusion of no significant difference between the predicted and simulated total production cost estimates. The transition functions, which the predicted values were based on, were therefore said to be validated.

8. Decision support system framework

The proposed decision support system (DSS) framework outlines the structure of a DSS focused on the problems associated with evaluating and controlling the transition from a push production system to a pull system design. Decision support systems have been defined as interactive systems that assist decision makers to utilize data and models to solve unstructured or underspecified problems. DSSs are structured to facilitate the type of complex decision making involved in the transition toward pull system design. Figure 3 shows the outline of the DSS framework for the transition to a pull system. Structures connected by lines with bidirectional arrows show that information flows back and forth between these structures. Input data such as market data, pull system production control data and company-wide data is collected and sorted by an existing production control system. This organized data is then input to the DSS data base. Significant metrics and the transition functions have been identified by the methods described above and are also part of the DSS data base. The DSS data base simplifies the collection and maintenance of the data used by the DSS and limits the set of functions and users that the DSS needs to support. The problem processing subsystem interacts, through the command language and the model operating system, with the DSS data base.

The digital simulation manager controls and runs the simulation model and facilitates the interface of the simulation model and statistical analysis manager. The major functions of the digital simulation manager are to:

- Incorporate simulation model structural changes associated with the actual system configuration evolving toward pull system structure. Each request for a change in pull system implementation state or stage prompts the incorporation of input changes into the simulation model and results in a new model;
- Recode and run simulation model when prompted;
- Revalidate the simulation model after the model undergoes structural changes;
- Export simulation model output statistics to the statistical model manager.
• Interpret output from the simulation model to provide answers for what-if scenarios;
• Respond to interactive queries and generate reports;

Figure 3. The DSS framework for the transition to a pull system

The statistical analysis manager includes a database management system (DBMS) and provides the communication between the digital simulation manager and the model manager. The main functions of the statistical analysis manager are to:
• Use an internal DBMS to organize simulation output statistics;
• Receive data from the DBMS and run multiple regression to identify the significant performance measures;
• Export results to the model manager;
• Respond to interactive queries and generate reports.
The model manager uses the results generated by the digital simulation manager and statistical analysis manager to run the dynamic programming model. The primary functions of the model manager are to:

- Prompt the statistical analysis manager to provide significant performance measure results;
- Prompt the digital simulation manager to restructure the simulation model to fit the implemented pull system stages;
- Choose the buffer size for evolving pull system stages by evaluation of the significant metrics results of the simulation and regression;
- Prompt the digital simulation manager to run the simulation model using chosen buffer sizes and report results to the statistical analysis manager;
- Run the dynamic programming model to determine production costs of alternatives;
- Respond to interactive queries and generate reports.

The decision logic subsystem may be designed to be a combination of simulation model and expert system. With the decision logic subsystem, the problem processing subsystem analyzes the data from the DSS data base and from interaction with the decision maker to generate candidate solutions, optimize solutions and validate solutions. The solution validation model component interacts with the decision maker to present reports, what-if alternatives and answer simple queries interactively.

Using this framework as a guideline for the structure, a computer scientist can work with the production manager to develop a fully functional DSS. After the DSS is created, thorough validation and testing of the DSS should take place before implementation. Validation and testing of the DSS framework can be accomplished in a similar manner to that of simulation model validation.

9. Conclusions

This research provides three types of decision support for the transition from a traditional push production system to a pull system design: (1) a method to determine the significant metrics of an evolving assembly system, (2) a method to estimate the transition functions of a system design evolving from a traditional push system to a pull system, and (3) a decision support system framework which gives guidelines for development of software employing these methods. The push simulation results were typical of those expected from a traditional push system. The push system showed relatively poor quality and high flexibility. Moderate to high congestion with variability was also noted. Process utilization was low, matching the high system flexibility. Queue times were low for the three critical processes. The regression analysis indicated that the significant performance metrics for this system were: wave solder quality, placement material flow, 1R material flow, placement quality, IR flexibility, IR quality and wave solder flexibility. Buffer size did not seem to significantly influence quality as long as the product was allowed to flow freely from station to station. When the cell down rule was added to the installed protocol of pull scheduling, quality became sensitive to buffer size. A significant increase in simulation run time was noted with the implementation of the cell down rule. For this particular system, it seemed that the improvements made in manufacturing system and process redesign were not sufficient to allow the enforcement of the cell down rule without jeopardizing significant metrics.

When the last major pull system implementation stage was completed and further buffer size changes in that stage did not result in performance measure improvement, the transition endpoint...
was said to be reached. Transition from one pull system state to another was predicted using dynamic programming recursive equations. The dynamic programming stages were the major pull system implementation stages. Buffer size was the decision variable.

It was concluded that the predicted and simulated estimates of total production cost were not significantly different. The transition functions, which the predicted values were based on, were therefore said to be valid. The proposed decision support system framework gives guidelines for the development of software employing the above methods. The framework focuses on the problems encountered with the transition from a traditional manufacturing system to a pull system design. Using the described methods and DSS guidelines, a fully functional decision support system for this problem could be developed.
References


Impact of human capital expenditures on economic growth of provinces in Iran by means of panel data (2001-2007)

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Abstract
This survey studies the impact of human capital on economic growth of provinces in Iran. According to Mankiw-Romer-Weil model (1992) through Cobb-Douglas production function and by means of panel data in this survey we have studied effectiveness level of two indexes of human capital, i.e. educational expenditures and health care expenditures on gross domestic product growth of the provinces in Iran during the time period 2001-2007. Results reveal that impact of health care expenditures on economic growth is higher than educational expenditures. After inserting of mutual impact variable (product of two previous indexes) its coefficient becomes positive and significant. Mutual impact shows that one percent of growth in educational and health care expenditures simultaneously is leaded to 0.09 percent growth of gross domestic product. Granger causality test illustrates a single way relation from health care expenditures to educational expenditures. This issue specifies that health of human forces has a direct impact on human capital accumulation (gaining of education and skills) in addition to production and income, since necessity of learning education and skills is to have physical health.

Key words: economic growth, human capital, panel data, endogenous growth

1. Introduction
During the first years of the 1950's it was imagined that the main reason of underdevelopment and inadequacy of the developing countries was resulted from lack of physical and material capital. Experimental studies of researchers reached to a deadlock in the 1960's so that they were not able to explain the remaining of economic growth explanation by the labor force and physical capital and on the other hand they couldn't analyze incomes distribution accurately. The observed growth in time series statistics with conventional measurements of the work factor and the applied physical capital in production of the United States of America and other developed countries in that time were by far lower than the real growth of national economy. On the other side, published data about personal income distribution demonstrated high difference of the labor force that was mainly related to inequality in personal incomes. It was in this period that human capital theory could explain the cause of the above two problems. The
major reason for failure of experimental researches until this period of time was that labor force was considered homogenous and all attempts were towards accumulation of physical capital. Economists unanimously believe that the excessive and remaining factor that explains a main part of economic growth of the developed countries has direct or indirect relation with human capital, because there are scientific and serious problems for initiation and execution of extensive economic programs in the developing countries. Executing of such programs is impossible without existence of individuals with the intended specialty and educations. On the other hand, more healthy individuals have higher physical and mental capability and lower absenteeism and finally they achieve more production level. Objective of the present survey is to study the impact level of educational and health care expenditures on economic growth of provinces in Iran by means of Mankiw-Romer-Weil model (1992) during years 2000-2006. In the following sections we will talk about human capital theory and its place in theories of economic growth. Then theoretical models of human capital, MRW model, research background, theoretical principles, model specification and estimation and at last conclusion are mentioned briefly.

2. Human capital theory
It was in the 1960's that Schultz could explain the reason for failure of previous experimental researches by introduction of human capital theory. In fact he proved this theory in the form of scientific research that many economists like Adam Smith, Robert Locus, John Stuart Mill, Malthus, Marshal and Fen Thunen in the past had implicit referring to it and stated that in the form of a theory. In 1776 Adam Smith in the book "capital of nations" wrote: "it is possible to compare a person who has educated by spending of too much time and working with one of the expensive machineries" (Rogers and Rachline, 1992).

Generally, the concept of human capital is defined broadly in the economics literature to include education, health, training, migration, and other investments that enhance an individual's productivity. The health, education, and growth relationship is dynamic and complementary; health capital increases the efficiency with which individuals produce education, and presumably, other forms of human capital(Gyimah-Brempong, 2004).

Human capital is totally an economic concept. Indeed, qualitative characteristics of the individual are a kind of capital, since these characteristics develop human's capabilities under education and could be converted to a higher income resource or more abundant satisfaction in the future. Such capital is humane, because it constitutes one part of the human's elements, grows with him and is destroyed by his death. Human capital complements physical capitals and increases production productivity like physical capitals (Emadzade, 2004). Schultz (1963) has listed some of the advantages of education as the following: 1) Advantages that the economy gains from educational researches. 2) Discovering and fostering of hidden talents. 3) Increasing of individuals' capability in order to adapt themselves with changes created in job opportunities. 4) Recruiting of students and educating of them for teaching (teacher training). 5) Conforming of individuals' needs with knowledge and skills.

Schultz believes that if investment opportunities in human capital are equally for all levels of the society, poor people could enhance their productivity through that and achieve higher income. Investment in individuals' education is leaded to increasing of their abilities and skills and such capabilities are reflected in their production
power. It means that educated and specialized people participate in national production in a higher proportion at equal conditions (Emadzade, 2004).

Impact of educational and health investments in Schultz view is so important that could transforms usual standards of savings measurement and the existent investments fundamentally and changes structure of wages and salaries and amount of obtained incomes from work to the proportion of incomes obtained from properties and assets (Karnoy, Aminfar, 2002).

Health besides education is considered as one of the most important aspects of the human capital. Hanushek and Dongwook (1995) and Schultz (1999) suggest that health improves an individual’s mental and intellectual capabilities, leading to better educational outcomes. Given that long-term growth is fueled by technical progress—itself the product of increased health, education, and training—increased health can raise the growth rate of income through technical innovation. Schultz (1999) has argued, health is the ultimate indicator of the well being of a nation, hence the attainment of high stocks of health is an important aspect of development in its own right (Gyimah-Brempong, 2004).

Health can affect production level of a country through various channels. The first channel that its impact has been pointed out in most studies is better efficiency of healthy workers in comparison with others. Healthy workers work better and more than others and have a creative and more prepared mind. Along this direct impact it has indirect impacts on production too. For instance, improvement of health in human force will have the motivation to continue education and gaining of better skills, since improving of health conditions will increase attractiveness of investment in education and educational opportunities from one side and it will prepare individuals more to continue education and gain more skills by increasing of learning capability on the other side. Also enhancement of health is leaded to decreasing of mortality and increasing of life expectancy and this will encourage individuals to save more. Following increasing of saving in the society physical capital will be enhanced and this issue will affect labor force productivity and economic growth indirectly (Weil, 2006).

3. Research Background

We can find out importance of human capital by referring to performed historical studies about impacts of human capital on economic growth. Numerous studies in the economic growth literature argue that human capital has a positive effect on economic growth (Barro, 1991, 1996; Mankiw et al., 1992; Levine & Renelt, 1992; Benhabib & Speigel, 1994; Caselli, Esquivel, & Lefort, 1996; Barro & Lee, 1996; Sachs & Warner, 1997).

Barro and Sala-I-Martin (1995) fitted economic growth rate on indexes such as having access to gross domestic product in a sectional-time study and based on data of a group of countries in years 1965-1985. According to obtained results, education attainment that is measured with average amounts of education years has a positive and significant relation with growth. On the other hand, educational expenditures of the government have a positive and significant impact on growth. Knowels and Owen (1997) have studied the impact of health and education on economic growth too by means of health care expenditures index. They conclude that there is a strong relation between income and health and also between income and education. Rivera and Currais (1999) found out positive conclusions with regard to impact of human capital on economic growth in two researches that had done about the
impact of health on economic growth and income differences. They used health care expenditures per capita as an index for the society's health. They investigated about the relation between health and growth with economic growth of OECD countries in the time period 1960-1990 through this index (health care expenditures) and reached to a positive and significant relation. They illustrated that education is not the only effective factor on labor force performance and productivity.

Luan Huang et al (2008) studied health, human capital and economic growth in Taiwan by means of panel data for twenty three (23) OECD countries and perceived a significant relation. Raymo applied information related to the time period 1970-1991 in order to study the role of human capital in economic growth of Japan to measure its share in gross domestic product with economic growth. The applied human capital indexes were: average amount of academic years in higher levels multiplied by number of those having a business and educational expenditures. He used educational expenditures as quality criterion of education. Results of his research revealed that the spent expenditures in education and average amount of academic years of the labor force as two indexes of human capital had a positive and significant impact on economic growth of Japan.

Blankenau and Sympson (2003) studied the relation between general educational expenditures on the economic growth by means of endogenous growth model in which both public investment and private investment towards capital accumulation were entered in the model. When other effective factors on growth act negatively, positive and direct impact of general educational expenditures could be reduced or even become negative. They showed that reaction of economic growth towards general educational expenditures may be not monotonous in the related period. Also this relation depends on the government's expenditures level, tax structure and technological parameters.

Ghanbari et al (2008) examined the impact of human capital on Iran's economic growth. Health care expenditures were used in this study as an index for measuring of health (human capital). Estimated results that were estimated through time series data related to years 1960-2005 demonstrated the positive and significant impact of health care expenditures of the government on economic growth. Pourfaraj (2004) studied the impact of spent expenditures in education on Iran's economic growth in a study. Results illustrated that current expenditures of the government (other than educational and research expenditures) had negative impact on growth and impact of reconstruction expenditures on growth was positive. Educational and research and technico-vocational expenditures of the government had positive impact on growth. Alireza Amini and Zohreh Hejazi Azad (2007) studied the role of health in enhancing of the labor force productivity. They used life expectancy as health index (human capital). After estimation of the model by autoregressive distributed lag models (ARDL) for the period 1968-2005 they concluded that productivity of the labor force was increased 1.8 percent and about 38.2 percent of this growth was obtained because of improvement of the labor force health.

4. **Theoretical models of human capital and economic growth**

Modeling and theories of economic growth have traversed a long route. Solo-Swan's neoclassic model of growth is a suitable starting point for modeling of the human capital and also a basis for comparing of growth models. Solo-Swan's neoclassic model of growth has been evolved by considering exogenous technology change and then developing of it for inserting of human capital in analyses – that is known as generalized human capital Solow
model which has been introduced by Mankiw-Romer-Weil. Mankiw-Romer-Weil (1992) generalized Solo's growth model and inserted human capital and technology directly into the production function. Physical capabilities of the labor force are just considered in Solo model but in this model (MRW) education, skills, and etc, are considered in addition to physical capabilities. On the other side, technology gives rise to increase productivity and production power of the labor force, while by lower labor force we can have access to the same level of production or higher than that which is called Labor-Augmenting Technical Progress. In other words, we can say that Mankiw-Romer-Weil made technology endogenous and this led to neutralizing of descending productivity of the work factor. As it is obvious the major barrier of economic growth in neoclassic growth models has been descending productivity. One way to be released of descending productivity is supposing of a production function that is not exposed to descending productivity for example a function like AK and other models that have made progress of technology as endogenous. Generally, we can consider weak points of Solo's neoclassic model in un-inclusion of these two facts: 1- Technology progress is the achievement of individuals' work and it is not possible to perceive discoveries totally as pure general product. 2- Growth convergence hasn't been confirmed experimentally. Robert Locus (1988) and Paul Rumour (1990) recalled that reason of this failure was that economists were not able to put two major classic assumptions beside each other: one is that changes of technology are exogenous and the other is that technological opportunities are available equally for all countries in the world (Rumour, 1990). Endogenous growth models are generally based on AK model and Ro/Lu/Re/Ba (AK model includes models of Rumour (1978), Lucas (1988), Reblu (1991) and Barrou (1991) that are stated as Ro/Lu/Re/Ba) and R&D model and Ro/G.H/A.H (because this model is based on models of Rumour (1990), Grassman & Heliman (1991) and Aghiun & Hawitt (1992), it is stated as Ro/G.H/A.H for easiness). However, because many factors like education, technology, business organization, research and development activities, culture, international business growth, governmental and local policy are effective on major elements of economic growth (investment, labor force and technology) in endogenous growth models we can say that they have no certain and precise primary hypothesis. While the used method by Mankiw-Romer-Weil is applied in this article in order to remove the problem of the neoclassic model, endogenous growth model is not considered and MRW will be emphasized. Generalized Solo model will be studied in the next section.

5. Mankiw-Romer-Weil Model

Mankiw, Romer, and Weil (1992) extended the Solow–Swan model to consider the role of human capital. The extended model assumes that the aggregate output function includes three inputs: physical capital, human capital, and labor measured in efficiency units. In this model framework, human capital contributes directly to production. The production function exhibits constant returns to scale in the three inputs but diminishing returns in the reproducible inputs (physical and human capital):

\[ Y(t) = F(K(t), H(t), L(t)) \]  
(1)

\[ Y(t) = K(t)^{\alpha} H(t)^{\beta} [A(t), L(t)]^{1-\alpha-\beta} \]  
(2)

-Savvides and Stengos, 2009
where $H(t)$ represents the stock of human capital in period $t$ and $\beta$ is the output share of human capital. We define variables in efficiency terms so that the equivalent:

$$y(t) = k(t)^{\alpha} k(t)^{\beta}$$

(3)

Where:

$$y(t) = \frac{Y(t)}{A(t) L(t)} , \quad k(t) = \frac{K(t)}{A(t) L(t)} , \quad H(t) = \frac{H(t)}{A(t) L(t)}$$

the equation for physical capital accumulation and human capital accumulates according to:

$$\dot{h} = s_h y - (\delta + g + \beta) h$$

(4)

$$\dot{k} = s_k y - (\delta + g + \beta) k$$

(5)

$s_h$ and $s_H$ denote the share of output devoted to physical capital formation and human capital formation. $n$ is rate of labour force growth (The labor force is exogenous and grows at a constant rate that is given by $s_L = (L')/L$ ), $g$ denote technological progress (technological progress is exogenous so that the technology index grows at a constant rate given by $s_A = (A')/A$ ) and $\delta$ denote, constant depreciation rate of physical capital (By assumption, the rate of depreciation for the two reproducible inputs is the same).

The steady-state level of efficiency physical capital and the steady-state level of efficiency human capital is:

$$h^* = \frac{s_h y}{n + g + \delta}$$

(6)

$$k^* = \frac{s_k y}{n + g + \delta}$$

(7)

According to 3, 6 and 7, we arrive at the steady-state levels of human and physical capital:

$$H^* = \left[ \frac{s_h}{n + g + \delta} \right]^{1-\alpha-\beta}$$

$$K^* = \left[ \frac{s_k}{n + g + \delta} \right]^{1-\alpha-\beta}$$

(8)

and the steady-state level of efficiency income as:

$$y^* = \left[ \frac{s_h}{n + g + \delta} \right]^{1-\alpha-\beta}$$

(9)

With taking the logarithm of 9 the steady-state level of income per worker can be expressed as:

$$\ln y^* = \ln A^* + \left( \frac{\alpha}{1-\alpha-\beta} \right) \ln s_h + \left( \frac{\beta}{1-\alpha-\beta} \right) \ln s_k - \left( \frac{\alpha + \beta}{1-\alpha-\beta} \right) \ln (n + g + \delta)$$

(10)

The equation 10 can also be expressed in terms of the (steady-state) level of human capital by substituting for $s_H$ and rearranging to obtain:

$$\ln y^* = \ln A^* + \left( \frac{\alpha}{1-\alpha-\beta} \right) \ln s_h + \left( \frac{\beta}{1-\alpha-\beta} \right) \ln H^* - \left( \frac{\alpha}{1-\alpha} \right) \ln (n + g + \delta)$$

(11)
First, Mankiw-Romer-Weil estimated Solo's simple model (without human capital) (relation (11) when $\beta=0$), results of estimation were in the way that coefficient $\frac{\alpha}{1-\alpha}$ was equal to 1.4, i.e. $\alpha$ was about $\frac{2}{3}$ but it should be about $\frac{1}{3}$ (in other words capital share in production was overestimated) and on the other hand coefficient of determination had been equal to 0.59. In the next step, they estimated the model with the existence of human capital and used a share of population of the educated work force as representative of human capital. In this state coefficient of determination obtained 0.78 and physical capital coefficient was equal to about $\frac{1}{3}$. Mankiw-Romer-Weil concluded that investment in human capital and physical capital explained 0.78 of income per capita difference among the countries by a common investment and meanwhile amounts of parameters were rational and significant (Acemoglu, 2009).

6. Specification of the model and data

Generally economists have applied three main approaches for evaluation of economic benefits and consequences of investment in human capital experimentally (Dehghani et al, 2010): 1- correlation method 2- analysis method of cost-investment profit in education 3- method of considering of educational index as the productive data in the production function.

In this survey the third method is used that is the most-used method and Cobb-Doglas production function has been applied. This function has been specified as the best function in terms of adaptation and conformation with economic conditions because of its appropriate functional form and saliency of internal relations of its variables.

$$Q = A L^\alpha K^\beta H^\gamma$$ (12)

In this relation, $Q$ is gross domestic product, $L$ is labor force, $K$ is physical capital inventory, $H$ is human capital and $A$ is the technology coefficient.

(13)

By logging of natural logarithm from two sides of the relation (12) the obtained model is as below:

$$\ln(Q) = \ln(A) + \alpha \ln(L) + \beta \ln(K) + \gamma \ln(H)$$ (13)

Coefficients of $\alpha$, $\beta$, $\gamma$ in the above equation are elasticity of production with regard to the labor force, physical capital inventory and human capital respectively. In order to examine the impacts of production factors such as education on economic growth, both sides of the equation (13) are differentiated to obtain the final form. The mathematical final form of the model is:

$$d\ln(Q) = \alpha d\ln(L) + \beta d\ln(K) + \gamma d\ln(H)$$ (14)
The final form of its econometrics model is:

$$d\ln(Q_{it}) - \alpha d\ln(L_{it}) + \beta d\ln(K_{it}) + \gamma d\ln(H_{it}) + \epsilon_{it}$$

Variables of this model are:

- $d\ln(Q_{it})$: Differential of logarithm of gross domestic product of the province $i$ in year $t$ that shows economic growth of provinces during the time.
- $d\ln(L_{it})$: Differential of logarithm of active population of the province $i$ in year $t$ that shows growth of the active population during the time.
- $d\ln(K_{it})$: Differential of logarithm of physical capital inventory of the province $i$ in year $t$ that shows growth of physical capital inventory during the time.
- $d\ln(H_{it})$: Differential of logarithm of human capital inventory of the province $i$ in year $t$ that shows growth of human capital inventory during the time. $\epsilon_{it}$ is the disturbing element.

Before dealing with the method of model's estimation it is necessary to give explanations about the manner of extraction of the model variables. The main reason for selecting of the studying period in this survey (2001-2007) is availability of information related to gross domestic product of provinces in this period. Twenty eight (28) provinces are studied in this survey and data related to three provinces of Khorasan Razavi, Khorasan Jonoubi and Khorasan Shomali from the year 2005 onwards has been added to each other and they are considered as one province (Khorasan) in the analysis. No statistics and information about physical capital inventory of provinces has already been published by any organization, because of this we have used a representative variable in the present survey. Provincial investment has been obtained from the sum of banks’ paid accommodations to the private sector and performance of reconstruction credits of the province (in Iran a low percentage of paid accommodations to the private sector is allocated to performing of investment activities but because of being close to the variable of physical capital inventory, it is supposed that the paid accommodations are spent for investment). Then proportion of gross domestic product of the province to the gross domestic product of the whole country in 2001 is multiplied by pure physical capital inventory and the obtained amount is considered as the primary inventory of physical capital. Afterwards, investment price of the province is added to the primary inventory of physical capital to obtain physical capital inventory for next years. At last, educational and health care expenditures that are indexes for human capital are extracted from the output value of the education and health sector which reveal spent expenditures on education and health by government and the private sector. These statistics for the years 2001-2007 have been published by Statistics Center.

6.1. Estimation of the model in the state of existence of educational expenditures

First, we estimate the model in the form of stable impacts that F-Limer statistic has been equal to 278.5 (with the possibility of 0.76). As a result, the null hypothesis (pooling) could not be rejected. After estimating of the model

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5. paid accommodations of banks to the private sector are considered as representative of the private sector’s investment. Source: Central Bank
6. Source: Iran’s Central Bank
through ordinary least squares method we estimate the model through generalized least squares method due to existence of variance dissimilarity (chi-square statistic of Breusch-Pagan/Cook-Weisberg test 447.05 (with the possibility of 0.000) rejects the similarity assumption of variance). Obtained results of estimation are illustrated in column (1) of table 1.

Coefficients of physical capital inventory, labor force and educational expenditures are equal to 0.34, 0.40 and 0.14 respectively. These coefficients mean that if physical capital inventory, labor force and educational expenditures grow to one percent, gross domestic product of the provinces will be increased averagely as 0.34, 0.40 and 0.14 respectively.

Table 1: Regression Results

<table>
<thead>
<tr>
<th>Dependent Variable: Annualized change in log GRP per capita, 2000-2006</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-.0017</td>
<td>-0.0023</td>
<td>-.002</td>
</tr>
<tr>
<td></td>
<td>(0.93)</td>
<td>(0.91)</td>
<td>(0.92)</td>
</tr>
<tr>
<td>Physical Capital Inventory</td>
<td>0.409**</td>
<td>0.35**</td>
<td>0.377**</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>Labor Force</td>
<td>0.345**</td>
<td>0.33**</td>
<td>0.335**</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>Educational Expenditure</td>
<td>0.146*</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td></td>
<td>(0.04)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health Expenditure</td>
<td>---</td>
<td>0.198**</td>
<td>---</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.008)</td>
<td></td>
</tr>
<tr>
<td><strong>EE * HE</strong></td>
<td></td>
<td></td>
<td>0.09*</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.015)</td>
</tr>
<tr>
<td>F-limer</td>
<td>278.5</td>
<td>282.28</td>
<td>280.80</td>
</tr>
<tr>
<td></td>
<td>(0.76)</td>
<td>(0.76)</td>
<td>(0.77)</td>
</tr>
<tr>
<td>Wald-chi2</td>
<td>930.7</td>
<td>946.71</td>
<td>940.07</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
</tbody>
</table>


Note: *and ** indicates the significance level at 5 and 1% respectively based on the two-tailed test. Standard error estimates are in parentheses.

**EE**: Annualized change in log Education Expenditure.

**HE**: Annualized change in log Health Expenditure.
6.2. Estimation of the model in the state of existence of health care expenditures

First, we estimate the model in the form of stable impacts that F-Limer statistic has been equal to 278.5 (with the possibility of 0.76). As a result, the null hypothesis (pooling) could not be rejected. After estimating of the model through ordinary least squares method we estimate the model through generalized least squares method due to existence of variance dissimilarity (chi-square statistic of Breusch-Pagan/Cook-Weisberg test 273.68 (with the possibility of 0.000) rejects the similarity assumption of variance). Obtained results of estimation are illustrated in column (2) of table 1.

Obtained coefficients mean that if physical capital inventory, labor force and educational expenditures grow to one percent, gross domestic product of the provinces will be increased averagely as 0.33, 0.35 and 0.19 respectively.

6.3. Estimation of the model in the state of existence of mutual impact variable of educational expenditures and health care expenditures

Now we enter the mutual impact variable to measure the mutual impact of educational and health care expenditures. Results obtained from estimation are illustrated in column (3) of table 1. Obtained coefficients mean that if physical capital inventory, labor force and mutual impact of educational and health care expenditures grow to one percent, gross domestic product of the provinces will be increased averagely as 0.33, 0.37 and 0.09 respectively.

7. Conclusion and discussion

Studying of the importance of human capital at the production level of a country enjoys a high significance. Economists have tried to measure profits of investment in human capital and also human capital share in productions of a country through various methods. In the present survey, the relation between human capital and economic growth of the provinces in Iran has been studied by means of Mankiw-Romer-Weil model (1992) - in two forms of education and health. According to human capital theory, education and health as two main variables that create human capital will be leaded to increasing of production and income per capita. Difference of the performed studies in relation to this issue is in the type of the applied index. Two indexes of spent expenditures in education and spent expenditures in health care are used in this paper. Results obtained from estimation demonstrate that both variables of human capital have a positive and significant impact on economic growth, but amount of effectiveness of health care expenditures is more than educational expenditures. According to performed studies, average rate of investment in health care to educational investment is equal to 0.7. We can argue that because of lower volume of investment in health increasing of one Rial of investment in it would be leaded to higher economic growth. On the other side, mutual impact variable of two forms of human capital has a positive and significant impact on economic growth based on the results obtained from estimation. It means that by spending of one Rial (dollar) in educational and health care expenditures at the same time, economic growth of 0.09 percent will be fulfilled. Finally, direction of causality has been determined through Granger causality test. Direction of causality is from health care expenditures to educational expenditures as expected that is health of the labor force has direct impacts on education accumulation of human force in addition to income and production. If we want educational expenditures to be
effective, first we should provide the ground for the individual's health in order to receive education, as healthier individuals have higher learning ability than others. Thus, economic policy makers must focus on human capital in order to reach to a stable growth and economic development. So it is recommended to pay more attention to human capital as the complementary factor of physical capital and the main factor that creates technology beside investment in physical capital. Also, grounds of total health should be first provided to enhance effectiveness level of educational expenditures and this issue depends on more investment towards developing of public health system that provides cheap services for the poor.
References


-Central Bank of the Islamic Republic of Iran.


Study of relationship between Total Quality Management (TQM) variables and Teachers’ Morale (TM) in Iranian Schools

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Abstract
This study is an attempt to investigate the relationship among Total Quality Management variables and TM in schools of Naghadeh city, Iran. The research hypothesis has compiled six variables of TQM including Leadership, Strategic Planning, Customer Focus, Information Analysis, Process Management and Human Resource Management and Morale Dimensions including Identification, Belongingness, and Rationality. The Research method in data analysis was descriptive and correlation. The population of this study is included all male and female teachers in Naghadeh schools. Through stratified random sampling, 150 teachers were chosen. To gather the data, are used two questionnaires with Likert five grades (TQM questionnaire with 57 questions, morale questionnaire with 15 questions). Cronbach coefficient is used to determine reliability of questionnaires. The reliabilities of questionnaires were %97 & %88. All data classified through descriptive statistics. Multivariate tests or MONOVA and Regression are used for data analysis, through inferential statistics. The results showed that there was significant relationship among all of TQM variables and Morale Dimensions. Also, there was significant predictive relationship among Information and Analysis, Process Management, Customer Focus with Morale Dimensions.

Keywords: Total Quality Management (TQM), Morale Dimensions, Teacher, Schools, Iran

Introduction
During the last few decades, there have been outstanding changes inside and outside the organizations together with management views and these changes have made it necessary to establish orders based on modern management patterns. (Delqoshaei and et al 1382). Nowadays, management is in need of different tools to promote quality and one of these tools, is TQM is a culture which needs to change into a tool. It means that we should create the concept of TQM in all the teacher minds so that they can change that
concept into practice after sometime, and enhance the quality in the organization (Jalali and Aghaei, 2006). Keng-Boon and et al (2007) believe that TQM is a way to manage an organization in which management is based on the cooperation of all members and aims to achieve the long-term objectives through getting the satisfaction of all customers and organization staff on the other hand. Nowadays TQM has gained such an important status that all developed and developing countries have provided all their facilities and equipment to enforce that form of management in all parts of their organization and some have gained great successes in this regard (Armistrong, 1991; Chandwick, 1995; & Abdolmalec, 2000).

TQM is a way which can brings up changes in the education system; it is a philosophy with continuous improvement which can provides a set of practicable tools and techniques to meet the present and future desires of any educational system. Therefore this management as a quality – oriented approach makes fundamental changes in education and leaves deep affects on approaches intended to improve management (Yazdkhasti et al, 2009, p.177). Harrington & Barker (2002) state that total quality management not only is used in manufacturing organizations but also organizations in 21 century have faced great changes in their own structures.

TQM is a rational approach which emphasizes on group responsibility continuous improvement cooperation and flexible plans (Torani and et al 1387. p.177),

This research is an attempt to find out the relationship among TQM variables and morale through investigating the teachers views.

TQM variables are as following.

Leadership: A procedure through which managers run and direct their organization and make changes to make promotions in the system as a result of which teachers on their volition cooperate to make improvements.

Strategic planning: To investigate how plans and objectives are made to guide and direct educational activities.

Customer Focus: To investigate how educational systems consider customers expectations (students and education service users) and how they analyze their expectations.

Information & Analysis: To investigate how educational systems gather information about school activities and analyze the information to give it to lead managers, teachers, staff, and students.

Human Resources Management: To investigate how teachers in the process of being employed show their potentialities to reach the educational objectives.

Process management: To investigate how overall process and procedures of educational systems. Like need-based planning, offering services, controlling and supporting activities are done (Yazdkhasti and et al (1388)).

Studies related to TQM variables show that there is a positive relationship among TQM and other variables in the organization (Job satisfaction, efficiency, commitment).

Morale is a term most frequently used by everybody however there is no clear cut definition for that and those definitions suggested so far are not comprehensive enough.

Wiles, quoting (Abbaszadeh and Galavandi, 1384) defines morale as a mental and emotional reaction in a profession, so morale is the abstract which cannot be observed rather it can be observed by careful analysis of persons behavior Davis: quoting (Abbaszadeh and Galavandi 1384) defines morale as group and individual understanding of everybody from his Job environment, and their orientation to cooperate to achieve organization objectives.
Morales dimensions discussed in this paper is as following:
Identification: This term shows common objectives, that are to what extent personal expectations match organization objectives.
Belongingness: This term shows how bureaucratic expectations match personal needs.
Rationality: This term shows how bureaucratic expectations match organization objectives.
Therefore, organization member's morale is dependent on personal needs and organization objectives match. (identification)
Personal needs and bureaucratic expectations match (affection) and bureaucratic expectations efficiency to achieve organization objectives. Abstracts of studies which can nearly match our topic are below.
Ahmadyfard (1376) includes that open and relaxing atmosphere of schools can have a positive effect on teacher's morale.
Hoseinpoor (1376) argues that making a bilateral relationship between staff. Organization and morale are one of the positive effects of TQM.
Farsi (1382) states that there is positive correlation management principles and TM.
Jung Ying (2003) argues that Job satisfaction, organization commitment and morale are caused by performing TQM Steven and et al (2004) and Karia and et al (2006) in separate studies showed that TQM makes some improvements in views about jobs such as (affection, job satisfaction, organization commitment and morale dimensions.
Keng -Boon and et al (2005) reported that improvement in group work customer orientation, job satisfaction is the result of applying TQM.

Research hypotheses
- There is a relationship among TQM variables and TM.
- There is a relationship among TQM and identification.
- There is a relationship among TQM and belongingness
- There is a relationship among TQM and rationality.

Research method:
Our research method is correlation and the population of this study includes all male and female teachers in Naghadeh guidance school in 1388.1389. sample size was considered 150 individuals according to the statistical population and two categories of teachers size was enough as statistical power was higher than 0/8and level at significance was close to zero which was confirmed in hypothesis analysis.
Through stratified random sampling 150 teachers was selected giving each sex a proportional share to gather data, we used two questionnaires made by the researcher about TQM variables and morale.
The questionnaires were validated by management science experts and the reliability of them was 0/97 and 0/88.

Findings:
Hypothesis 1: There is a relationship among TQM variables and morale dimensions.
Table (1): Results of Monova analysis

<table>
<thead>
<tr>
<th>T.Q.M variables</th>
<th>Wilkslambda</th>
<th>F coefficients</th>
<th>Degrees of freedom</th>
<th>Level of significance</th>
<th>Partial eta squared</th>
<th>observed power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership</td>
<td>0/95</td>
<td>2/23</td>
<td>3</td>
<td>0/08</td>
<td>0/04</td>
<td>0/55</td>
</tr>
<tr>
<td>Strategic Planning</td>
<td>0/98</td>
<td>0/78</td>
<td>3</td>
<td>0/5</td>
<td>0/01</td>
<td>0/21</td>
</tr>
<tr>
<td>Customer Focus</td>
<td>0/95</td>
<td>2/21</td>
<td>3</td>
<td>0/08</td>
<td>0/04</td>
<td>0/55</td>
</tr>
<tr>
<td>Information &amp; Analysis</td>
<td>0/92</td>
<td>3/67</td>
<td>3</td>
<td>0/01</td>
<td>0/07</td>
<td>0/79</td>
</tr>
<tr>
<td>Human Resources Management</td>
<td>0/99</td>
<td>0/37</td>
<td>3</td>
<td>0/77</td>
<td>0/008</td>
<td>0/12</td>
</tr>
<tr>
<td>Process Management</td>
<td>0/93</td>
<td>0/29</td>
<td>3</td>
<td>0/02</td>
<td>0/06</td>
<td>0/84</td>
</tr>
</tbody>
</table>

Ratio in Table (1) shows that there is a positive and significant relationship among information and analysis and morale.

Hypothesis 2: There is a relationship among TQM variables and teachers’ identification

Table (2): Result of regression analysis

<table>
<thead>
<tr>
<th>Criterion variable</th>
<th>Predictor variables</th>
<th>β</th>
<th>t</th>
<th>Level of significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identification</td>
<td>Leadership</td>
<td>-0/01</td>
<td>-0/15</td>
<td>0/87</td>
</tr>
<tr>
<td></td>
<td>Strategic Planning</td>
<td>0/07</td>
<td>0/55</td>
<td>0/57</td>
</tr>
<tr>
<td></td>
<td>Customer Focus</td>
<td>0/11</td>
<td>0/89</td>
<td>0/37</td>
</tr>
<tr>
<td></td>
<td>Information &amp; Analysis</td>
<td>0/25</td>
<td>1/9</td>
<td>0/04</td>
</tr>
<tr>
<td></td>
<td>Human Resource Management</td>
<td>0/03</td>
<td>0/22</td>
<td>0/82</td>
</tr>
<tr>
<td></td>
<td>Process Management</td>
<td>0/23</td>
<td>1/7</td>
<td>0/08</td>
</tr>
</tbody>
</table>

Results showed that there is a positive and significant relationship among total quality management variables and Identification.

- Among all the TQM variables information and analysis showed a predictive relationship with Identification.

Hypothesis 3: There is a relationship among variables of TQM and affection.
Table 3: Multiple Regression Analysis

<table>
<thead>
<tr>
<th>Criterion variable</th>
<th>Predictor variables</th>
<th>β</th>
<th>t</th>
<th>Level of significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belongingness</td>
<td>Leadership</td>
<td>0.29</td>
<td>2.45</td>
<td>0.087</td>
</tr>
<tr>
<td></td>
<td>Strategic Planning</td>
<td>0.23</td>
<td>1.64</td>
<td>0.057</td>
</tr>
<tr>
<td></td>
<td>Customer Focus</td>
<td>0.3</td>
<td>2.29</td>
<td>0.037</td>
</tr>
<tr>
<td></td>
<td>Information &amp; Analysis</td>
<td>0.35</td>
<td>2.58</td>
<td>0.04</td>
</tr>
<tr>
<td></td>
<td>Human Resource Management</td>
<td>0.08</td>
<td>0.59</td>
<td>0.82</td>
</tr>
<tr>
<td></td>
<td>Process Management</td>
<td>0.008</td>
<td>0.05</td>
<td>0.08</td>
</tr>
</tbody>
</table>

Data analysis showed that there is a positive and significant relationship among all variables of TQM and affection $p=0.000$ $R=0.62$ and our third hypothesis was completed accepted. However among all the variables of TQM just Information and analysis showed. Predictive relationship with Customer focus ($p=0.02$ $p=0.01$)

Hypothesis 4: There is a relationship among all the variables of TQM and rationality.

Table 4: Multiple regression analysis

<table>
<thead>
<tr>
<th>Criterion Variable</th>
<th>Predictor Variables</th>
<th>β</th>
<th>t</th>
<th>Level of Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rationality</td>
<td>Leadership</td>
<td>0.073</td>
<td>0.55</td>
<td>0.057</td>
</tr>
<tr>
<td></td>
<td>Strategic Planning</td>
<td>0.093</td>
<td>0.6</td>
<td>0.054</td>
</tr>
<tr>
<td></td>
<td>Customer Focus</td>
<td>0.07</td>
<td>0.48</td>
<td>0.062</td>
</tr>
<tr>
<td></td>
<td>Information &amp; Analysis</td>
<td>0.17</td>
<td>1.15</td>
<td>0.25</td>
</tr>
<tr>
<td></td>
<td>Human Resource Management</td>
<td>0.13</td>
<td>0.93</td>
<td>0.35</td>
</tr>
<tr>
<td></td>
<td>Process Management</td>
<td>0.45</td>
<td>2.98</td>
<td>0.03</td>
</tr>
</tbody>
</table>

Result in table 4 showed that there is a positive and significant relationship between all variables of TQM and rationality and hypothesis 4 was proved. However among all the variables of TQM just process management showed a predictive relationship with rationality ($p=0.03$).

Discussion and conclusion
Some organizations have come to this conclusion they will not be able to survive and profit unless they change their needs and wishes and meet the customers end and stand the market pressure Worldwide changes in micro Electronics , Information technology revolution in distance communication have made international competition difficult such changes have raised customers' expectations high. Customer's knowledge, along with their own understanding has added to their power of what to choose TQM can increase the power and activities of organizations and have made it easy for organizations to satisfy their customer's needs. Data analysis of hypothesis one showed that there is a positive and significant relationship among process management and all dimensions of morale. (p=0/02).

The results gained showed similar findings to what had already been shown in the studies of (Amir Farsi, 1382) (Jing Xing, 2003) (Keng-Boon et al, 2005).

Data analysis in hypothesis two showed that there is a positive and significant relationship among all the components of TQM and morale similarity (r=0/64).

However among all the variables just information and analysis showed a predictive relationship with morale similarity (p=0/04) the results of this hypothesis is similar to those of Steven et al (2004) Caya, et al (2006). The results of hypothesis three showed that there is a positive and significant relationship among all variables of TQM and morale affection (p=0/00) (r=0/62) our third hypothesis was completely proved. However there were only predictive relationship among Information and Analysis, Focus on Customers and Morale affection (p=0/02) (r=0/01). The results were similar to the findings of (king, et al, 2005) Jing Ying (2003).

The results in our hypothesis four showed that there is a positive and significant relationship among all variables of TQM and morale rationality (p=000) (r=0/5) our fourth hypothesis was completely proved. However there was a predictive relationship among process management and rationality (p=0/03) the results of this hypothesis was similar to those of (Amir Farsi 1382), (Steven et al 2004) (Karia, et al 2006). In conclusion we can say that morale is of great importance because it can represent all human relations in the organization and needs further studies be done in that regard morale is need of ongoing consideration and includes all emotions and way of thin king of human beings and is effective in producing more for fit.
References


Academics in the real world: Likes and dislikes

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Director of Center for Management & Market Studies

A brief autobiography of the author
Dr. Shirazi is an assistant professor and director of the Center for Management and Market Studies at Ferdowsi University of Mashhad, Iran. He has authored several books and articles and directed a number of major research projects in Iran and abroad. His research interests include organizational development, organizational culture and management transformation and education.

Abstract
A combination of economic and trade liberalization, technological advancement and globalization have significantly increased the complexity and uncertainty of managing organizations. Hence, many managers have sought the services of knowledgeable consultants to help them solve their organizational and managerial problems. Given the increasing role of consultancy industry in business transformation and improvement and the skills required to identify and retain the services of effective consultants, it is essential to understand the expectations and concerns of the industry key players. This paper aims to identify key factors that affect the satisfaction of Ferdowsi University of Mashhad academic and research staff when providing consultancy services to the outside organizations. An exploratory search revealed the importance of four groups of satisfaction factors, namely personal, political-social, client-consultant relations and project management. A questionnaire was designed, pilot-tested and distributed among the target group. The results revealed that while university staffs are satisfied with the personal factors, they are dissatisfied with the political-social factors when consulting client organizations. The findings are discussed and suggestions are made to overcome conflicts in consulting jobs.

Keywords: Consultancy, Consultant, client, satisfaction, motivators

Introduction
Drucker (1991) in highlighting the critical role of managers argue that managers are the most important factor in success or failure of societies and since we live in an information era, success is directly related to utilize the new knowledge and the most knowledgeable. However, as Forbes magazine (1995) estimates, an unprecedented advancement of knowledge over the last quarter of century has resulted in doubling of human knowledge every 18 months. In one hand, information, as the key managerial tool for decision-making is now readily and easily available to everyone, on the other, the volume and diversity of data and data sources and consequently diversity of specializations, are increased so fast and quickly that decision-making has become difficult and hazardous. Thus, managers faced with such uncertainty and competitive forces that see no other choices but to rely on the services of experts, particularly academic consultants, and this has caused the emergence of a new industry called consulting industry. This industry has experienced an astonishing growth in recent decades to the extent that management consulting
services fee of a few billion dollars in 1980s has increased to sixty billion dollars in the late 1990s (Greiner and Metzger, 1983, Czarniawska, 1998).

Identifying and hiring experienced and efficient consultants form thousands of consulting firms and independent consultants is one of the key issues and focus of research project in consulting industry and profession. Academic consultants employed in higher education sector are among the most knowledgeable and insightful consultants and hence are the most sought after consultants in the industry. Thus, identifying and understanding factors that affect the academic consultant satisfaction or dissatisfaction as well as barriers in consultants' job and ways to improve academic consultant-client relationships may assist the expansion of consulting activities by encouraging the academic staff and researchers to get involved in providing consulting services to organizations.

**External consultant role**

Kubr (1996) argue that consultants essentially plays two roles; informational role that involves the utilization of appropriate knowledge and experience to help client identify the nature of its problem, and process role that aim to help client organization to solve its problem by awareness about organizational processes. Schein (1999) in describing consultant role, refers to process consulting that highlights whatever goes on between helper and helped. He suggests that consultant is an organizational doctor. Argyris (1970) identifies three roles for management consultants, including collecting information, facilitating to identify possible solutions and instilling commitment in members to implement the chosen solution. While Turner (1988), Steele (1975), Burnes et al. (2003) and Werr et al. (1997) underline the learning role of consultant in today's competitive world, Larwood and Gattiker (1986) believe that consultant role is really nothing but to close the gap between consultant-client knowledge. As the result, if we agree that consultants' key role is to transfer knowledge and skills to client organization, we may deduce that they are change agent in organizations.

Despite an increasing recognition of the role of consultants in improving management decision-making and organizational performance, numerous criticisms have been laid against their role and efficiency. Arnaud (1998) describes consultants as opportunists. Shapiro et al. (1993) argues that the primary aim of consultants is to sign another contract before the current project is still in progress. De Burgundy's (1995) criticism goes even further, as he suggests that spending scarce resources for buying consulting services is useless and comes to nothing, except to keep some people employed. Stglitz (2001) refers to some projects in the Eastern Europe and developing countries where western consultants offered inappropriate solution for the local conditions which were either rejected, assessed inefficient or ended costing too much for the clients. Abrahamson (1991) accuses consultants for creating fads and new tools and techniques to prolong their contract. McKinley and Scherer (2000) believe that the language of consultants heighten the client's feeling of insecurity and uncertainty which may harm organizations, sometimes irreversibly and at a great cost. From this point of view, consultants are the main cause of consulting project failures. Table 1 shows a summary of writers and researchers' views on the role of consultants:
### Table 1. Views on Consultant's role

<table>
<thead>
<tr>
<th>Positive role</th>
<th>Negative role</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Source</strong></td>
<td><strong>Role</strong></td>
</tr>
</tbody>
</table>

**Attractions and distractions of consulting jobs**

Consulting like other jobs has attractive and distractive aspects. Identifying these aspects and their management, in one hand, can help removing them during implementation of consulting projects, and in the other, bring about motivation in engaging in such projects. The most important attraction of consulting job are diversity, contact with client and transfer of knowledge and skills from client to consultants (Steele, 1975), taking part in organization success (Argyris and Schon, 1978) and mental challenge (Kakabadzeh et al., 2006). The factors that adversely affect consultant to perform its role are long work hours, criticism as a consultant (Kakabadzeh et al., 2006), worry about job security (De Burgundy, 1995), bureaucratic barriers, lack of management support for finding key problems and fidgeting about solving them (Williams, 2003), ambiguity in evaluation process and management emphasis on short-term rather than long-term objectives, ambiguity about consultant role (Weiss, 2003).

In a study by Hu and Gill (2000) regarding academic motivational factors in collaborating with organizations, two set of factors, including investment factors (e.g. salary increase, promotion,…) and consumption or internal motivators (personal satisfaction derived from solving problems, recognition,…) were identified. In other words, an academic consultant expects the client to satisfy his or her external and internal motivation at an acceptable level. Hence, since clients usually refer to university staff to solve their organizational problems and challenges, identifying and understanding factors that affect academic consultant satisfaction is essential.

**Factors affecting consulting projects**

In some management research, factors affecting phenomena, such as performance, are referred to as success criteria or failure criteria. There are different claims regarding the rate of consulting project failures, from 25% (Czander, 2001) to 80% (Zackrison and Freedman, 2003). Clients often complain that consulting project do not meet their objectives or are behind their stated schedules. Experts, on the other hand associate many factors with project failures, including lack of internal communication (Pries and Stone, 2004), consultant-client different views on effective leadership (Fullerton and West, 1996), consultants ability, organization's inappropriate interference and consultant-client relationship (Queen and Fisher, 1991), internal politics...
nuisances in consulting process, failure in assessing the real purpose of consulting project (Lister and Pirrotta, 1996) and lack of control and mismanagement (Smith, 2001).

Overall, factors attributed to project failures can be divided into four groups. The first group includes consulting characteristics, such as lack of competency (knowledge, ability and skills). The second group is related to technical problems, particularly ineffective management. The third group includes conflicting and unsustainable relationships between consultant and client that may have personality, behavioral or organizational causes. Finally, the forth group is related to political-social aspects of client organization, such as hidden goals or motivation and lack of readiness for change and resistance to change. Therefore, it is argued that if organizations pay adequate attention to fend off these deterrents or de-motivators, it is expected that both sides, i.e. consultant and client benefit from their mutual relationships.

Methodology

All academic staff at the Ferdowsi University of Mashhad who had been involved in providing consultancy to outside organizations through the Office of Scientific Cooperation between University and Society were invited to participate in the study. A random clustered method of sampling was used. Given that the total number of staff members involved in consulting projects (N=80), the error (ε =0.07) and the variance (σ²=0.033), the minimum sample number was calculated to be 38. The literature on consulting jobs, findings of previous studies and exploratory interviews with 12 academic staff in the population formed the basis for designing a questionnaire which aimed to assess dimensions and the extent of the university academic staff satisfaction in consulting projects. The questionnaire was tested in a pilot study and its Cronbach's Alpha was calculated to be 0.85. It then distributed among 50 academics of whom 42 completed and returned it. Descriptive statistics, t-test and regression formulae were used to analyse the collected data.

Findings

The results showed that the mean of length of service of the respondents was 15 years with the range between 3 to 28 years. The mean of number of projects academic were involved at the time was 2 with the range between 1 and 3. A t-test, using mean differences at 5% significance level, was performed to assess the respondents' satisfaction in consulting projects. The test used 3 as the value which indicates satisfaction for each variable included in the study. Table 2, shows the results for some of the variables. Letters "S", "A" and "D" denote satisfaction, average satisfaction and dissatisfaction respectively.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Meaningfulness</th>
<th>Mean Diff.</th>
<th>Satisfaction</th>
<th>Variable</th>
<th>Meaningfulness</th>
<th>Mean Diff.</th>
<th>Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client interference</td>
<td>0.031</td>
<td>-0.11</td>
<td>D</td>
<td>Promotion of academic rank</td>
<td>0.038</td>
<td>-0.33</td>
<td>D</td>
</tr>
<tr>
<td>Incentive flexibility</td>
<td>0.017</td>
<td>-1.00</td>
<td>D</td>
<td>Appointment to Executive positions</td>
<td>0.047</td>
<td>-0.44</td>
<td>D</td>
</tr>
<tr>
<td>Trust in consultant</td>
<td>0.272</td>
<td>0.44</td>
<td>A</td>
<td>Playing multiple roles</td>
<td>0.022</td>
<td>0.66</td>
<td>S</td>
</tr>
<tr>
<td>Management commitment</td>
<td>0.104</td>
<td>0.44</td>
<td>A</td>
<td>Mental challenge</td>
<td>0.05</td>
<td>0.66</td>
<td>S</td>
</tr>
<tr>
<td>Realistic client expectations</td>
<td>0.04</td>
<td>-0.11</td>
<td>D</td>
<td>Bureaucracy in client organization</td>
<td>0.012</td>
<td>-0.44</td>
<td>D</td>
</tr>
<tr>
<td>Transparent client objectives</td>
<td>0.681</td>
<td>0.11</td>
<td>A</td>
<td>Access to resources and facilities</td>
<td>0.065</td>
<td>0.77</td>
<td>A</td>
</tr>
</tbody>
</table>
Table 3 shows the results for each of the primary group of variables, namely project management, consultant-client relationships, political-social and consultant personal characteristics.

Table 3. Academic satisfaction for each of the group of variables

<table>
<thead>
<tr>
<th>Factors</th>
<th>Stat. Value</th>
<th>Degree of Freedom</th>
<th>Significance</th>
<th>Mean Diff.</th>
<th>Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project management</td>
<td>1.405</td>
<td>41</td>
<td>0.198</td>
<td>0.194</td>
<td>Average</td>
</tr>
<tr>
<td>Political-social</td>
<td>-0.768</td>
<td>41</td>
<td>0.025</td>
<td>-0.186</td>
<td>No</td>
</tr>
<tr>
<td>Consultant-client relationships</td>
<td>1.895</td>
<td>41</td>
<td>0.095</td>
<td>0.308</td>
<td>Average</td>
</tr>
<tr>
<td>Consultant Personal Characteristics</td>
<td>0.850</td>
<td>41</td>
<td>0.020</td>
<td>0.125</td>
<td>Yes</td>
</tr>
<tr>
<td>Overall</td>
<td>2.06</td>
<td>41</td>
<td>0.073</td>
<td>0.203</td>
<td>Average</td>
</tr>
</tbody>
</table>

As seen in Table 3, the significance level for variables related to project management and consultant-client relationships is greater than 0.05 which implies that academics are somewhat satisfied with these groups of variables. In contrast, the significance level for the consultant personal characteristics variables is less than 0.05 which together with its positive mean difference suggests that academics are satisfied with this group of variables. Furthermore, political-social factor has significance level less than 0.05, but since its mean difference is negative, it may be said that academics are not satisfied with it. Finally, given that the significance level for all four factors together is greater than 0.05, it may be concluded that academics level of satisfaction with working on consulting projects for outside organizations is average.

Discussions and conclusions

The findings revealed that of 30 variables tested in the study, university academic staffs are somewhat satisfied with little more than half or 16 variables. Somewhat satisfied or average level of satisfaction means neither satisfaction nor dissatisfaction, rather an absence of dissatisfaction, as suggested by Herzberg's two factor theory of motivation. According to this theory, people feel satisfied with what they do when motivated by higher order needs or motivators, including achievement, recognition, advancement and growth (Herzberg et al. 1959).

Misconceptions, be real or fiction, about barriers in effectively delivering research or consulting project is the main reason for some academics to refuse to engage in these types of projects. The underlying cause of real barriers in consulting jobs that leads to academics dissatisfaction seems to relate to the structure of all centralized economy, including the overarching role of government in economic planning and activities, inefficient bureaucracy and lack of management accountability regarding their performance. In the private sector, barriers and challenges are more universal which include traditional organizational structure and management.
that are inflexible, risk-averse and resistance to change. Most consultants complain about management lack of support in implementation phase of consulting project, management interference and delays in paying the consultant fee, as agreed in the contract. Thus, as Greiner and Metzger (1983) argue, consultant-client relationships should be within the framework set in the contractual agreement. Furthermore, the findings showed that consulting projects do not usually lead to scientific publication or job promotion, primarily due to the confidentiality of these types of projects, it is therefore as suggested that university administration should set rules and regulations that provide promotional opportunities for academic consultants with credentials and earning capacity and also to encourage other potential academics to actively seek consulting projects. In doing so, the university meets one of its primary objectives that is to solve societal problems.

One revealing finding expressed by some academics in interview sessions and in the questionnaire was the unusually large number of consulting jobs that are commenced without a written contract. The experience has shown that providing consulting services based on oral agreements often cost the consultant dearly. Some young and inexperienced academics may commit themselves to demanding and complex projects for personal reasons or friendly favor, which if they go wrong or the client reneged on its oral agreement leaves them with little or no return on their efforts and time and no legal avenue to turn to. It is therefore suggested that academic consultants should thoroughly think through all aspects of a consulting job offer, including the fit between their expertise/experience and client expectations, client willingness to support the project both financially and administratively and a legally-binding contract that is signed by both sides. A consulting contract should include items such as complete personal information of the consultant and client, objectives and nature of the job, client expectations, unit of work in the client organization, organization liaison officers, length of project and its conditions, project progress methods and conflict resolution approach, payment date or a phase for the work done and contract cancellation conditions. The objective of signing such a consulting contract is to reduce ambiguity, risk and feeling of dejection when providing or receiving consulting services.
References


Effect of Behavioral-Cognitive Self-esteem Group Training on Students’ Social Adjustment

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Abstract

The main purpose of present research is to compare the effects of self-esteem group training using behavioral and behavioral-cognitive approaches on social adjustment of students being resident in University of Isfahan dormitory. Purposing to approach this goal, 30 students of the dormitories were selected through voluntary sampling, and then randomly divided into three groups (two as experimental and one as control). The experimental groups were separately under self-esteem behavioral-cognitive and behavioral training for a period of eight sessions. The instruments of the research is Pope and his colleagues’ self-esteem inventory and social adjustment test which their reliability and validity are confirmed. The results of variance analysis show the effectiveness of different instructional methods, and significant increment of social adjustment and self-esteem. In other words, the approaches of self-esteem’s behavioral and behavioral-cognitive performed through a group approach have caused the enhancement of social adjustment of the dormitory’s students. Although the results indicated that the behavioral-cognitive instructions were more impressive than behavioral ones, but, regarding statistical viewpoint, those impressions were not significant. Also, the differences of self-esteem’s and social adjustment's score in three groups of behavioral-cognitive, behavioral, and control were persistent when being pursued.

Keywords: Social Adjustment, self-esteem, Behavioral-cognitive approach, Behavioral approach.

Introduction

As the most important sign of the psyche’s healthiness, the social adjustment is one subject which has drawn many sociologists’, psychologists’, and specially instructors’ attention. Social growth is assumed as the most important aspect of everyone’s character and a criterion for measuring everyone’s social growth is one’s compatibility with others. Social growth not only is impressive on compatibility of every individual with others whom the individual is in
interrelation with them, rather, has an impression on the individual’s later professional and educational success [1]. Goodestein and Lanyon have defined the adjustment as a coherent process in which the individuals’ training experiences cause their psychological needs, and also provide a possibility of acquiring capabilities and skills by them the individuals can fulfill their needs [2]. Whenever the physical and psychological equilibrium of individuals encounter disorder in such a manner that they for inconvenience, then, for making equilibrium, they will need to apply their inner talents and outer protections. Here, if they succeed to apply these new mechanisms and solve the relevant problems in favor of themselves, it is said that the adjustment process have taken place [2]. The aspects of adjustment include physical, psychological, social, and moral adjustments which the social adjustment settles of the top. The overture of achieving psychological, moral, and physical adjustments is social-adjustment [3].

The adjustment is one of the most important subjects being under consideration form the time of human appearance on the earth but having no significant and scientific record. The scientific research on adjustment began from 1984 when Ratsus and Loyd submitted a model for adjustment. In 1992, Lasarus and Fulkman went of their works and submitted a new model for adjustment. In the later years, the relationship among adjustment and other variables was inspected by other researchers including Spearman 1990, Mendouka 1981, Kan 1989, & Blarod 1992 which inspected the methods of enhancing adjustment through group and short term procedures and behavioral and behavioral-cognitive modes [4]. Spearman inspected the impression of group and short term consultancy and objective modes (Behavioral approach) on social adjustment, self-esteem, and control center and found that the relevant instructions could enhance the level of social adjustment in individuals [5]. Kan and his colleagues inspected the impression of a group protective program on depression, social adjustment, and self-esteem in adolescents of international schools. The results indicated there was a significant difference among test and control groups in depression, social adjustment, and self-esteem variables. In other words, the relevant instructions were effective in enhancing social adjustment and self-esteem, and decreasing depression [6]. Thus, adjustment and becoming harmonious with one’s real self and environment are a vital necessitation. The daily endeavors of all human beings revolve around this very adjustment, and every individual, consciously or unconsciously, tries to fulfill his/her diversified, and often contradictory, needs in the environment he/she lives. The point that is of importance is that an individual should proceed on the right was to achieve the adjustment, and one right one is enhancing self-esteem.

Mazlow believes that whenever we feel inner respect of respect ourselves, we feel inner security and self-confidence, and appreciate ourselves as notable and worthy entities; and in case of lack of self-respect we must well recognize ourselves, be adjustable, and fully and clearly distinguish our merits and Achilles’ heel. If we fulfill these needs, we will be able to proceed with fulfilling the most superior need that is self-actualization, and then can nurture all our talents [7]. Pope and his colleagues applied the mode of behavioral-cognitive for curing patient suffering with low self-esteem in the outpatient department, and arrived of useful outcomes. Furthermore, the same mode was applied for talented students who had a poor opinion of themselves, and again useful outcomes were obtained. Performing the relevant program was suggested to be
applied for children and adolescents of schools, students of universities, centers for social services, and private clinics [8].

Also, In Iran, some researches on the bilateral effects of self-esteem and social adjustment have been done which among all the impression of self-esteem on students’ social adjustment with the classes’ atmosphere in com province was measured by Falsafi Nejad who found that the self-esteem [positively] impressed the adolescents’ social adjustment with classrooms’ atmosphere [9].

In his research, Sedighi concluded that behavioral-cognitive instructions of self-esteem would have not increased the students’ social adjustment [10].

Regarding the above mentioned cases, the moil purpose of this research is to inspect the effectiveness of two approaches of behavioral and behavioral-cognitive of self-esteem on social adjustment of female students resident in the dormitory, and also giving answer for the following questions:

A) Is the behavioral approach effective on enhancing social adjustment?
B) Is the behavioral-cognitive approach effective on social adjustment?
C) Which of these two approaches are more effective in enhancing social adjustment?

The Research Method

Based on semi-experimental method of pretest and posttest types with experimental and control groups, the scheme of the research is a follows:

<table>
<thead>
<tr>
<th>Groups</th>
<th>Pretest</th>
<th>Independent variable</th>
<th>Posttest</th>
<th>Follow-up</th>
</tr>
</thead>
<tbody>
<tr>
<td>E1</td>
<td>T1</td>
<td>X1</td>
<td>T2</td>
<td>T3</td>
</tr>
<tr>
<td>E2</td>
<td>T1</td>
<td>X1</td>
<td>T2</td>
<td>T3</td>
</tr>
<tr>
<td>C</td>
<td>T1</td>
<td>-</td>
<td>T2</td>
<td>T3</td>
</tr>
</tbody>
</table>

• Sampling population & Sampling Method In this research, the statistical universe is the female students’ entire resident in University of Sasha dormitory, i.e., 2532 persons. The sampling method is voluntary introduction, e.g., from amongst the students resident in University of Isfahan dormitory, 30 volunteers were selected through interview as the sample, then by lot, ten persons were assigned to experimental group No.1 (Behavioral-cognitive group), ten to experimental group No-2 (Behavioral group), and ten to control group.

Instruments

For inspecting the rate of the students, self-esteem, Pope and his colleagues inventory of self-esteem was applied in this research. The inventory has 60 questions and assesses self-esteem through the give scales of general, educational, familial, physical, and social; furthermore, has lying measuring scale. Reliability coefficient of the research has been calculated by Ghaffari and Ramezani (1994) as 0.76, by Emami and Fatehi Zadeh [11] as 0.85, and by Mohaghegh as 0.73 [12].

For inspecting the rate of students’ social adjustment, the test of social adjustment provided by researchers. The test has 90 questions and give scales of inter-individuals adjustment, personal adjustment, educational adjustment, intimate relations adjustment, and mood adjustment.
The test was normalized by the researchers through testing on 40 persons, and its reliability coefficient was calculated as 0.76 using Crownbach’s alpha. The stages of formation the test are as follows:
A: Investigating several records and texts, determining social adjustment factors, gathering questionnaires, and performing the test.
B: performing factorial analysis on the questionnaire.
C: Inspecting the test and rewriting the questions.
D: Determining the test’s reliability coefficient applying Crownbach’s alpha coefficient.

- **The Method of performing the Research**

The independent variable of the research includes & group educational sessions of self-esteem for the two experimental groups applying behavioral-cognitive and behavioral approaches which performed through step-by-step instructions together with students’ and instructors’ guide books. Behavioral and behavioral-cognitive for self-esteem were held as follows:

### Self-esteem’s behavioral sessions

<table>
<thead>
<tr>
<th>Sessions</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>Approaching the concept of self-esteem</td>
</tr>
<tr>
<td>Second</td>
<td>Becoming familiar with the definitions several types of selves</td>
</tr>
<tr>
<td>Third</td>
<td>Instructing social skills</td>
</tr>
<tr>
<td>Fourth</td>
<td>Assertive training</td>
</tr>
<tr>
<td>Fifth</td>
<td>Feeling of loneliness and the ways to encounter it</td>
</tr>
<tr>
<td>Sixth</td>
<td>Instructing the correct way of study</td>
</tr>
<tr>
<td>Seventh</td>
<td>Instructing relaxation and mental imagery</td>
</tr>
<tr>
<td>Eighth</td>
<td>Beauty and physical health</td>
</tr>
</tbody>
</table>

### Self-esteem’s behavioral-cognitive sessions

<table>
<thead>
<tr>
<th>Sessions</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>Approaching the concept of self-esteem</td>
</tr>
<tr>
<td>Second</td>
<td>Becoming familiar with the definitions several types of selves</td>
</tr>
<tr>
<td>Third</td>
<td>Instructing social skills</td>
</tr>
<tr>
<td>Fourth</td>
<td>Introducing interrelation styles</td>
</tr>
<tr>
<td>Fifth</td>
<td>Feeling of loneliness and the ways to encounter it</td>
</tr>
<tr>
<td>Sixth</td>
<td>Instructing the correct way of study</td>
</tr>
<tr>
<td>Seventh</td>
<td>Instructing the method of solving problems</td>
</tr>
<tr>
<td>Eighth</td>
<td>Cognitive and attributive distortion</td>
</tr>
</tbody>
</table>
After performing the pretest and selecting and replacing the subjects in experimental groups and control group, the sessions of self-esteem group instruction for experimental groups were held. The control group received no therapeutic program but was tested via pretest, posttest, and follow-up test. Making coordination with consultancy center of the dormitory, for restraining intrusive variables, it was arranged that no instruction for enhancing the students’ self-esteem would be performed. The modus operandi in educational sessions was in such an arrangement that at the commence of every session a brief of the previous discussions would be submitted through cooperation of the members of the group, then, new discussions would have been raised by instructor. Thence, the members of the group individually explained the brief subject of the session and what they had learnt, and at the end of the session, an assignment would be determined.

- **Statistical Method**

  In this research, the test of multivariable variance analysis (Monona); and for statistical operations, the SPSS software was applied.

- **Findings**

  After extraction the results; group’s average and standard regression of test and control groups in the pretest, posttest, and follow-up were calculated [Table 1].

Just look as in Table1, numbers’ average of test’s group than evidence’s group has increased in posttest.

### Table 1. Group’s average and standard regression in pre-test, post-test and follow-up

<table>
<thead>
<tr>
<th>Variations</th>
<th>Tests</th>
<th>Groups</th>
<th>Average</th>
<th>Regression</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Adjustment</td>
<td>Pretest</td>
<td>Behavioral</td>
<td>118.9</td>
<td>20.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cognitive</td>
<td>120.2</td>
<td>24.51</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Control</td>
<td>115.7</td>
<td>22.30</td>
</tr>
<tr>
<td></td>
<td>Posttest</td>
<td>Behavioral</td>
<td>146.7</td>
<td>14.37</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cognitive</td>
<td>153.4</td>
<td>15.24</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Control</td>
<td>119.7</td>
<td>25.30</td>
</tr>
<tr>
<td></td>
<td>Follow-up</td>
<td>Behavioral</td>
<td>148.5</td>
<td>14.33</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cognitive</td>
<td>150.2</td>
<td>17.51</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Control</td>
<td>120</td>
<td>23.39</td>
</tr>
<tr>
<td>Self-esteem</td>
<td>Pretest</td>
<td>Behavioral</td>
<td>58.20</td>
<td>10.24</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cognitive</td>
<td>63.6</td>
<td>16.73</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Control</td>
<td>68.5</td>
<td>14.86</td>
</tr>
<tr>
<td></td>
<td>Posttest</td>
<td>Behavioral</td>
<td>77.7</td>
<td>10.04</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cognitive</td>
<td>92.9</td>
<td>12.81</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Control</td>
<td>65</td>
<td>14.12</td>
</tr>
<tr>
<td></td>
<td>Follow-up</td>
<td>Behavioral</td>
<td>78.2</td>
<td>12.19</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cognitive</td>
<td>90.4</td>
<td>12.58</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Control</td>
<td>65.5</td>
<td>13.10</td>
</tr>
</tbody>
</table>
To consider difference meaning between numbers, do variance analysis of much variation and just as see in Table 2, difference is mean.

Just as realised of Table 2, both methods behavioral and cognitive, effect in daughters student social adjustment addition, but not clear effect of which of them for two variations is high.

<table>
<thead>
<tr>
<th>Changes Source</th>
<th>Set Square</th>
<th>Degrees of freedom</th>
<th>Average square</th>
<th>F</th>
<th>Mean level</th>
<th>Effects</th>
<th>Test Power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Posttest Social Adjustment</td>
<td>4860.394</td>
<td>2</td>
<td>2430.197</td>
<td>24.564</td>
<td>0.000</td>
<td>0.663</td>
<td>1.000</td>
</tr>
<tr>
<td>Follow-up Social Adjustment</td>
<td>13385.635</td>
<td>2</td>
<td>6692.818</td>
<td>33.449</td>
<td>0.000</td>
<td>0.728</td>
<td>1.000</td>
</tr>
<tr>
<td>Posttest Self-esteem</td>
<td>1631.835</td>
<td>2</td>
<td>515.917</td>
<td>44.925</td>
<td>0.000</td>
<td>0.782</td>
<td>1.000</td>
</tr>
<tr>
<td>Follow-up Self-esteem</td>
<td>1248.708</td>
<td>2</td>
<td>624.354</td>
<td>40.159</td>
<td>0.000</td>
<td>0.763</td>
<td>1.000</td>
</tr>
</tbody>
</table>

So for definition this problem, use LSD following test, that its result is Table 3.

<table>
<thead>
<tr>
<th>TESTS</th>
<th>GROUPS</th>
<th>AVERAGE DIFFERENCES</th>
<th>REGRESSION</th>
<th>MEAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Posttests</td>
<td>Behavioral and Cognitive Behavioral</td>
<td>9.412</td>
<td>4.882</td>
<td>0.065</td>
</tr>
<tr>
<td></td>
<td>Behavioral And Control</td>
<td>22.442</td>
<td>4.484</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>Cognitive Behavioral And Control</td>
<td>31.845</td>
<td>4.803</td>
<td>0.000</td>
</tr>
<tr>
<td>Follow-up</td>
<td>Behavioral and Cognitive Behavioral</td>
<td>56.777</td>
<td>6.942</td>
<td>0.075</td>
</tr>
<tr>
<td></td>
<td>Behavioral And Control</td>
<td>25.777</td>
<td>6.337</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>Cognitive Behavioral And Control</td>
<td>30.993</td>
<td>4.831</td>
<td>0.000</td>
</tr>
</tbody>
</table>

In conformity Table 3 concluded that both methods behavioral, cognitive behavioral have a balance on increasing of social adjustment of daughter students and meaning different did not find about effect one method on the other.

**Discussion and Conclusion**
Adjustment and self-respect, as two factors in forming students’ mental hygiene is the most important. Mental hygiene has the high effect on education, communication, and students’ future life. Any students which go to university, see environment and culture different with her/his life.
and perhaps in this life new environment and on the other hand many texts books, different among high school and university environment, missing parents and family, and communication with opposite genus applies to learn adjustment suitable methods, otherwise not only student would not successful, but also he/she would has the problem in his life and family in future. Enter to university is the most important period in life for every student. Everyone pass commotions of competition when coming to university look new problems and it is very important that he/she should know that how face with them. Of course, this problem for daughters are most important than others.

The research results show that self-esteem group training with behavioral method increased students social adjustment. This result is the same researches of Spearman, Falsafi Nejad, and Kān and his colleague [5, 6, and 9]. But this result is in the opposite Sedighi’s research [10]. Sedighi faced that behavioral-cognitive training of self-esteem doesn't increased social adjustment in students. Perhaps, this opposition rises of different samples. In this research use from university’s students which have the high level of understanding than cognitive techniques than students in school. On the other hand, perhaps this disharmony rises of training has given different. This point should be noted that social adjustment is a relative concept and intercultural, and it depends to cultural, historic and social class condition. Social adjustment includes a vast array of topics and perhaps influence on self-esteem in some aspects of adjustment. So behavioral-cognitive training of self-esteem is not more effective than self-esteem behavior training about social adjustment training. In addition, behavioral-cognitive and behavioral training increase self-esteem of students. This result is the same Pope and his colleague research [8].

Youth ages who need to know their personality, know their attachments and abilities, obtain social skills, learn communication skills, know needs of others, learn life method with others, and be very active in social activities and these needs meet in group. Group training, give this chance to young people that obtain this needs. The results of this research, are obtained from satisfy of young students need in groups and this cause the more adjustment of them. In principal, group work has more attraction. It gives positive reaction to group’s members, and increase motion in group work. Also, group members feeling the more undertaking than doing group tasks and while perform group tasks desirable; meet their self-esteem [11]. Findings show that not only behavioral and behavioral-cognitive methods are not heavily for students but also students understand session discussion. With more meetings, increased motion of group members such that there weren’t test after second group session and student worked actively at the end.

Finally, propose to use of behavioral-cognitive methods because turn to different dimensions, both behavior and cognition. The problems about social adjustment among students are more and these problems may have be bad effects on the students in present and future. It is proposed that group training programs held for self-esteem and social adjustment, if training periods be longer that obtain exactly results.

This is important that with increasing self-esteem can amplify other positive characteristics of the individual such as social adjustment, positive self-imagination, comparison skills, educational progression, and ideas control.
References
Analysis of Knowledge Management and organizational intelligence relationships in Science and Technology parks

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Abstract

According to many researchers, the path to a sustainable future is ability to innovate: to create knowledge, convert it into viable products and services, and apply it for the profitable growth of an enterprise, the vitality of a nation’s economy, and the advancement of society. Furthermore, it is argued that because the multiplier effect of knowledge; the more it is shared, the more it grows, and individuals are now demanding a new style of leadership using organizational intelligence. This paper aims to find the relationship between Knowledge Management and organizational intelligence in Tehran science and technology parks. According to a convenient sample size of 119 experts, we found that there is significant relationships between these two fields of study especially in the dimensions of Strategic perspective & Solidarity.

Keywords: Knowledge Management, Organizational intelligence, Science and Technology parks

Introduction

The European Commission states that universities have a great responsibility in relation to their stakeholders such that they could maximize the social returns of investments. Despite the increase in the outside demands for more information and transparency in the utilization of public capital, most universities in developing countries still do not pay any attention to filing informative outside reports (European Commission, 2005, 391).

On the other hand, although the topic of knowledge management has attracted many academics and executive managers in the recent years but little information has been obtained from the public and academic sectors (Kherqani and Selseleh, 2007, 43). In the following, some examples of studies on knowledge management in different organizations will be discussed.

On the contrary, Spender (2008) argued that the future of both knowledge management and organizational learning is actually a return to a past when our theorizing was more robustly grounded in what we now choose to ignore, managers’ experiences and morally burdened practices as they apply their imagination to creating organizations.

Spender (2008) appealed to the basic formulation of individual capacities as a mean to build a foundation for strategic planning. Spender (2008) further argued that these capacities are the massively important engines of our society and economy, and that indeed there are no more important human artifacts, for our ability to organize absolutely delimits our ability to shape the human condition. Malhotra (1998) also agreed that inflexible organizational structures could not cope when the ground is shifting as rapidly as it does in today’s markets. He suggested that as part of the reinvention process that any organization must fulfill to maintain itself competitive, managing tangible and intangible assets are crucial to succeed. Any business living system needs to new itself in order to continually exist. Part of that renewal process comes from investments in tangible and intangible assets. These two types of assets have the ability to create value.
Allee (2003) and McElroy (2003) argued that the new foundation of the new knowledge economy is its people and their intelligences. They also highlighted the importance of technology to connect people and processes. Similarly, Cross and Parker (2004) defined this connectivity process as a social network, which will be the centre of execution strategy and performance and can have a substantial impact on performance, learning and innovation. This social web will keep the knowledge flow and will hold the organization together. Mendelson & Ziegler (1999) developed the Organizational IQ model. This model measures a company’s ability to quickly process information and make effective decisions. It provides strong results that have both economically and statistically significance, providing confidence on the development of the organizational IQ concept.

Matheson and Matheson’s (1998) nine-principle model correlates IQ with performance, with smarter organizations significantly getting a high IQ score. These organizations not only perform better but more consistently. Organizations in which the principles are strongly rooted are better able to adopt decision-making best practices and to achieve superior results. The model fits very well with the purpose of this research as it allows the researcher to examine the processes through which Hispanic entrepreneurs make strategic decisions and make them as effective as their operational process.

**Literature review**

In an empirical study in the Ministry of Entrepreneurial Development in Malaysia, the relationship between human resources, related issues, responsibilities and technological aspects and knowledge management was investigated. This study concludes that the said ministry does not have any particular knowledge management strategy. Of course, this study explains that knowledge exists in this ministry and it is projected in the processes and guidelines of the ministry and also the functional processes and databases. The results from this study show that the staff members of this ministry still feel that the head of the department or heads of the divisions are responsible for knowledge management in the department. Only 48.3 percent of the staff members feel that all staff members are responsible for knowledge management. To succeed in managing public services, all staff members should be responsible for various types of knowledge management which exist in their organizations (Rooney and Hearn, 2002, 26).

Another study on knowledge management in the governmental organizations investigates how to develop knowledge management and also how to determine the nature of the culture of knowledge sharing in an organization. The results of the study suggest that sharing knowledge in governmental organizations is a unique and very important challenge and government organizations are typically hierarchal or bureaucratic and that precludes the smooth sharing of knowledge. The authors state that most people are disinclined to share their knowledge with others. They keep their knowledge to themselves so as to get a promotion by virtue of the power of their knowledge (Lee and Choi, 2003, 260).

The results from another study on knowledge management in governmental organizations in the Carlton University in Canada showed that initiatives that are undertaken with relation to knowledge management in governmental organizations are profoundly political and have a great effect on the agents in the public sector and the group of clients in the public sector (Schein, 1988, 51).
Wug has also conducted a thorough research on knowledge management. He investigated how knowledge management could play a significant role in governmental offices especially in the four main following areas:
- Improving decision making in the organizations of the public sector.
- Helping organizations of the public sector to effectively participate in decision makings.
- Creating social and mental capacities
- Knowledgeable work force sophistication

He asserts that the presence of a cohesive knowledge management in governmental organizations is an important issue. Such an approach to the society encourages people and institutions to be more diligent and hardworking and as a result provides for more stability and a better quality of life for the citizens (Wug, 1999, 32).

- Another study on knowledge management in governmental organizations of the Entrepreneurial Development Department of Malaysia investigated the relationships between organizational components (i.e. organizational culture and structure, human resources technology, and political orientations) and Knowledge creation and knowledge transfer capabilities in the Ministry of Entrepreneurial Development in Malaysia. The results show that there is an important relationship between some of these variables and the capacity to produce and transfer knowledge. Therefore, it is necessary to take into consideration some of these factors that have an important relationship with knowledge management (Skyreme, 1998, 18).

- In a study that was conducted in a university in Madrid, 40 respondents who were among the main decision makers of the university were investigated. The respondents had to evaluate the indices from a range of 1 to 3 in the Linkert Scaling and to assess the potential barriers at the disclosure of each index. The results indicate that qualitative information was more important and also the intellectual capital was a suitable tool for selecting university strategies. It was also mentioned that the best way to enhance the intellectual properties in the public sector is improving the viewpoint of the government toward universities as active agents of spreading knowledge in the society (Sanchez and Elena, 2006, 543).

- In a research carried out in a university in the United States, learning by doing was investigated as a form of intellectual capital. It was stated that the customer’s capital can be studied in universities, as well; and a successful partnership between universities and organizations outside universities is viable only when the intellectual properties of both parties increase (Garnett, 2001, 78).

- Also in a study that was conducted on a few universities of Spain with the purpose of helping them identity, measure and manage implicit knowledge, it was found out that the first stage in this endeavor is to first have an accurate definition of the organization’s objectives and then to identify the implicit aspects of the organization. Meanwhile, a causal relationship should exist between them and for each implicit aspect there should be defined and developed a set of indices. Ultimately, a periodical inspection should be conducted to ensure accommodation to new challenges (Sanchez et al, 2006, 81)

- According to Viedma (2003), individuals’ possessions and organizational assets and the existing relationship between them can influence the process of value creation. Therefore, the supervisors and managers have difficulty defining such cause and effect relationships (Viedma, 2003, 215).
The research algorithm
In this study we intend to offer a methodology that determines the existing strengths and weaknesses for the purpose of (en route for) improving the components of knowledge management. For this purpose the following steps in this research have been considered:
1- The definition of knowledge management elements: in this step, the required constituents of research shall be identified from the works of researchers through an in-depth surveying of the literature and methods of measuring knowledge management. In this research, the required data for measuring the expected and perceived knowledge management constituents were obtained using the Chang’s 6 dimension knowledge management questionnaire (Choy Chang, 2006).
2- Measuring performance and constituents’ degree of importance (weight) in knowledge management: here, a questionnaire was developed and distributed among the study population in order to measure the performance and the degree of importance for the constituents of knowledge management. The study population was comprised of all the managers and experts of the Tehran science and technology parks. Since the population size of the study was about 300 individuals, therefore, 170 questionnaires were distributed among the managers and experts of the Tehran science and technology parks using the Morgan’s sampling method. Ultimately, 103 questionnaires were responded to and thus, provided the base for the analysis.
3- Integrating the assessors’ opinions: many of the methods such as arithmetic mean, median and mode can be used for integrating the assessments of different decision makers. Since the mean method has been widely used in many researches, thus, it will be likewise used in the present research to integrate the experts’ opinions.

<table>
<thead>
<tr>
<th>KM &amp; OI dimensions</th>
<th>factor</th>
<th>Relative mean of performance</th>
<th>Relative mean of importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership and policy-making</td>
<td>1. Having organizational support regarding the search for employee’s human values</td>
<td>0.53</td>
<td>0.95</td>
</tr>
<tr>
<td></td>
<td>2. Having a formal system which allows the employees’ to share their opinions and viewpoints</td>
<td>0.69</td>
<td>0.90</td>
</tr>
<tr>
<td></td>
<td>3. Having policies which enhance the level of work life quality.</td>
<td>0.55</td>
<td>0.40</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>---</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Commitment of Organization’s Senior Management to knowledge management principles</td>
<td>0.34</td>
<td>0.45</td>
</tr>
<tr>
<td>5.</td>
<td>Senior Management’s Support of applicability of knowledge management</td>
<td>0.35</td>
<td>1.00</td>
</tr>
<tr>
<td>6.</td>
<td>Senior Management’s Support of formal and informal relations</td>
<td>0.53</td>
<td>0.88</td>
</tr>
<tr>
<td>7.</td>
<td>Allocating enough budget for supporting knowledge management projects</td>
<td>0.58</td>
<td>0.55</td>
</tr>
<tr>
<td>8.</td>
<td>Reviewing all the rules of organization regarding the implementation of knowledge management</td>
<td>0.19</td>
<td>0.29</td>
</tr>
<tr>
<td>9.</td>
<td>Effectiveness of performance assessment methods in the organization</td>
<td>0.23</td>
<td>0.86</td>
</tr>
<tr>
<td>10.</td>
<td>Fairness of Personal or team performance’s assessment methods in the organization</td>
<td>0.53</td>
<td>0.95</td>
</tr>
<tr>
<td>11.</td>
<td>Having reward system for performance optimization</td>
<td>0.69</td>
<td>0.90</td>
</tr>
<tr>
<td>12.</td>
<td>sharing Knowledge with suppliers</td>
<td>0.57</td>
<td>0.02</td>
</tr>
<tr>
<td>13.</td>
<td>gaining knowledge about customers</td>
<td>0.64</td>
<td>0.74</td>
</tr>
<tr>
<td>14.</td>
<td>gaining knowledge regarding special competencies and capabilities of the organization</td>
<td>0.53</td>
<td>0.95</td>
</tr>
<tr>
<td>15.</td>
<td>Information systems’ effectiveness</td>
<td>0.69</td>
<td>0.90</td>
</tr>
<tr>
<td>16.</td>
<td>Information systems’ efficiency</td>
<td>0.55</td>
<td>0.40</td>
</tr>
<tr>
<td>17.</td>
<td>Information systems’ state of being User-friendly (User-friendliness)</td>
<td>0.34</td>
<td>0.45</td>
</tr>
<tr>
<td>18.</td>
<td>Applicability and apprehensibility of outputs</td>
<td>0.35</td>
<td>1.00</td>
</tr>
<tr>
<td>19.</td>
<td>Providing a guideline for the creation of a benchmark system</td>
<td>0.53</td>
<td>0.88</td>
</tr>
<tr>
<td>20.</td>
<td>Supporting the implementation of a knowledge-based assessment mechanism</td>
<td>0.58</td>
<td>0.55</td>
</tr>
<tr>
<td>21.</td>
<td>Encouraging employees to benchmark other organizations’ success models</td>
<td>0.19</td>
<td>0.29</td>
</tr>
<tr>
<td>22.</td>
<td>Training knowledge management principles to lower levels employees of the organization</td>
<td>0.23</td>
<td>0.86</td>
</tr>
<tr>
<td>23.</td>
<td>Enhancing employees’ partnership</td>
<td>0.13</td>
<td>0.81</td>
</tr>
</tbody>
</table>
24. Encouraging employees for decision-making partnership 0.38 0.57
25. Reinforcing collaboration and cooperation spirit 0.45 0.00
26. Supporting group attitudes for problem-solving 0.63 0.14
27. Organization’s commitment to empowering the employees 0.42 0.57

Hypothesis 1: there is a significant relationship between KM and dimensions of organizational intelligence. As shown in Table 2 there is a significant relationship between KM and dimensions of organizational intelligence and among them the most significant dimension is between KM & Joint destiny.

Table 2: Relationship between QWL and dimensions of organizational commitment

<table>
<thead>
<tr>
<th>Variables</th>
<th>Level of significance</th>
<th>Coefficient of correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>KM and Morale</td>
<td>0.012</td>
<td>0.104*</td>
</tr>
<tr>
<td>KM and Strategic Perspective</td>
<td>0.023</td>
<td>0.223*</td>
</tr>
<tr>
<td>KM and Joint destiny</td>
<td>0.000</td>
<td>0.561*</td>
</tr>
<tr>
<td>KM and change tendency</td>
<td>0.000</td>
<td>0.181**</td>
</tr>
<tr>
<td>KM and solidarity</td>
<td>0.017</td>
<td>0.331*</td>
</tr>
<tr>
<td>KM and knowledge application</td>
<td>0.000</td>
<td>0.265*</td>
</tr>
<tr>
<td>KM and performance load</td>
<td>0.000</td>
<td>0.095**</td>
</tr>
</tbody>
</table>

*: it is significant at 0.05 level
**: it is significant at 0.01 level

Conclusion
Organizational intelligence does not represent the “IQ” of managers, similar to managerial cognition, nor is it the sum of the individuals. The assessment of organizational intelligence goes beyond the cognitive perspectives. Since, organizational intelligence develops from and is embedded in the day-to-day activities of the organization, its assessment involves social, emotional, behavioral and cognitive dimensions. In this sense, organizational intelligence is a multidimensional and multifaceted concept involving the recursive interplay of cognitive, behavioral and emotional capabilities of organizations. The results suggest that not all of the knowledge management factors require the same attention and that the main concern should be based on their importance and performance which can save organizations a lot of unnecessary costs. Thus, investing in the two factors that contribute to the efficiency of information systems and the senior management’s commitment to the principles of knowledge management can earn the organizations the most achievements in the short run.
References
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Impact of Online/Internet Marketing in Enhancing Consumer Experience on Computer Industry
(Case of Malaysia)

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Islamic Azad University of Tehran¹ (Iran), Multimedia University Malaysia²,⁴, Islamic Azad University, Yazd, Iran³ University Technology Malaysia (UTM)⁵

Abstract
As far as businesses are concerned, the internet has been subject to a variety of experimentations that seek to determine the viability of using the internet to improve business practices in various industries especially in computer industry in Malaysia. One particular aspect of business is that the internet marketing has a great impact on computer industry in Malaysia. This research paper is concerned with making a critical examination of the impact of internet/online marketing on computer industry in Malaysia in enhancing consumer experience. It is understood here that the internet/online marketing is essentially an instrument that can be used for business purpose to increase the customer benefits and decrease the cost of the computer industry or increase the profit of computer industry and also get the customer more loyal to the company by providing good services to the customer and meet the customer requirements. The use of the internet/online marketing in computer industry in recent times has increased in the realm of business. Various companies within the computer industry are now starting to understand the benefits of using the internet/online marketing activities. In this academic research paper, a comprehensive examination will be made in relation to the positive and negative impacts of the internet as a marketing tool for the computer industry in Malaysia. An examination must be made of how the internet affects the marketing activities of the companies that exist in the computer industry and derive the computer industry to the success. Upon doing this, it would then become possible to determine the impact that the internet/online marketing has on computer industry in Malaysia marketing.

Keywords: Customer satisfaction, customer trust, customer behavior, computer industry/computer related product, online marketing

Introduction
The primary aim of this research paper is to critically examine the Impact of online (internet) marketing on computer industry in Malaysia in enhancing consumer experience. The growth of the internet has led to a serious mass of consumers and firms participating in a global online market or e-commerce. Internet has been used as a commercial medium for transaction across the borderless world in computer-mediated environment. The rapid growth of internet usage has transformed its function beyond as a medium of communication to a brand new market arena (Ricciuti, 1995). The internet is an instrument that can be used for many purposes. In recent times, there has been an intense use of the internet in the realm of business, especially marketing.
The computer industry is capable of benefiting extremely from the use of the internet, including various companies in the computer industry that are keen on marketing their services to a wider range of people and also consumer and client can get the benefits to decrease the cost by using internet. The dramatic increase in internet and the detonation of its usage have facilitated the development of electronic commerce, which is described as the movement of buying and selling, or the trading of products, service and information between and among the organizations and individuals all the way through computer networks including the internet (Laudon and Traver, 2001). When investing in online/internet marketing, strategic thinking will bring to the best rewards (David Scanlon 2009). Multimedia systems are being developed for a surprising and ever increasing number of applications. The major revolution is the internet, which is really used for marketing products and services. According to a statement from e-Gain Communication an approximated 6.6 billion USD worth of merchandises are currently being existing on the Internet/online marketing for more than 200 million users. 35 million of them are assumed to be involved actively in the online marketing world. This represents a vast would-be the online ventures by business organizations and the participation of net users exponentially. Connectivity has increased quickly in both developed and developing countries; with one of the greatest growing regions being Asia. Malaysia is currently spending $5 billion on building a Multimedia Super/great Corridor. In Malaysia, the development of Multimedia Super Corridor (MSC) has concerned much attention on the development and accomplishment of Multimedia. In this regard, the use of multimedia in marketing products and services had improved in the local business activities. It is highly assumed that online marketing services can support retailers in expanding new markets as well offering real time dealings and processing feedback. They present extensive products and company information to their clients and also offer value added consumer services. The expansion of the internet has increased the attractiveness of online shopping. However, many internet users stay away from shopping online due to security and privacy concerns. Despite this though, online sales or online marketing continue to develop as internet-based businesses become more complicated; indeed many users stay involved in online shopping. Understanding possible markets is thus important for businesses investing in electronic commerce. (Amichai-Hamburger, 2002) indicated that the behavior of internet users plays a significant role in their online behavior. Moreover, (Hills and Argyle, 2003) reached similar viewpoints. They found that individual internet use correlates with individual personality differences. (Kotler, 2003) asserted that personal factors are the main persuade on buyer behavior. Thus, understanding the personality differences between these two groups (internet shoppers or online purchasers and non-internet shoppers or non-online purchasers) is really important to businesses. Understanding the personality of potential online customers can help businesses accurately target prospective markets. Internet commerce or online marketing involves the sale and purchase of products and services over the internet (Keeney 1999). It was touted to have huge sales prospective, with earlier hope of over $1 trillion by 2002 (Burke 1997; Mehler et al. 1997). Yet, these expectations have fallen well little of the $1 trillion calculate approximately, with the U.S. Census Bureau reporting that U.S. e-commerce sales and online purchasing in 2002 equaled only $43.5 billion and $70 billion in 2003. However, online expenditure is growing. Retail e-commerce sales in the second quarter of 2004 were just about $15.7 billion and boost of 23.1 percent from the second quarter of 2003 (U.S. Census Bureau 2003). E-commerce sales and online selling in the second quarter of 2004 accounted for 1.7 percent of total sales, while in the second quarter of 2003 e-commerce sales and online selling
were 1.5 percent of total sales (U.S. Census Bureau 2003). Electronic commerce or online marketing is a regular term now a day and used by the business executives and common peoples around the world. In fact many clients or consumers now think it is stylish to shop online and even perform online trade. However, the correctness of the internet for marketing to customers depends to a large scope on the characteristics of the products and services being marketed (Ahasanul and Ali Khatibi, 2007). Thus the internet offers several features (capacity, speed, precision and convenience) that help firms attract a large number of potential customers and clients. Consumer uses the internet different reasons ranging from only gathering information to purchasing product online. Buying through internet and online has more fun, safer, and quicker and they were more self-assured about their ability to buy online. Although, purchasing online is still a small segment of internet usages, most analysts be expecting it to increase dramatically once consumer feel satisfy and safe about their online purchases and protection of their privacy in online purchasing (Ahasanul and Ali Khatibi, 2007). Establishing and maintaining made to order communication with customers during the transaction can be expensive. Such as this kind of communication channels can be used to gather important customer feedback and to measure customer satisfaction, either they are satisfied or not. However, most consumers gather information on products, make cost comparisons and then go or visit a local store to make purchase. Internet marketing is becoming a more and more significant strategy for the company to promote advertises and interact more customer online. This is especially true in the environment of Malaysia where internet shopping or online purchasing is still new and consumers are less familiar and often more sceptical towards online shopping, but slight is known about them. Therefore, in order to know and understand consumers need and want, it is very important for us to have a survey and study to find out the impact of the internet marketing in computer industry in Malaysia towards customer satisfaction (Ahasanul and Ali Khatibi, 2007). This paper would examine the positive and negative impacts of the internet as a marketing tool for companies within the computer industry in Malaysia. In order to do this, an examination must be made of the effect that the internet has on the marketing activities of the companies that exist in the computer industry first, and only then can the impact of the internet on the marketing for the computer industry can be properly assessed and determined. The internet is a huge global network of computers used to exchange data (Deitel, Deitel and Steinbuhler, 2001).

RESEARCH QUESTIONS

Following are five research questions:

1. Will the online marketing change the consumer behaviour in computer product customers in Malaysia?
2. What are consumers readiness pattern to buy computer related products online in Malaysia?
3. What is the Malaysia general public’s view about online marketing in computer products?
4. Does the online marketing of computer industries perform better than offline in Malaysia?
5. Do the online computer customers satisfy or not in Malaysia?
Literature review

Customer value in e-Commerce
Since a customer has more than enough stores to choose from online, what are the key values an online store in computer industry can offer to win the customer? The most relevant studies that take customer value as one of the main concepts in the e-Commerce and online marketing context in computer industry in Malaysia. Screening alternatives to form consideration set, providing information for selecting from consideration set are transaction cost, entertainment, social interaction, and personal security (Alba et al. 1997). Retailer risk (NS), product price, valence of experience (Chen & Dubinsky, 2003) are also can include to consideration set in online marketing in computer industry. Usefulness, ease of use, and enjoyment of the site is very important (Childers et al. 2001, Davis et al. 1992) in online marketing in computer industry for customer. Satisfaction, effectiveness, and efficiency are the overall value of the customer (Toe et al. 2003).

Customer Loyalty
Zeithaml (2000) states that previous studies viewed customer loyalty as being either behavioral or attitudinal. The behavioral approach is that customers are loyal as long as they continue to buy and use a good or service (Woodside et al., 1989; Parasuraman et al., 1988; Zeithaml et al., 1996). Reichheld (2003) states that the strongest evidence of customer loyalty is the percentage of customers who were enthusiastic enough to refer a friend or colleague to a particular good or service. The attitudinal approach is that customers feel a sense of belonging or commitment to the good or service. Baumann et al. (2005) noted that Day (1969) four decades ago introduced the concept that loyalty has both behavioral and attitudinal dimensions.

The behavior approach includes criteria such as repeat purchase, share-of-wallet, and word of mouth referrals, whereas the attitudinal approach consists of criteria like commitment, trust or emotional attachment. Baldinger and Rubinson (1996) examined the link between attitude and behavior and found that 'the stronger the attitudinal commitment..., the more likely consumers were to remain loyal' thus the use of an attitudinal measure would also indicate the behavioral dimension of loyalty.
Loyal customers are undoubtedly important because they contribute to the profitability of the service providers (Anderson and Mittal, 2000; Anderson and Sullivan, 1993). They visit a website more frequently than a newly acquired customer and can be served at a reduced operating cost. They provide free word-of-mouth advertising and are likely to pay regular prices. In a recent update on e-loyalty, Reichheld and Schefter (2000, p.107) observed that contrary to current beliefs 'price does not rule the Web; trust does. According to the authors, referrals are extremely important in e-services and may count for half of the acquired customers for some services. Furthermore, referred customers were found to ask for advice and guidance from the loyal customers who recommended the service to them, thus reducing the company's costs for providing help.

The Impact of the Internet on Marketing for the Computer Industry
It is theorized here that the internet has commenced a transformation of the global and domestic markets and it did this by effectively shaping and reshaping relationships within the supply chain and by creating changes that are systematic in the method by which consumers to their shopping,
the way prospects are reached, the way transactions are completed, the way customers are provided with services and also the way in which business is performed (Joseph et al., 2001).

The internet has a huge effect on marketing especially in computer industries, the computer industries’ marketing way has been changed by coming the internet in the market place and they could increase their marketing ability and also increase their profits and increase the benefits to customers. The internet totally changed the market place to a new revolution era and brings a lot of positive impact in marketing aspect.

Overview: impact of online marketing in computer industry in Malaysia

Online marketing has brought a big influence in computer industry in Malaysia and changed the way of business in computer industry. Online marketing in computer industry in Malaysia affects positively, if the industry provides good customer service in internet and online marketing and also the quality of online marketing also important in Malaysia. Computer industry has made his computer business more wide to the marketing and sales online. The online customers in computer industry require high satisfaction and trust in Malaysia. The computer industry in Malaysia tries to increase the online customer and make the customers more loyal to the industry, so the computer industries have to add more services in online business and try to less the online customer cost and also design a business site very simple and familiar for customer. The online customers in computer industry in Malaysia are very careful and want the security in fast then try to do the business online, because they are still not sure 100 percent about the online and internet business and feel it little risky, so they will make sure about the security. Therefore, the computer industry should increase the security in their business site and the quality of their online products. There are some variables that can make the online customer more loyal to the computer industry and satisfy the online customers in computer industry in Malaysia which include the followings: E-service quality, cost to do the online business, customer service in online business, security, privacy information, and design of the site, or customer satisfaction and customer trust to the industry.

Security

Kalakota and Whinston (1996) define a security threat as a circumstance, condition, or event with the potential to cause economic hardship to data or network resources in the form of destruction, disclosure, modification of data, denial of service, and fraud, waste, and abuse. Despite the fact that security positively influences intention to purchase online (Ranganathan & Ganapathy 2002; Salisbury et al., 1998), it remains one of the major concerns (Kiely 1997; Mardesich 1999; Mayer et al., 1995). Many consumers are still reluctant to release payment card information to online merchants, fearing a loss of control over their accounts. Merchants and financial institutions, in turn, are concerned about the costs associated with online charge backs and fraud. To alleviate customers’ fears, many B2C Websites offer alternate forms of payment (e.g. telephone ordering) and/or accounts with ID’s and passwords (Ranganathan & Ganapathy 2002). Bélanger et al., (2002) found that the presence of security features on an e-commerce site was important to consumers, and discuss how consumers’ security concerns may be addressed by similar technology protections as those of the business, such as encryption and authentication. In this study, the features evaluated within the attribute of security include: (1) whether the site provides encryption, (2) whether the site requires the user to set up
an account with an ID and password, and (3) whether a confirmation screen is displayed after the completion of the purchase to ensure accuracy.

Privacy
Privacy in e-commerce is defined as the willingness to share information over the Internet that allows for the conclusion of purchases (Belanger et al. 2002). B2C Web sites gather information about visitors via explicit modes (e.g. surveys) and implicit means (e.g. cookies) (Patterson et al. 1997), providing the necessary data for decision making on marketing, advertising, and products. However, many users have concerns over potential misuse of personal information (Brown & Muchira, 2004; Hair et al., 1995; Ranganathan & Ganapathy, 2002; Torkzadeh & Dhillon, 2002). For example, a Business Week/Harris poll of 999 consumers in 1998 revealed that privacy was the biggest obstacle preventing them from using Websites, above the issue of cost, ease of use, and unsolicited marketing (Green et al. 1998). An IBM Multi-National Consumer Privacy survey in 1999 showed that 80% of the U.S. respondents felt that they had lost all control over how personal information is collected and used by companies. Seventy-eight percent had refused to give information because they thought it was inappropriate in the circumstance, and 54% had decided not to purchase because of concerns over the use of their information collected during the transaction (Belanger et al., 2002). A study by Forrester Research supports these findings, showing that two-thirds of consumers are worried about protecting personal information online (Branscum, 2000). To address issues of privacy, many Websites display privacy policies (McGinity, 2000). Also, independent companies (e.g. TRUSTe) can verify, audit, and certify privacy policies (Ranganathan & Ganapathy, 2002). In this study, the features evaluated within the attribute of privacy are: (1) the use of a privacy statement, (2) the merchant's policy on selling customer information to third parties, and (3) the use of cookies to collect personal information.

Trust & Trustworthiness
Trust is the willingness to rely on an exchange partner in whom one has confidence (Prasarnphanich, 2007). Trust consists of two distinct dimensions: credibility and benevolence (Prasarnphanich, 2007). Credibility refers to the extent to which the buyer or supplier believes that the other party has the required expertise to perform the job effectively and reliably (i.e., an ability of the partner to deliver as promised). Benevolence refers to the extent to which the buyer is genuinely interested in the other partner’s welfare and motives to seek joint gain (Prasarnphanich, 2007). This benevolence dimension is consistent with the issue of privacy and security concerns that vendors do their best efforts to protect customers’ personal information and prevent any personal losses due to their interaction with the vendors (Prasarnphanich, 2007). The benevolence dimension of trust can exist even when the objective credibility of vendors is less than perfect. For example, customers might feel that the vendor is still concerned with their personal welfare, even though the vendor’s services are somewhat unreliable (Prasarnphanich, 2007). Shopping factors focus on customers’ feelings and perceptions during and after the shopping experience. Factors determining this include convenience, trust and trustworthiness of Web merchants, and delivery time (Bélanger et al., 2002; Keeney, 1999; Nielsen, 2000 Patterson et al., 1997; Torkzadeh & Dhillon 2002). The prototypical online consumer leads a wired lifestyle and is time
starved, suggesting that online shoppers may do so to save time (Bellman et al., 1999). This indicates that the overall convenience of the shopping experience is very important as well as the amount of time it takes for the product to be received. Trust is of importance during the actual shopping experience because if the consumer does not trust the merchant to make good on their purchase a transaction will not take place. Three features of each attribute (convenience, trust, and delivery) will be evaluated using a conjoint analysis to get a preferred feature within each attribute as well as determining an overall ranking of each attribute, including an overall importance score of each attributes.

Customer Loyalty
Zeithaml (2000) states that previous studies viewed customer loyalty as being either behavioral or attitudinal. The behavioral approach is that customers are loyal as long as they continue to buy and use a good or service (Woodside et al., 1989; Parasuraman et al., 1988; Zeithaml et al., 1996). The behavior approach includes criteria such as repeat purchase, share-of-wallet, and word of mouth referrals, whereas the attitudinal approach consists of criteria like commitment, trust or emotional attachment. The attitudinal approach is that customers feel a sense of belonging or commitment to the good or service. Baumann et al., (2005) noted that Day (1969) four decades ago introduced the concept that loyalty has both behavioral and attitudinal dimensions. Customer loyalty has been recognized by a large number of authors as one of the key topics in Internet that deserves a great deal of attention. According to Griffin (1996), one of the most exciting and successful uses of this revolutionary technology may be the Internet's role in building customer loyalty and maximizing sales to your existing customers. One of the reasons for the importance of loyalty in the online context according to Rayport and Sviokla (1994) is the changing role of the content, the context, and the infrastructure in the marketplace. Loyal customers are undoubtedly important because they contribute to the profitability of the service providers (Anderson & Mittal, 2000; Anderson & Sullivan, 1993). They visit a website more frequently than a newly acquired customer and can be served at a reduced operating cost. They provide free word-of-mouth advertising and are likely to pay regular prices. In a recent update on e-loyalty, Reichheld and Schefter (2000, p.107) observed that contrary to current beliefs 'price does not rule the Web; trust does. According to the authors, referrals are extremely important in e-services and may count for half of the acquired customers for some services. Furthermore, referred customers were found to ask for advice and guidance from the loyal customers who recommended the service to them, thus reducing the company's costs for providing help.

Confidence
Trust is defined as the dimension of a business relationship that determines the level to which each party feels they can rely on the integrity of the promise offered by other. The trust is identified as being an antecedent to commitment, being the motivation to stay within the relationship and an important element of relationship marketing (Ahasanul Haque and Ali Khatibi, 2007). Some authors suggest that for a customer to enter into a transaction’s must fell confident that the merchant will deliver, making trust an order qualifier for purchase decisions. Online buyers have fewer security worries, appreciate the quickness and flexibility of online buying and see the web as making buying easier. Web sites must be made simple and easy to
use, because non-users are not very confident that they can buy online successfully (Ahasanul Haque and Ali Khatibi, 2007).

**Customer services**

Commentary, that it is often repeated in terms of gaining benefits from the internet is in terms of marketing logistic, whereby online buyers gain temporal advantage by ordering online and delivered over internet (Adam Stewart, 2002). Electronic marketing broaden the marketing scope of internet users and allow buyers to make transaction online. Some researchers, specifies that specific knowledge of the impact of attribute performance on satisfaction is, therefore, a basic requirement (Adam Stewart, 2002).

**Customer expertise and familiarity**

Expertise or product knowledge and expert in processing of the product is the understanding of the attributes in a product or service class and knowledge about how various alternatives stack up on these alternatives. Customers’ expertise facilitates their learning of new and more complex types of information (Ahasanul Haque and Ali Khatibi, 2007). The two major components of customer expertise are expertise and familiarity. The customers who are more innovative and knowledgeable with regard to the internet and its uses are more likely to buy online from the computer industry in Malaysia than less innovative and knowledgeable customers (Ahasanul Haque and Ali Khatibi, 2007).

**Product Value**

Minimizing product cost and maximizing product quality are major factors in e-commerce success (Keeney 1999). Total cost includes product cost, taxes, shipping, Internet, and travel costs (Keeney 1999). Quality is an intrinsic property of a product. Product quality is the expected standard of product or service excellence (Jarvenpaa & Todd 1997). Brands and retailers that are well known and well regarded from the traditional channels may translate to quality on an online channel. The question becomes how consumers will assess product quality when they are unfamiliar with the retailer or the product brand (Jarvenpaa & Todd 1997). Kalakota and Whinston (1996) stress the need to provide independent evaluations of goods and services to convince consumers of the quality of the merchandise sold by the Internet merchant on the web. Thus, the end result for the consumer should be a feeling of gratification with the purchase once completed. Torkzadeh and Dhillon (2002) combine these two objectives (product cost and product quality) into an Internet product value measure (used in this study). The features of the product value attribute to be evaluated are: (1) post purchase feeling of customer gratification, (2) perceived product quality, and (3) overall product cost.

**Conceptual framework of the study**

In line with literature review and the purpose of study described in the beginning of the paper, the conceptual framework of this study was configured as illustrated in figure 1 (See Appendix). In this framework security and privacy information as the antecedents will affect trust and trustworthiness, (H1, H2). Besides, trust and trustworthiness has a relationship with loyalty in online marketing as the consequence (H3).
Hypothesis

H10: There is no significant correlation between customer satisfaction and usability & site design.
H11: There is a significant correlation between customer satisfaction and usability & site design.
H20: There is no significant correlation between customer satisfaction and cost effective.
H21: There is a significant correlation between customer satisfaction and cost effective.
H30: There is no significant correlation between customer satisfaction and customer service.
H31: There is a significant correlation between customer satisfaction and customer service.
H40: There is no significant correlation between customer satisfaction and product customization.
H41: There is significant correlation between customer satisfaction and product customization.
H50: There is no significant correlation between customer satisfaction and E-service quality.
H51: There is significant correlation between customer satisfaction and E-service quality.
H60: There is no significant correlation between customer satisfaction and product value.
H61: There is significant correlation between customer satisfaction and product value.
H70: There is no significant correlation between loyalty in online marketing and customer satisfaction.
H71: There is a significant correlation between loyalty in online marketing and customer satisfaction.

METHOD

Procedure
Data was gathered through a well designed structured questionnaire. The survey was personally administered by the researcher so as to have better communication with the respondents. This reduces incorrect answers which might lead to wrong findings and analysis. The total population for this particular study is all the literate Malaysian and the foreigners in Malaysia; these are those who can read and write and hence they are capable of using internet and its facilities. These are the individuals who can get access to internet and make a proper use of the service. A convenience sampling (non-probability sampling) was used for this study. This type of sampling method was used because it gathers information from members of the population who are conveniently available to provide it. 300 questionnaires were distributed among the respondents of this study and due to difficulties of different cast and nationality the researcher could successfully collect 105 questionnaires back and hence the sample size used for data analysis and findings was 104 respondents, and the area where the research has been done (Selangor, Kuala Lumpur, and Penang), mostly at the universities and public places likes coffee shops, and… in Malaysia.

Questionnaire design
The instrument used for data collection for this study is a self-administered questionnaire. This questionnaire was comprised of 38 questions related to internet marketing and consumer experience in computer product. The questionnaire was divided into five parts which are loyalty
in online marketing, security, privacy information, trust & trustworthiness, and demographic respectively.

The respondents were given options to choose in answering the questions. The options were as follows: Option 1;

choose from the given items and Option 2; choose between 1 to 5 where, 1 stands for strongly disagree, 2 for disagree, 3 for neutral, 4 for agree, and 5 for strongly agree.

RESULTS

Respondents Demographic Profile
About 150 questionnaires were distributed to different respondents for data collection and from those 150 questionnaires 100 have done by interviews and 50 by e-mail. Out of those 300, 104 questionnaires were returned to the researcher. This marks a 69.33% response rate. Among the returned questionnaires, 59 have purchased the computer related products online at least once and 45 had never done online purchase before due to a number of reasons. This means 56.73% of all the respondents have engaged themselves with internet/cyber space to purchase the computer related products online at least once.

The demographic profile of respondents showed that, the sample consisted of Male respondents (online purchased of computer related products) were 40 male which are 67.8% of all the respondents and 19 female which are 32.2% of the respondents. 66.1% of the respondents are singles, 27.1% of the respondents are married, and 6.8% of the respondents are divorced. 11.9% of the online computer related product purchasers have high school and below qualification, 13.6% of the online computer related product purchasers have diploma qualification, 28.8% of the online computer related product purchasers have bachelor degree, 35.6% of the online computer related product purchasers have master degree, 6.8% of the online computer related product purchasers have PhD and 3.4% are professional certificate holders. 20.3% of the online computer related product purchasers are Malay, 16.9% of the online computer related product purchasers are Indian, 18.6% of the online computer related product purchasers are Chinese and 44.1% of the online computer related product purchasers are others (foreigners).

Hypotheses testing

Hypotheses Testing
Probability t-test from the regression analysis table results also justifies the relationship between customer satisfaction and usability and site design in Malaysia. The test gives the p-value of 0.0337. Since the p-value is less than 5 percent we can reject null and accept alternative, meaning that usability and site design is significant and it influence customer satisfaction individually in the population, because the p-value is less than 0.05, and in this test individually we reject null hypothesis and accept alternative hypothesis. Probability from the regression analysis table results also justifies the relationship between customer satisfaction and cost effective in Malaysia. The test gives the p-value of 0.000. Since the p-value is less than 5 percent we can reject null and accept alternative, meaning that cost effective is significant and it influence customer satisfaction. Probability from the regression analysis table results also justifies the relationship between customer satisfaction and customer service in Malaysia. The test gives the p-value of 0.9305. Since p-value is almost 95.6 percent which is higher than 5
percent, we cannot reject null, meaning that customer service variable cannot influence customer satisfaction individually in the online marketing in Malaysia, because the p-value is more than 0.05, and in this test individually we accept null hypothesis and reject alternative hypothesis. Probability from the regression analysis table results also justifies the relationship between customer satisfaction and product customization in Malaysia. The test gives the p-value of 0.3264. Since p-value is almost 32.6 percent which is higher than 5 percent, we cannot reject null, meaning that product customization variable cannot influence customer satisfaction individually in the online marketing in Malaysia, because the p-value is more than 0.05, and in this test individually we accept null hypothesis and reject alternative hypothesis.

Probability from the regression analysis table results also justifies the relationship between customer satisfaction and e-service quality in Malaysia. The test gives the p-value of 0.0588. Since p-value is almost 5.8 percent which is higher than 5 percent, we cannot reject null, meaning that e-service quality variable can not influence customer satisfaction individually in the online marketing in Malaysia, because the p-value is more than 0.05, and in this test individually we accept null hypothesis and reject alternative hypothesis. Probability from the regression analysis table results also justifies the relationship between customer satisfaction and product value in Malaysia. The test gives the p-value of 0.9591. Since p-value is almost 95.9 percent which is higher than 5 percent, we cannot reject null, meaning that product value variable can not influence customer satisfaction individually in the online marketing in Malaysia, because the p-value is more than 0.05, and in this test individually we accept null hypothesis and reject alternative hypothesis.

Insert table 1 here
Probability from the regression analysis table results also justifies the relationship between loyalty in online marketing and customer satisfaction in Malaysia. The test gives the p-value of 0.0023. Since p-value is almost 0.23 percent which is less than 5 percent, we can reject null, meaning that customer satisfaction variable can influence loyalty in online marketing individually in the online marketing in Malaysia, because the p-value is less than 0.05, and in this test individually we reject null hypothesis and accept alternative hypothesis.

DISCUSSION

From the analysis result done at the earlier part of this chapter, demographic factors were examined and their effects on e-commerce or online marketing in computer industry in Malaysia were analyzed critically. Gender and marital status were not included into this demographic factors analysis because there is no much significant difference between gender and marital status in online marketing in computer related products purchaser. Age, education, and ethnicity showed the difference and effect on online marketing in computer related products purchaser in computer industry in Malaysia and showed that they are more satisfied and find the online business with good security and good IT services with computer industry and their behaviour is good and will increase in future by adding some good effective resources in online business in computer industry. Young people have seen to be major users of internet and e-commerce services and online computer related products purchasers, individual aged 30 years and bellows accounts for 76.3% of all online computer related products purchaser and older individuals’ accounts for 23.7% only. Education as well makes a distinct difference on online marketing level in computer industry, diploma, bachelor degree and masters degree holders’ accounts for 78% of
the online computer related products purchaser in Malaysia, and only 22% is accounted by other education level groups. Ethnicity also makes a distinct difference on online marketing level in computer industry in Malaysia, Malay and others (foreigners) have seen to be major user and online computer related products purchaser and they accounts for 64.4% of the online purchasers of computer related product in Malaysia, and Indian and Chinese only 35.6% is accounted so I understood that these groups are more comfortable, more satisfy and more save on online purchasing in computer industry in Malaysia and they also find some positive effect in online business in computer industry in Malaysia.

The analysis of these hypothesis shows that, loyalty of customer in online marketing in computer industry in Malaysia is influenced by trust and trustworthiness; and Trust & Trustworthiness influenced by privacy information and security has seen to have no significant effect/influence on trust & trustworthiness in computer industry in Malaysia, but jointly both (privacy information and security) effect/influence on trust & trustworthiness; So jointly all the variables have a significant effect/influence in loyalty in online marketing in Malaysia. Furthermore, in this study the main is that the all independent variables jointly have seen to have a significant correlation with loyalty in online marketing or have a significant effect/influence on loyalty and this analyzes showed that the online computer customers trust and they have good behaviour to computer industry in Malaysia. So totally this study found out the online marketing in computer industry in Malaysia very effective and positive to the online computer products customers.

IMPLICATIONS

The practical implication and contribution of this study to the body of knowledge comes from the survey and findings of the study. Online marketing players (computer industry) in Malaysia have started to take initiatives to understand their online clients and/or customers (online purchasers) as far as their perceptions, attitudes and habits are concerned. According to the demographic analysis of the findings, the sector should re-look their strategies so as to incorporate all users of internet and ICT services regardless of their education or age and ethnicity. They should use different strategies and tactics to tackle different groups of customers and hence online marketing and e-commerce adoption in computer industry in Malaysia will be a success story. Its undeniable fact the internet technology and e-commerce requires huge investment in terms of monetary capital and knowledge/human capital. Therefore, online marketing players in computer industry in Malaysia must really look into prospective adopters and take respective measures to make sure that they adopt and make use of internet and e-commerce services in the country.

From the conducted survey we have seen some important factors which impact of online marketing or influence of online marketing in computer industry in Malaysia. Therefore the sector must survey each of the factors in details and see how they can take advantage of each factor in increasing online purchasers and e-commerce usage in computer industry in Malaysia. This can only be achieved with more research on each factor and put the findings of the researches into practical use and hence accelerate the rate of online purchasers in computer industry in Malaysia.

Online marketing and e-commerce awareness is still not reached to develop countries among Malaysians. No one will adopt or use e-commerce/online marketing in computer industry if he/she doesn't know about it. Therefore,
the sector and government must take strong measures to increase awareness among the internet users and online purchasers and later on to non-users of internet. These measures will increase internet users and hence the same will apply to online purchasers or e-commerce users. ICT and internet/online security was ranked as the highest hindrance towards online marketing in computer industry in Malaysia. Every internet user and online purchaser needs to feel secured when using the service or otherwise they will not use the service. Online purchasing and e-commerce need personal information and banking information of an individual, this makes it so important for internet and e-commerce service providers to assure security to their clients and customers while and after using their services. By dealing with this security threat, confidence on internet and e-commerce services will grow among internet users and online purchasers in computer industry and hence it won't be a threat to those who are using internet and e-commerce services and even to those who are adopting online marketing and e-commerce. Survey showed that, those who have adopted online marketing and e-commerce they don't feel very secured when doing online purchase and e-commerce (online transactions) and those who are not using e-commerce and internet services are failing to adopt because of the security reasons.

CONCLUSION
The primary motive towards undertaking this study is impact of online/internet marketing on computer industry in Malaysia in enhancing consumer experience. The main objective of this research paper is to explore the various positive and negative impacts of the internet on marketing in the computer industry in Malaysia in enhancing consumer experience and also consumer shopping behaviors to determine the viability if the internet as a tool for marketing for this computer industry in Malaysia. Thus the study examined the actual usage of internet and e-commerce in computer industry in Malaysia as well as going into questioning individual internet users and online computer related products purchaser on how they perceive the level of e-commerce and online marketing in computer industry in Malaysia. Secondary and primary data were used in conducting this research in making sure that every detail is correct and valid.

The purpose of this research is to investigate the effects of security and privacy information on trust & trustworthiness and loyalty in online marketing. Data were gathered from 104 respondents who are the literate Malaysian and the foreigners in Malaysia that are able to read and write and hence capable of using internet and its facilities. The results showed that there is a significant correlation between trust & trustworthiness and security and privacy information. The results also revealed that there is a significant correlation between loyalty in online marketing and trust & trustworthiness. The results of this study will be useful to the online marketers in Malaysia in order to enhance the loyalty of their customer and consequently generate more revenue.
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Managing Intellectual Capital of Small and Medium Size Enterprises in Iran
Case Study: Ardabil Province SMEs
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Abstract
The purpose of this study is to examine the Managing Intellectual Capital of Small and Medium Size Enterprises in Iran. For this purpose we develop and test a model for the managing of intellectual capital. We used an examination of the literature provided the foundation for developing a model to illustrate the various facets an organization must consider when managing intellectual capital. The Population of this study was Ardabil Province SMEs’ employees and Senior Management and data gathering instrument was interview and a questionnaire. Findings indicated that although most of the aspects of the Model were present in the company, conscious management of intellectual capital was not occurring. Metrics was one characteristic frequently mentioned in the literature, but not evident in practice. Behavioral changes and socialization were two characteristics that emerged strongly from the interviews, but were not widely addressed in the literature. From the perspective of the theoretical model greater attention should be given to behavioral changes and the importance of socialization; and from the view of the practice model, management needs to address the issue of metrics.

Keywords: Intellectual Capital, Human Capital, Organizational Capital, Relational Capital, innovation, knowledge, leadership

Introduction
Intellectual Capital (IC) has been defined as the combination of intangible resources and activities that “allows an organization to transform a bundle of material, financial and human resources in a system capable of creating stockholder value” (European Union, 2006). IC can be both the product of R&D activities and the enabler for creating greater value from R&D; IC is more than the sum of these three elements; “it is about how to let the knowledge of an organization work for it and have it create value” (Roberts, 1999).

Intellectual Capital is the combination of an organization's Human, Relational and Organizational resources and activities (European Commission, 2006). Human Capital is defined as the knowledge that the human resources (teachers, researchers, PhD students and administrative staff in this case) would take with them if they left the institution. Organizational Capital is defined as the knowledge that stays within the institution at the end of the working day. It comprises the governance principles, the organizational routines, procedures, systems, cultures, databases, publications, intellectual property, etc. Relational Capital is defined as all resources linked to the external relationships of the institution such as “customers”, “suppliers”, R&D partners, Government, etc. (Sanchez and Elena, 2006). Intellectual capital is acknowledged as a valuable asset, and the knowledge foundation of intellectual capital is generated by input from the human capital, capital internal to the
organization, and from knowledge external to it. Although initially respondents identified the value of the organization as residing in the monetary area, it was later acknowledged that it was through the intellectual capital of the business units that value was generated, and that the sustainability and success of the business units would be achieved (Cook & Brown, 2005). Knowledge is the key to building intellectual capital. As the 20th Century came to a close, attention began to focus on the contribution knowledge makes to a business. There is a realization that in the 21st Century it will be through knowledge that organizations will have the means to thrive in an increasingly competitive environment. Knowledge permeates all areas associated with operating business both internally and externally employee knowledge, internal structural knowledge and Knowledge of external environment. Recognition of the value of intellectual capital, and accepting it as a means to generate wealth, points to intellectual capital being an area requiring greater attention by practitioners and academics (Berg, 2009).

To obtain competitive advantage in Iran, it is crucial for small and medium sized enterprises (SME) to utilize knowledge efficiently and to enhance their innovation potential. Thus, managing their specific “Intellectual Capital (IC)” is increasingly important for future-oriented organizations. Furthermore, reporting those intangible assets to customers, partners and investors systematically has become a crucial factor of success in the context of the globalization process. Conventional balance sheets and controlling instruments have lost some of their value because IC, i.e. value-adding knowledge, internal processes and structures as well as important relationships to customers and partners, are not considered so far (Alwert, 2006).

The purpose of this research is to determine how intellectual capital is managed to enhance its potential to increase wealth. Organizations may be unaware of the extent and importance of their intellectual capital for future sustainability, and this research is designed to highlight the importance of intellectual capital.

The central question examined in this study is “how does the approach taken by an organization Iran to manage intellectual capital align with the characteristics of the Intellectual Capital management Model?”

**Methodology**

When undertaking research it is necessary to determine the method of enquiry that is appropriate to the question. Quantitative research and qualitative research, alternatively viewed as the positivist and interpretive approaches, or a mixture of quantitative and qualitative methods of inquiry, are particularly apt for research in the area of social sciences (Creswell, 2003). The positivist approach is based on the traditional scientific method and seeks to prove hypotheses and test theories in situations where absolute truth or a form of it can be seen to exist. Research questions are closed ended.

In this study, two methods of data collection were employed interviews with both senior management and employees, and a questionnaire to those employees who were not involved in the interviews. Nine senior managers of selected SME areas were interviewed to discuss the management of intellectual capital. Eighteen employees were interviewed to gain an insight into their perspectives about knowledge sharing. To obtain a wider sample of employee views, 70 questionnaires, using the same questions as those asked in the employee interviews, were distributed to other employees in the selected business areas.

Interviews based on well crafted and, where appropriate, open-ended questions can serve as a critical source of evidence. It is important for the interviewer to be able to evaluate the responses
during the interview, particularly to seek opportunities for further explanation. Key participants are often critical to the success of a case, as they not only provide the case investigator with insights into a matter, but can also suggest sources of corroboratory evidence and initiate access to these sources (Yin, 1994). The use of the questionnaire for non-interviewed staff was an efficient way to expand the scope of the research. It gave a level of anonymity not available to participants in the interviews and provided questionnaire participants the opportunity to freely express their views. Questions for the interview and questionnaire were drawn from the literature (see Table1) and designed to encourage interviewees to talk about the various issues put to them. The analysis of the data collection involved the identification of themes and sub-themes and was undertaken using a coding method to link themes with sub-themes derived from the Intellectual Capital Management Model.

The business identified for this case study was determined as a result of analyzing the annual reports of 38 Iran organizations with interest focusing on reference being made to intellectual capital. Ardabil Province Small and Medium Enterprises (APSME) were selected for the study on the basis of its focus on innovation, knowledge, and leadership.

Findings and Conclusions
Three components human capital, internal capital, and external capital were the preferred indicators for understanding intellectual capital. It was recognized that the intellectual capital value of the organization was generated by the knowledge and contribution of employees. No business unit had a strategy for managing intellectual capital, but it was recognized that the capabilities available to a business were a key to its competitive advantage. There were no identifiable measurements directed towards intellectual capital to indicate its value, and measuring intellectual capital was regarded as probably difficult to implement. Codification of knowledge was an area that needed to be addressed. New products and services were emerging, and innovation was recognized as important for the future growth of the business units.

Increasing knowledge was recognized as important by all participants. Reading was at the top of the list of ways of increasing knowledge by employees but not by the chief executives. Both groups regarded interacting with people as an important way to increase knowledge. On-the-job learning was acknowledged by the chief executives and employees surveyed as a way to increase knowledge, but this method was not mentioned by interviewed employees. Sharing of knowledge was not an issue, and regarded as the norm. Chief executives do not favor rewards. From the employee perspective, the majority of those who were interviewed favored rewards while almost half of those who completed the questionnaire were against the giving of rewards. However, everyone viewed recognition as an acceptable reward for knowledge sharing.

There was no evidence of an explicit strategy for managing intellectual capital as part of the corporate strategy. As a result little management of intellectual capital occurred in the business units. It was agreed that if the management of intellectual capital was addressed there was a strong likelihood of the business units being more innovative. With minimum management of intellectual capital taking place the measurement of intellectual capital was also not occurring.

It is through the knowledge of employees that intellectual capital is developed. Employees at APSME were valued for their knowledge input, as was the knowledge of those external to it, and with whom the business units had developed mutually beneficial working relationships. Sharing knowledge did not appear to be an issue for employees, and the view taken by management was that sharing knowledge was an expected outcome of employment. Knowledge creation emerged
from sharing knowledge, and in turn encouraged the development of ideas leading to innovations that generated wealth for the business units. The offering of incentives for sharing knowledge was rejected by the majority of the chief executives, along with a large proportion of the employees surveyed. However, many of the employees interviewed favored the giving of incentives. From a nonmonetary perspective, all respondents indicated that recognition and acknowledgement for sharing knowledge was appropriate. A substantial investment had been made in technology, apparently tending to view it as a means of storage rather than for accessing and sharing knowledge.

The capabilities of the organization, and the skills and competencies of employees were highly regarded by management. Attention was given to the importance of ongoing training to further develop and grow employee skills. However, to maintain a competitive positioning it was seen as necessary to be continuously increasing knowledge. Reading emerged top of the employee list as their way of increasing knowledge, but the chief executives were not inclined to give such high recognition to reading. Courses, conferences and seminars were higher on the chief executives’ list.

All respondents pointed to the importance of interacting with others as a valid and important way to increase knowledge. This suggests that the process of socialization was an acceptable and effective method of increasing knowledge.

Although considerable knowledge had accumulated over the lifetime of the organization it was signaled by the chief executives that insufficient attention had been given to codifying knowledge, and this was an area that needed to be addressed. The protection of intellectual property was regarded as critical at APSME, but beyond protection there was no evidence of it being managed with a view to enhancing any potential financial return. Respondents identified a need to be more entrepreneurial, and also for commercialization of innovations in order to gain maximum exposure for new products and services.

Developing good working relationships with customers and suppliers was recognized as critical for the future of the businesses. Several of the business units worked collaboratively with other organizations. It was acknowledged that developing good relationships with the government, and the community was important.

The chief executives and the employees expressed positive views about the restructuring of APSME. In the smaller business units employees were recognized for their contribution and this was impacting positively on their attitude to work. Employees were more accountable and taking ownership and responsibility for their actions. Some concerns were raised about an element of competition occurring among a few of the units when they should be focusing on competing with external organizations. It was also felt that some regrouping of business units was necessary, because the small size of some of the units had been broken down to a point where they were not operating viably.

The findings align well with the components in the Model derived from the literature. However, although the majority of components were present there is no evidence that the management of intellectual capital was taking place either at the corporate level or in the business units.
The following table provides a summary of responses to questions put to the participants, with links to the literature.

<table>
<thead>
<tr>
<th>Questions to Senior Management</th>
<th>Link to Literature</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 What processes have been followed to identify where the value is?</td>
<td>Chapter 1, Penrose (1963), Sullivan (1999), Carroll and Tansey (2000), Clarke and Rollo (2001), Guthrie (2001)</td>
<td>None are in place relating specifically to intellectual capital.</td>
</tr>
<tr>
<td>4 How does the company manage intellectual capital, i.e., is there a strategy in place to manage intellectual capital?</td>
<td>Collis and Montgomery (1995), Sullivan Bollinger and Smith (2001), Riahi-Belkaoui (2003), (1999), Klaila and Hall (2000).</td>
<td>There was only implicit management of intellectual capital and no indication of a strategy for managing intellectual capital in the corporate strategy.</td>
</tr>
<tr>
<td>5 Do you think that through the management of intellectual capital an organization can become more innovative?</td>
<td>Quinn (1985), Brand (1998), Rastogi (2003).</td>
<td>A unanimous yes. The advantages of managing intellectual capital were recognized.</td>
</tr>
<tr>
<td>6 What internal and external networks are used to acquire knowledge that will benefit and add value to the company?</td>
<td>Brown and Duguid (1991), OECD (1996), Lester (2001).</td>
<td>The business units work closely with various external parties and network with other business units.</td>
</tr>
<tr>
<td>8 What are your views on offering incentives to share knowledge?</td>
<td>Davenport and Prusak (1998), Wenger and Snyder (2000), Kankanhalli et al. (2002).</td>
<td>Sharing knowledge is an expectation of employment.</td>
</tr>
<tr>
<td>9 To what extent is knowledge codified in the organization, and what systems are in place to allow for the flow of knowledge?</td>
<td>Wiig (1999), Snowden (2003).</td>
<td>Greater attention to codification is required. Technology systems are in place but few comments made regarding technology.</td>
</tr>
<tr>
<td>10 What methods are in place for measuring intellectual capital?</td>
<td>Kaplan and Norton (1992), Sveiby (1997), Marr (2003), Bontis (2004), Martin (2004).</td>
<td>No evidence of measurements of intellectual capital was being undertaken.</td>
</tr>
<tr>
<td>12 The goal of APSME is to become more innovative. Do you think the dividing up of the organization into smaller companies has created a more innovative environment?</td>
<td>Quinn (1985), Kanter (1996), Ireland et al. (2001).</td>
<td>A unanimous yes. Responses about the restructuring of APSME were very positive.</td>
</tr>
<tr>
<td>13 Have new products/processes increased as a result of ideas promoted by staff?</td>
<td>Chapter 2, Carnerio (2000), Kluge et al. (2001).</td>
<td>Yes. A number of new products had been launched, and others were coming on line.</td>
</tr>
</tbody>
</table>
14 How is the intellectual property of the company managed? 


Questions to Employees

1 What are your views on the dividing up of APSME into numerous companies? 

Kanter (1996), Ireland et al. (2001), Tidd et al. (2001). The responses were on the whole very positive.

2 What challenges do you face working in an innovative environment? 

Kanter (1996). Most found the environment stimulating.

3 How do you increase your own knowledge? 

Senge (1990), Drucker (1994), Spender (1999), Brown and Duguid (2000). Reading was top of the list.

4 What difficulties do you think arise through expecting people to share their knowledge? 

Nonaka (1991), Clarke and Rollo (2001). There may be some resistance by those who felt threatened through sharing, but responses indicated sharing was part of the job.

5 Where does the most effective exchange of knowledge take place? 


6 Should incentives be offered to encourage the sharing of knowledge? 

Wenger and Snyder (2000), Gamble and Blackwell (2001). Many interviewed were in favor, while those who responded to the survey were generally against incentives.

7 How do you go about obtaining knowledge when you require it? 


8 What is your job title?

9 What is your highest educational qualification?

Table 1 - Summary of Questions to Research Participants, Link to Literature, and Responses

In reiterating that despite its acknowledged importance, intellectual capital was not being managed at APSME, it seems likely that the company was not alone in this failing at the time. In fact, any reading of the literature would reveal examples of other companies elsewhere that while exhibiting a number of components of the Intellectual Capital Management Model were nevertheless failing when it came to the effective overall management of intellectual capital. Aspects of the research reveal the need to address the adequacy of the Model (Figure 1). Considerable comment was forthcoming about behavioral changes that had resulted from the restructuring of the organization into smaller business units, changes that were having a positive impact on the operational activity within the business units. Positive behavioral changes were noted by the chief executives, and also by a number of employees, leading to the conclusion that a smaller working environment had the propensity to offer greater opportunities for employees to participate more directly in the operational activities of the business. Employees also commented favorably on the acknowledgement of their contribution to the business units, and in some cases the actual uptake and development of ideas they had put forward. Although APSME had been recognized as an innovative organization prior to the restructuring, additional positives emerged from the restructuring in the shape of the enthusiasm of employees to pursue the opportunities afforded them, and their desire to help make the business units successful. The inclusion of
behavioral change in the Model, as a component of internal capital, signals its importance to the management of intellectual capital.

Figure 1- Intellectual Capital Management Model

It was evident from the research that socialization within the business units was a positive contributor to operational activities, and to ways in which knowledge was increased and knowledge sharing took place. Sharing knowledge was an expectation of the work environment, and this occurred during on-the-job training, at meetings, formal and informal, when networking, and when involved in work-related sports/social activities. Contrary to being seen as time wasting, socializing had a valuable contribution to make to an organization’s operation. Socialization as a component within internal capital has been added to the Model.

This study both confirmed and extended our understanding of issues in the intellectual capital literature. It also provided further evidence of the need to spread the message of intellectual capital management much wider, and in particular to extend it from the academic and research environment to that of the everyday contexts of management and employees in industry. It was a test of theory and practice.

Consequently it is recommended that academics and practitioners work more closely together so that theoretical development and research is more readily transferred into the practitioner world. The importance of intellectual capital to an organization mandates more formal functional recognition in order that the outcomes can contribute meaningfully to the corporate strategy.
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Publications
Enhancing Work Efficiency through Skillful Delegation

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Abstract
Most of the time management techniques involve changing the work habits or behaviors of a single individual. Important in work efficiency occurs simply because the individual decides to institute personal changes in himself. However, effective time management must take into account the other’s behavior when they can be seen as inhibitors or enhancers of work efficiency at the movement. Other competitors/peoples are trying to create obstacles for the smooth relationship between management and employees. In this regard one important component of time management is a technique that effectively increases the work efficiency, namely, skillful delegation. So authority is delegated for the performance of specific operating tasks, as well as, the discharge of management responsibilities. In this context, the performance of all organizational activities depends on the skillful delegation of authority from superiors to subordinates.

Key words: Enhancement, Efficiency, Employee Skills, Delegation

1. Introduction
As an organization grows and becomes larger, the number of management levels increases. This vertical expansion requires that the proper scope and type of authority rest with those who are responsible for carrying out assigned tasks. Achieving this mission depends upon the “delegation of authority” (Trewatha & Newport, 1982).

In a managerial context, delegation is a sharing process where a superior entrusts certain authority to others. Authority can be delegated for the performance of some specific operating tasks, as well as for the discharge of management responsibilities. The need for delegations is easily seen in organizations that are growing in the terms of operations and employments levels. In such growth situations, managerial jobs become more demanding, with a smaller proportion of time going to the solution of an ever increasing number of problems (Moorhead & Griffin, 1989). Through delegation, however, the manager can spend less time on specific routine activities and place greater emphasis on non-programmable managerial decisions that have to be made for successful operation of the organization. In turn, the authority delegated to new employees grants them the permission to perform assigned duties. Consistent with the delegation of some aspects of the management functions, managers will have even more time to concentrate on pressing management problems. These points are summarized in table No 1.

We should also note that the delegation of authority does not in any way relieve managers of their original responsibilities since each manager still retains ultimate responsibilities for all
work delegated to others. Similarly, delegation does not reduce the manager’s overall authority since delegated authority may be withdrawn at any time. Withdrawal of this type does not delegated generally happen, as the original intent of delegation if to share assignments with others so that work can be accomplished more efficiently (Milkovich & Boudreau, 1988; Varma & Aggarwal, 1999).

Delegation is a planned activity and cannot be left to chance. It must be undertaken rationally: however, entrusting part of the operational and/or managerial work to others is not without its problems (Milkovich & Boudreau, 1988; Varma & Aggarwal, 1999; Terry, 1974).

### Table: 1 Delegation provides more time for managing

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#### 2. Definition of Delegation

Delegation is the process of assigning responsibilities for work activities to subordinates. The importance of effective delegation was underscored by a pioneering management scholar, L. Urwick, who observed, “Without delegation, no organization can function effectively, yet lack of the courage to delegate properly and knowledge of how to do it is one of the most general causes of failure in organizations” (1944:51) (Varma & Aggarwal, 1999).

This viewpoint is supported by a close examination of the benefits of successful delegation. Proper delegation enhances the quality of work, the capabilities and commitment of the employee, and the efficiency and the power of the manager (Varma & Aggarwal, 1999; Terry, 1974).

#### 3. Problem Statement

Today management facing the problem of delegation at different time in organization, in this regard the famous presentation can overcome the problem of delegation. The proven payoffs of effective delegation, why do management observers such as Urwick express frustration at the lack of delegation in most organizations, basically, it is because delegation, like most management skills, seems attractive in principle but is often discarded in practice. Several management surveys have collected the reasons managers give for not implementing sound delegation principles (Preston and Zimmerer, 1978; Newman and Warren, 1977). The following three broad categories are organized and presented under:

**3.1 Attitudes about Subordinates**

Ineffective delegators believe their subordinates are not competent enough to accomplish the work, are not interested in taking on more responsibility, or should not be involved in tasks or responsibilities typically performed by the “boss”.
3.2 Personal Insecurity

Many managers fear they will lose the recognition and rewards associated with task accomplishment, are unwilling to share their expertise or “trade secrets” feel that they alone must know all the details about projects assignment to them, or are unwilling to assume the responsibility for mistakes subordinates make.

3.3 Personal Preferences

Non-delegating managers often prefer to do some mundane and routine tasks themselves, prefer doing delegate-able work alone rather than taking time to train their subordinates, or feel compelled to put in the longest hours in the work unit.

However, as Urwick correctly observed, even if a manager demonstrates the willingness (courage) to delegate, effective delegation also requires skillful implementation. Ineffective delegation can undermine every one of the potential benefits described earlier. It may actually increase the manager’s work load, it may increase a power struggle between the manager and the subordinate, it may lead to the manager’s losing touch with what’s going on in the organization, and it may reduce the quality of managerial decisions. Therefore, it is imperative that the following necessary elements of an effective delegation process be considered (Varma & Aggarwal, 1999; Terry, 1974).

4. Benefits of Skillful Delegation

The following points can throw lights on the subject matter of skillful delegation for enhancing work efficiency in the organization (Gupta, 1984):

1. Delegation increases the personal discretionary time of a manager, thus allowing more effective management of their time.

2. Delegation helps develop the capabilities and knowledge of subordinates so that their own effectiveness is increased, thereby increasing the effectiveness of their manager.

3. Delegation demonstrates a manager’s trust and confidence in subordinates, which leads to more effective performance and better interpersonal relationships for all.

4. Delegation enhances the commitment of subordinates to the task and to the organization. Participation in decision-making improves morale, understanding of the work, and motivation to accomplish tasks.

5. Delegation often improves the quality of decisions by bringing to bear information from subordinates who are closer to the day-to-day problems than the manager in the present environment.

6. Delegation increases the efficiency of both the manager and the organizations by getting work done with less expensive resources.

7. Delegation enhances the personal power of the manager within the organization.

5.1 Increasing Response of Skillful Delegation

In the light of the problem statement, we are of the opinion that most of the delegators response can be enhance with different aspects suitable at the time of delegation that vary from manager to manager (Terry, 1974; Gupta, 1984; Drucker, 2003). Some of them are as under:
5.2 Time Suitability is the essence of Skillful Delegation

Regarding time suitability every managers must decide when it is appropriate to involve their subordinates in performing tasks or making decisions. The answers to the following five basic questions can help a manager to decide. These questions are appropriate whether the assigned task will be delegated to one person or a group of persons:

a. Is subordinates background information or expertise sufficient?

Subordinates in many cases may actually be better qualified than their managers to make decisions and perform tasks because they are more familiar with customer preferences, hidden costs, manufacturing processes, and so forth. They are closer to the actual day-to-day operations.

b. Are subordinates committed to the success of the Task/project clearly?

Participation in the decision-making process increases commitment to the final decision. When employees are to given some latitude in performance of a task (e.g., what, how, when they do the work), they must be involved in the decision-making process to ensure their cooperation. While their participation will increase the time required to make a decision, it will substantially decrease the time required to implement it.

c. Are subordinates’ capabilities matching with delegation?

Delegation can quickly get a bad name in a work group if it is viewed as a mechanism used by the boss to get rid of undesirable tasks. Therefore, delegation should be consistent and should reflect an overall management philosophy emphasizing employee development. Enhancing the abilities and interests of subordinates should be central in delegating tasks.

d. Are subordinates sharing with other the common Values?

If subordinates do not share a similar point of view, unacceptable solutions, inappropriate means, and outright errors may be perpetuated, requiring close supervision and frequent monitoring. Articulating a clear vision and set of objectives for subordinates is crucial. Managers have three things about the job to tell to those to whom they delegate it: what, how and why. Research has found that important people are always told why, but less important people are often merely told what and how. Subordinates can tell how managers rate them by the message they deliver. It must include why.

e. Is sufficient time for an effective job of delegating?

It takes time to save time. To avoid misunderstanding it is imperative that managers spend sufficient time explaining the task and discussing acceptable procedures and options, as well as arranging opportunities to check on progress and ask questions (Varma & Aggarwal, 1999; Robbins & Coulter, 2002).

The above five considerations allow managers to make informed decisions about when to delegate. They also are useful in deciding which form of delegation is most appropriate for a decisions or a problem. That is, having decided to delegate a task; managers must then decide whether to involve only a single individual or a team of subordinates. If the decision is made to form a team, it is also important to decide how much authority it should be given (for example, to only investigate the problem and explore alternatives, or to make the final decision), and whether the manager should participate in the team’s activities. The following analytical frame-
works are presented for choosing the best from the various forms of delegation according to the organizational environment.

5.3 Cultural Background is basic for delegation

The second important factor in delegation is the cultural background of the employees in the organization because most of the employees not ready to comprise on their cultural values. These hurdles can obstruct the routine flow of delegation in the organization. For this consideration the management is taking help from behavioral school of management / contemporary management school to provide knowledgeable information for solving the personnel problem of various natures in the organization [9]. For example, within Pakistan, we are having four provinces along with the Federally Administered Tribal Area, where management style varies from province to province and specially for tribal area the management style totally changed.

For effective management, every organization tries to select proper man for the proper job to increase the efficiency and also make them efficient for current contemporary problems arising in the organization. The best example of cultural based management is available in the Tribal Agencies, where the routine District Coordinating Officer name changed with the name of Political Agent and as well as all other official designator name changed with the area. This is simply for to culturally control the people of the area, because they demand changed in every phase of life due their own sky of Malik/Sardar of the tribe.

In the light of above factor the delegation output can be increased by the cultural background knowledge of the group/area/community by changing the style of management. At the end we conclude that management is not culturally bound where it vary from area to area, from country to country and from province to province.

5.4 Educational background identity is the roots of delegation

Educational background is playing the role of roots for delegation in the sense that delegation without educational background is just like organization without finance. For effective delegation the employee’s basic education is required at time of selection. Organization is multi-functional business activity, where employees can develop coordination with one another on the basis of educational qualification. Without education the employees look likes a blind having no vision and information needed for the same assignment. In this regard the personnel department is doing justice in form of advertising it with the help of techniques of Job Description and Job Specification. These techniques are the valuable aspects of evaluating the employee’s performance through the process of delegation in the light of matching with their educational perspectives (Varma & Aggarwal, 1999; Gupta, 1984; Anderson, 1977).

For Effective Delegation the Following Guidelines Can be considered BY EVERY Manager

Question 1: Should I delegate to specific subordinates?

Question 2: Should I direct my subordinates to form a group?

Question 3: Should I delegate decision-making authority to the group?

Question 4: Should I participate in the group?

For effective delegation the manager can use any one from the above listed question in the light of task he is going to perform at the movement. These questions will help him positively
because subordinates nature, capabilities, influence and affiliations are known to the manager. With reference to the task to be delegated the manager will be concise what to do and what is needed at the movement from the required delegation process that will minimize/short the period of delegation as well as the efficiency of the delegation.

The above question satisfactions vary from manager to manager in the light of the assignment in respect of which the delegation is made by the manager. Some suitable solution is as under:

First question satisfaction need that the employee’s possess relevant information of skills. Whereas personal development and time is not a crucial factor as from this delegation conflicts would not arise.

The second question possible solution may be that interaction will clarify and increase motivation. Interaction will not be the subject matter of conflict and disagreement among the groups under the available time cycle.

Where the third question can reveal that the group formation will save the time of the employees needed for its motivation and will provide sufficient information and talent among the group members.

Final question satisfaction lies in giving information about the group leadership feelings and flow of ideas for increasing the group productivity. Group participation based on effective delegation among them and will not disrupt the leadership existence among the groups (Varma & Aggarwal, 1999; Hackman & Oldham, 1975).

6. Principles of Delegation

When the decision has been made to delegate a task and the appropriate form of delegation selected, the management of delegation has just begun the process properly (Gupta, 1984). For the positive outcomes/benefits of delegation in this discussion are contingent upon managers to follow these eight principles throughout the delegation processes:

6.1 Delegation must be certain and clear

Managers must clearly specify the limitation of subordinates’ tasks (e.g., gathering information only, or making a decision), their expected level of performance, their deadlines for reporting, and the constraints under which they will be operating. It is also important to specify the level of initiative expected. No other oversight in the delegation process causes more confusion than the failure to clearly delineate expectations regarding the level of initiative expected or permitted. At least five levels of initiative are possible (Oncken and Wass, 1974; Webber, 1981):

1. Waite to be told what to do.
2. Ask what to do.
3. Recommend, and then take action on the recommendation.
4. Report after action has been taken.
5. Act independently, with no follow-up necessary.

6.2 Participative Management Practice in the assignments

Subordinates should be allowed to participate in determining when and how the delegated task will be accomplished and, when possible, what the assignment will be. Bernard (1982)
formulated an “acceptance theory of authority” in which he proposed that people will accept and fulfill assignments only if four conditions are met. First, they must understand what they are being asked to do. Second, they must perceive that the assignment is consistent with the purpose of the organization. Third, they must believe that the assignment is compatible with their own interests. Fourth, they must be able to perform the assignment. This formulation underscores the importance of two-way communication during the delegation assignment process.

6.3 Authority and responsibility go parallel

This is the oldest and most general rule of thumb in delegation. It is common for managers to assign work but avoid matching the responsibilities with discretion to make decisions and with authority to implement those decisions. Simply stated, employees are often not empowered to accomplish the task. Managers also must take care not to delegate more authority than responsibility, i.e., to empower employees too much. This mismatch leads to lack of accountability and potential abuse of power by subordinates. Although managers always must maintain final accountability for delegated tasks, they must be certain that subordinates are given prime accountability for their actions.

6.4 Delegation within the organizational structure

Another general rule of delegation is to delegate to the lowest organizational level at which the job can be done. By definition this increases efficiency (lower labor and information-collection costs), and it frequently increases effectiveness (better understanding of the problem). In delegating a task down more than one level in an organization, it is important that the manager follow the organizational chain of command, that is, delegate through subordinates, not around them. Also, all individuals affected by the decision must be informed that it has been delegated.

6.5 Support availability for delegated tasks

Managers should continually provide relevant information as it becomes available to subordinates who have been delegated the tasks. In addition to that, it is important to announce publicly when subordinates succeed at their task assignment, but not publicly blame them when they make mistakes. It is apparent that Rewards should occur in public; while discipline should occur in private.

6.6 Focusing on results

Every manager should not supervise too closely after the task has been delegated. Every subordinate should have a right to make choices. Managers should review and evaluate the results of the assignment, not the means used to accomplish the task, as long as company policy and ethical standards are not violated. Giving free environment to subordinates for exercising initiative assignments regarding how the tasks may be tackled is important source of innovation in company procedures.

6.7 Continuity in Delegation

Managers should delegate continuously to busy the subordinates and overcome the chances of over work or time pressure. Continuous delegation can improve the satisfaction of the manager and subordinate’s personal desire for development. Manager and subordinates relationship can enhance from continuous delegation.
6.8 Close-circuit delegation practice

Managers should avoid discussing the issues of upward delegation with the employees. If employee fail to follow what the demand, then the manager should not directly involve him in the subordinate task given to him, if he involves himself in the subordinate task, then always the subordinates will try to get the attention of the manager, while this will develop the opposite relationship among the manager and subordinates. This practice will encourage the subordinate not to work but always busy the manager in the assigned task. So manager will not share with the subordinates, but always to ask what have you done so far? Try to communicate a manager’s expectation regarding initiative and responsibility.

7. Conclusion

The discussion on skillful delegation highlights the time suitability benefits for the management in the form of time management/minimizing unnecessary workload/shifting responsibility and the personal growth and development of the subordinates in the form of job security/promotion/tension free life in the organization. This process develop interrelationship among the manager and worker for the future security of capital flow cycle of the owner’s equity in the market (Hackman & Lawler, 1971).

- Effective delegation another aspects helps the manager to counterbalance the number of stresses by developing number of supportive and developmental relationships with the subordinates for the future continuity of good employer and employees relationship.

- Skillful delegation develops a sense of team work which is the name of organization/ work group in any society. This team work approach is needed for the surplus production for today Global village. Without team work concept, again the societies may go back to the jungle era, by having no information about the others living in the same world.

- Delegation also develops trust among the participants in the organization for their mutual benefits and satisfaction. Positive delegation brings fruits in the form of good decisions made by the manager and subordinates through skillful dealing for the achieving the desired objectives in the organization, which in return give life/continuity to the world management.

- With the help of delegation, management can encounter the plague of the World Social, Technological, Political and Business Problems, with in the region, and outside the region toward result-oriented involvement among the different nations, countries, blocks and groups, and individual organization.

- With the help of delegation, the manager can resolve the conflict among the participants in the organizations, by developing smooth relationship among them. Proper allocation of resources/funds is feasible with the help of proper delegation of authority net working availability in the organization.

- Delegation another good aspect in the form of interpersonal competence can eliminate number of problems attached with organization as well as with the individuals. This type of problems can be eliminated without going in the rigorous form of applying these techniques, but simply by introducing delegation interpersonal relationship among the participants for achieving the desired objectives. This principle is always quoted by most of the World famous ruler like Kamal Atta Turks etc.
• Skillful delegation provides good coaching and counseling environment to the organization members namely, manager and subordinates. With the help of this environment, every business problems can be fully discussed, among the different delegated net working channel for the future decision. Because with the help of discussion all possible aspects of the problems can be dig out and final solution will be forwarded for future necessary action.

• Delegation motivate and energize employees to influence others opinions in the organization for the constructive efforts.

• Delegation eliminates the communication gap among the organization participants that provides the understanding environment which puss the organization toward succession (Zand, 1972).

At last, we conclude that delegation play an important role in the World Culture Adaptation which are introduced in the name of social accreditation. In Pakistan, the whole country is divided into four different cultures namely, Pathans, Punjabi, Sandhi and Baluchi. Every culture delegation process varies from one another in the name of communication gap between them. This communication gap create number of issues/problems among themselves, which need attention on the part of academicians to overcome these different gap in the name of religion, culture, resources allocation.

From delegation point of view, every group is known by its own adaptation coming from the first day of its inception to this universe. For example, Pathans can be controlled by sincerity and devotion to ward their cause, while Punjabi are motivated by bribe response toward their cause, while Sindhi are sleped with by conspiracy and Baluchi are controlled by showing brotherhood towards their cause. All these are called delegation techniques that are helpful in managing this different group of peoples in the organization as well as in the texture of world politics.

Delegation from sex point of views also different, because, male group are showing very cold response towards his superior, while female groups are showing very active response towards her superior, because of man dominated society responses. This picture is frequently available in the culture of Pakistani societies, while in the advanced countries the results may vary from country to country on the bases of their cultural values implementation in their own country, one cannot conclude a major change in this regard. As per-Odden H. Hall, “Structural relationships are not once and for all prescriptions are “rule of the game”, which are adjustable to changing situations and the changing desires of the participants”.

References


Ethics in Banking: Employees in Turkey

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Abstract
This study aims to explore the influence of age and gender towards variables components affecting bankers perception of ethics in Turkey. Self-administered questionnaire with scale of 1-5 was used to measure bank employees perception of ethics with reasonable good score on Cronbach's realibility test. With Cronbach alpha of .621 (which could be greater than .5 for a satisfactor analysis), the reliability of the instrument is considered adequate for this study. Thus, we proceeded to our analysis successfully. Results showed that age and gender were not significant determinants to factors affecting bank employees perception of ethics in Turkey. During the years 1997-2002 twenty banks were taken over by the Turkish SDIF (Savings Deposits Insurance Fund) resulting in systemic banking crises associated with structural deficiencies. Unethical behaviour in the banking sector played a crucial role. (Hortaçsu & Günay, 2010)

Keywords: Bank Employees, Bank Managers, Business Ethics, Banking Sector, Turkey

1. Introduction
The importance of ethical behavior in the banking sector is especially important. (Brickley et al, 2002) In the banking sector alone there are seventeen categories of unethical behavior associated with honesty (lies and deception, theft and bribery), integrity (espionage, fraud and abuse), social responsibility (enivromental harm, safety and invasion of privacy), accountability and fairness (conflict of interest, insider trading, unfair trade practices and bad judgement in management decisions). (Mitchell et al, 1992) The key words here are trust, reputation and moral obligation. Among the Banks Association of Turkey's (BAT) general requirements for member banks are honesty, accountability,fairness, compliance with the laws, impartiality, reliability, transparency, socially responsible and fighting with laundering of crime-originated assets and insider trading. The Banks Association of Turkey (BAT) is among the 15 professional associations generally accepted as public bodies having either codes of conduct on its website, have ethics commission or Professional ethics rules listed on their websites. (TYEC Report Vol.I-II, 2009) The Banks Association of Turkey (BAT) officers are subject to the Council of Ethics for Public Service Regulation. (TYEC Report Vol.I-II, 2009) The Banks Association of Turkey also has Ethics Commission that works like Disciplinary Committe in way that inspects written applications on unethical behaviours. There is no Disciplinary Committee or Honor Committee but Board of Directors is in charge of the disciplinary process. (TYEC Report Vol.I-II, 2009) BAT web-site classifies ethics in banking under the heading of "Good Practice in Banking" under four sub-framework of ethics regulations (Code of Banking Ethics, BAT Ethical Commission Code of Principles and Procedure of Conduct, and Principles and Conditions Governing Advertisement and Promotions of Member Banks of the BAT). (TYEC Report Vol.I-II, 2009)

2. Background
Determinants of ethical decision making in the literature on banking ethics include; (Green,1989; Fergeson, 2004; TBB 2006 ; Stein and Yassa 2005; Chiami and Fullenkamp 2002; Provis, 2001; Lynch, 1991; Taylor, 200; Drennan, 2002; Argandona, 1999; Uche, 2004; Knights and O'Leary,
2005; Harvey, 1995; Kitson, 1996), on social responsibility and ethics in banking (Carse, 1999; Souter et al., 1994; Brickley et al., 2002), demographic characteristics (George and Mallory, 2001; Zeithaml et al., 1996; Ross, 2004; Zeithaml et al., 1996), managerial influence on ethics (Snell, 1995); banking environment (Carse, 1999); management and organizational structure (Touché Ross 1988; D’Aguila, 2001; TEDMER (Turkish Ethical Values Foundation); code of ethics in banking (Soutar et al., 1995; Murphy et al., 1992; Schwartz, 2001); Examination of banks failures across the globe shows that the unethical behavior has an important role in banks failures. (Aktan, Massod and Yılmaz, 2009)

2.1. Literature
In professional ethics literature researches are categorized in two main approaches conceptual and empirical. (Preble and Reichel, 1988) Our research approach is empirical which places emphasis on examining prevailing banking employees ethics perceptions and attitudes in Turkish financial and banking sector. There is a full body of literature on ethical behavior and decision making models in banking sector; (Brickley et al., 2002; Carse, 1999; Souter et al., 1994; Chiami and Fullenkamp, 2002; Frenkel and Lurie, 2003; Bernard 1989; Fried, 1981; Mitchell et al., 1992; Carse, 1999; Khan, 2002); unethical behavior in banking (Mitchell et al., 1992); ethical education (Sims, 1992); banking law (Ferrel and Weaver, 1978; Hortacsu and Ozkan, 2008); banking failures (Carrasco, 2006; Simpson and Kohers, 2002); job definition (Knights and O‘Leary, 2005); information (Cemalcilar ve Önce, 1999; Erdal Özkol vd., 2005; Shenkir, 1990; Leung and Cooper, 1995; Bok, 1998; Jones, 1992; Loeb, 1998; Ward, Ward ve Wilson, 1996; Loeb and Bedingfield, 1972; Mcnair and Milam, 1993). Demographic characteristics in banking (George and Mallory, 2001; Zeithaml et al., 1996; Ross, 2004; Zeithaml et al., 1996); Surveys and scenarios (Snell, 1995; Soutar et al, 1994; Dawson, 1997; Liedka, 1994; Randall and Gibson, 1990) especially on Turkish banking sector; (Catalca, Aktan and Soydan, 2008; Fort and Hayward, 2004). Unfortunately ampiric studies on Turkish banking system concerning ethics is very limited and not sufficient. So there is a huge need in the literature on ethics research.

3. Methodology
3.1. Sample
For this study, thirtytwo self-administered questionnaires were collected from bank employees in Istanbul. Snowball sampling method was used and participation to our survey was voluntary. Prior to performing the necessary statistical analysis, frequency distributions were tabulated for each item to ascertain possible response bias. In addition, a visual inspection was also performed to identify possible anomalies. All respondents were asked to respond each 21 statements. A five-point response scale was employed (1= "strongly agree" to 5= "strongly disagree") for all items indicating their belief about that particular situation. Our analyses included descriptive statistics, correlations and regression analysis. Correlatons were calculated to gain an initial understanding of the relationship between the variables.

3.1. Instruments
Our survey instrument consist of 21 statements that describe a specific event that has some kind of ethical choice connotation. It is conducted in Turkish for clarity, readability and understandability by the Turkish banking sector respondents. In addition, respondents were asked to provide demographic data about themselves. The data collected from the survey was analysed by reliability test, frequency analysis, factor analysis and regression analysis ANOVA test.
Our hypotheses will be tested. The hypothesis is stated below:
H0: Age and Gender is a positive determinant of attitude towards bank employees ethics.
H1: Age and Gender is not a positive determinant of attitude towards bank employees ethics.
In order to test the hypotheses factor analysis was used twice. Our first factor analysis was done to the 20 questions in order to gain the factors related to the ethical variables. Our second factor analysis was done to gain the important factors for the demographic issues. The variables for each factor analysis was retained for regression analysis. The article continuous with the two different factor analysis and then the regression analysis is done to test our hypotheses.

4. Analysis and Results
4.1 Reliability Test
When reliability analysis was tested with the 20 questions included in the questionnaire the cronbach alpha was found to be 0,621 which means that the data collected is consistently reliable to be analysed.

<table>
<thead>
<tr>
<th>Reliability Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cronbach's Alpha</td>
</tr>
<tr>
<td>.621</td>
</tr>
</tbody>
</table>

We hope to identify a concise list of constructs representative bank employees perception of ethics.

4.2 Frequency Analysis

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>18-25</td>
<td>3</td>
<td>9,4</td>
<td>9,4</td>
</tr>
<tr>
<td></td>
<td>26-30</td>
<td>11</td>
<td>34,4</td>
<td>43,8</td>
</tr>
<tr>
<td></td>
<td>31-35</td>
<td>4</td>
<td>12,5</td>
<td>56,3</td>
</tr>
<tr>
<td></td>
<td>36-40</td>
<td>6</td>
<td>18,7</td>
<td>75,0</td>
</tr>
<tr>
<td></td>
<td>41-50</td>
<td>6</td>
<td>18,7</td>
<td>93,7</td>
</tr>
<tr>
<td></td>
<td>51-60</td>
<td>2</td>
<td>6,3</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Table 1: Age Distribution

Demographic data were also summarized to provide insights into the nature of the participants.
We used SPSS statistic data analysis program. Our analysis included descriptive statistics.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Female</td>
<td>13</td>
<td>41,0</td>
<td>41,0</td>
<td>41,0</td>
</tr>
<tr>
<td>Male</td>
<td>19</td>
<td>59,0</td>
<td>59,0</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
<td>100,0</td>
<td>100,0</td>
<td>100,0</td>
</tr>
</tbody>
</table>

Table 2: Gender Distribution

<table>
<thead>
<tr>
<th>Education</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid secondary school</td>
<td>1</td>
<td>3,1</td>
<td>3,1</td>
<td>3,1</td>
</tr>
<tr>
<td>high school</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>University</td>
<td>31</td>
<td>96,9</td>
<td>96,9</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
<td>100,0</td>
<td>100,0</td>
<td>100,0</td>
</tr>
</tbody>
</table>

Table 3: Education Distribution

4.3 Factor Analysis

With our factor analysis, we use a technique to identify the smallest number of descriptive terms to explain the maximum amount of common variance in a correlation matrix. (Hill and Petty, 1995). In our analysis factors with Eigen values greater than 1.0 are retained.

4.3.1 Factor Analysis for Ethical variables (FA#1)

Inspection of scree plot and Eigen values enabled the analysis to reduce the 15 ethics components for bank employees into six factors.

Factor 1: Work Environment Factor

Factor one Work Environment Factor has 5 components included such as;

Q1. The rights which are provided to me in my workplace are enough and protective
Q2. I believe that I am working in an honest workplace
Q4. I believe that my work environment is transparent
Q20. An effective communication is very important at workplace
Q21. I believe the **golden rule** of having a **good communication** is to **respect others**

**Factor 2: Social Responsibility Factor**

Q3. The **social responsibility** projects in my **workplace** are **sufficient**

Q5. At workplace **enough importance** is given to **business ethics**

Q12: I think that everybody working in the corporation I work in does his/her job in a responsible professional manner.

**Factor 3: Encouraging Factor**

Q16: I don’t think that it is right in terms of business ethics to **talk behind others’ back**.

**Factor 4: Compelling Factor**

Q14. **No discrimination** or **no preferential treatment** at my **workplace** takes place

Q15. I find it **unethical** the use of **child labor** (under 18) or **unfair work conditions** in my **workplace**

**Factor 5: Administrative Factor**

Q13. I encounter some problems arising from **lack of knowledge** in my **workplace**

**Factor 6: Personality Factor**

Q17. I find it **unethical** for co-workers to **blame each other** for things they **did not do**

---

4.3.2 Factor Analysis for Demographic Issues (FA#2)

Inspection of scree plot and Eigen values enabled the analysis to reduce the 5 components (Age, Gender, job, Education and Sector) into two main factors.

**Factor 1: Age Factor**

First factor includes age.

**Factor 2: Gender Factor**

Second factor includes gender.

These two factors will be used as the dependent variables and factor analysis #1 factors will be taken as the independent variables in the following regression analysis.
4.4. Regression Analysis

Analysis of our Hypothesis is seen in the table below.

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Independent Variable</th>
<th>Significance rate from ANOVA</th>
<th>Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age (F1 of FA#1)</td>
<td>Factor 1: Work Environment • Good communication and respect others</td>
<td>.072, .019</td>
<td>slight relationship, strong relationship</td>
</tr>
</tbody>
</table>

Table 4: ANOVA Analysis Results

The ANOVA done for this analysis shows that if the significant value is greater than 0.05 which means that the independent variables (bank employees ethics components) do not explain the total variation very well according to the dependent variable (age and gender) the null hypothesis is rejected, meaning that there is no relationship between age and gender and its components.

The ANOVA done for this analysis shows that if the significant value is smaller than 0.05 which means that the independent variables (bank employees ethics variables) do explain the total variation very well according to the dependent variable (age and gender). So we accept the null hypothesis, meaning that there is a relationship between age and gender and bank employees ethics and its components.

The ANOVA done for this analysis shows that if the significant value is above 0.05 which means that the independent variables do not explain the total variation according to the dependent variable (age and gender). So we reject the null hypothesis, meaning that there is no relationship between age and gender and bank employees perception of ethics and its ethical components.

5. Conclusion

This study explored the influence of gender and age towards factors affecting bank employees ethical perception in Turkey. Self-administered questionnaire with scale of 1-5 was used to measure attitudes towards bank employees perception of ethics. The reliability test resulted with a cronbach alpha of 0.621 show us that the data is consistently reliable to analyse especially for factor analysis and regression analysis.

Regarding the frequency distribution of the data 9.4% of the respondents were at the age of 18
through 25, 34.4% through 26 to 30 and 12.5% through 31 to 35. Cumulative percentage of age shows that almost 56.3% of the respondents were at the age through 18 to 35. 41% of the respondents were female and the rest were male. 96.9% of the respondents were university graduates.

Factor analysis was done twice for different reasons. The first factor analysis (FA#1) was tested for the 21 questions included in the questionnaire related to components making bank employees perception of ethics. The second factor analysis (FA#2) was done to gain the important factors for the demographic issues. Each variables from factor analysis were retained for the regression analysis.

According to the results of regression analysis age and gender factor has insignificant relationship with the compelling factors excluding work environment especially “good communication and respect for others”. There is a strong relationship there. Age and gender factor has a strong relationship with work environment only and not others. Age and gender factor has insignificant relationship with the other factors.

Recent findings in the literature pointed us to the fact that, open to conflict, most previous research in the field were dominated by normative approach. (Hosmer, 2000) There is a lack of empirical research on the topic which this paper hopes to cover by generating facts through empirical research to provide useful data to solve some of the conflicts regarding ethics in banking sector.

6. Discussion

So our current findings with five components under factor one and their relationship to factor two with two components (age and gender) which is trying to establish positive correlation among them. In our case they are age and gender. Our result confirms that work environment is the key factor. When we take into consideration the current working conditions of banking sector in Turkey and PA’s and their role in enforcing, our result is suprising.

Our current findings where age and gender negatively correlated with perception of bank employees ethics.
References


Impact of Organizational Politics in the Implementation of Self Assessment Manual in a Higher Education Institution

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Abstract
This paper is about the implementation process of Self Assessment Manual (SAM) and development of Self Assessment Report (SAR) in a higher education institution which has been developed by the Higher Education Commission (HEC), Pakistan. This study will examine past practices of evaluation and development of teaching and learning methods being used in a higher education institution and step wise sessions of the implementation of process of SAR. The objective of this exercise is to ensure the quality and institutional effectiveness. This paper will also discuss the role of power, collective and individual interest and conflicts faced during the implementation of the Self Assessment Manual (SAM). This will be seen through the lens of a metaphor “organization as a political system”. In the end suggestion will be given for future strategies.

Keywords: Impact; Organizational Politics; Implementation; Self Assessment Manual; Higher Education Institution

Introduction
Quality assurance is one of the core elements of higher education systems development for which universities of the world are carrying out various projects on building a quality culture in higher education (Apps, 1988; Duke, 1992; Edwards, 1997; Field, 1996). Higher education institutions are now striving hard to enhance the quality of education for institutional effectiveness by introducing various assessment criteria; these criteria help in developing the quality of the educational programs of an institution. Higher Education Commission (HEC) of Pakistan is taking steps to transform Pakistani institutions into world-class places of learning and advancement of knowledge, in order to create a modern, progressive, tolerant society and maintain the quality of higher education (Ameen, 2007:1).

The Higher Education Commission (HEC), formerly the University Grant Commission, is the regulatory body of higher education in Pakistan. It also facilitates the development of higher educational system in Pakistan. Its main purpose is to upgrade the Universities of Pakistan to be centers of education, research and development; to make these universities a place of learning, HEC is working with them on faculty development, curriculum development and revision, scholarships, conferences travel grants, research collaboration and publications, digital libraries and collaboration with international universities. The creation of HEC has had a positive impact on the quality of higher education in Pakistan as it is continuously making efforts on higher education infrastructure development and quality of teaching and learning (hec.gov.pk).
In this endeavor HEC has developed a Self Assessment Manual (SAM) which has eight criteria which are Program Mission, Objectives & Outcomes, Curriculum Design and Organization, Laboratories and Computing Facilities, Student Support and Advising, Process Control, Faculty, Institutional Facilities, Institutional Support to assess whether quality standards are being met by the academic programs. Higher Education Institutions are directed to implement this manual in all their departments; each program shall undergo self assessment every year.

Self assessment is a way of evaluating the educational programme and quality improvement. Through self evaluation, the educational institution assesses its strengths and weaknesses. Management, teachers and students are a part of this self evaluation. To implement this project Quality Enhancement Cells in higher educational institutions were established and have been made responsible for planning, coordinating and follow up on these activities of self assessment in the higher educational institutions as per the guidelines of HEC.

This University under discussion is one of the universities which started this project in 2004 by implementing the Self Assessment Manual in its Islamabad campus. In this process the previous practices were evaluated and discussed with management, staff and students of the institution. These practices consisted of student’s evaluation by filling up of the forms and teachers class observations by the head of the departments. SAM was introduced through various workshops and training sessions at the campuses and campus directors were directed to work on the criteria given in the manual. During this implementation and introduction process the team faced various challenges and problems which will be discussed in this paper through the lens of organization as a political system.

Keywords: Higher Education Commission (HEC) of Pakistan, Self Assessment Manual (SAM)

**Literature Review**

Every organization has some sort of a political environment which gives rise to many under currents which define the relations between various actors and there are certain characteristics which are common in a political system and in an organization “Organizational politics is a systematic way of focusing on relation between interest, conflict and power. Organizational politics arises when people think differently and want to act differently” (Morgan, 2006). Organizational politics is linked with power struggle, conflict over the source of power/influence which is planned and directed effort to actualize warring interest in a workplace (Mintzberg, 1983). Politics refers to the structure and process of the use of authority, influence and power to effect definitions of goals, directions, and major parameters of the social system (Wamsley and Zald, 1973).

The evidence of politics in an organization can be seen when people have difference of opinion/interest, influence each other and have special interests; sometimes it is beneficial for an organization and sometimes not. Interest can be personal, task related and organizational. But the fact remains the same that politics does exist in an organization in the form of social influence when one individual or a party has some sort of power, special interest or different opinion, which are the trait of a political system.
First of all we need to find out about what is social influence which gives authority or power to managers working in an organization. Social influence is when one does something which affects others working in that organization in any way, like asking your subordinate to do something or your supervisor for a favor. The net result is that in one way or the other one has exercised control by influencing them. There are tactics for this influence which can be persuasive, inspirational, collaborative, pressure, exchange, consultation and coalition. All these tactics can be used but it depends upon the status of the people involved (Greenberg, Baron, 2009), (Steve L McShane, Mary Ann Von Glinow, Radha R Sharma, 2006). Employees are normally aware of the organizational politics / influences and use these tactics where they deem it necessary; although they do not invoke sanctions against those who influence others but they use the tactics that are common and acceptable in daily routine affairs of an organization. (Mintzberg, 1983) but soft tactics like persuasion are more effective than hard tactics like assertiveness. (Steve L McShane, Mary Ann Von Glinow, Radha R Sharma, 2006).

This influence leads to authority and power which can be legitimate, reward related, coercive, economic, personal and expert (Fred Luthans 2008 page 281-286), (Steve L McShane, Mary Ann Von Glinow, Radha R Sharma, 2006 p 372-376) and that can be used by managers or individuals of an organization to get the things done. Individual also make use of power in a selfish manner which is the biggest problem in work environment and that is what organizational politics is. This refers to those individuals who give importance to their own interest instead of an organization. (Greenberg, Baron 2009 page. 47). Power involves a relationship between the person who is influencing and the one who is being influenced (Fred Luthans 2008 page. 287) and there are certain characteristics which can be dependency, uncertainty, personality, intelligence, and age. So whatever type of power and individual possesses has an effect on the organization and its politics.

Another important factor in organizational politics is human resource management activities such as annual appraisal, selection and rewards etc (Greenberg, Baron 2009 page 499-500) where managers use their influence and authority to get the things done.

Power can also be one of the reasons of conflict, power struggle which can be due to authority, relationship or resource; it depends upon the person who has more power whether it be formal or informal and who determines another’s fate and not vice versa. (Morgan, 1997). People in power sometimes use this authority or official capacities for seeking personal interests which ends up in conflicts.

Longman Dictionary of Contemporary explains the meanings of conflict of interest as “a situation in which you cannot do your job fairly because you will be affected by the decision you make” (www.idoceonline.com/dictionary/conflict_1). There are various types of conflicts e.g. interpersonal (personal differences, information deficiency, role conflict, environmental stress) (Fred Luthans 2008 page 260) personal, professional, official, and can also be due to incompatibility (Mellinkoff’s Dictionary of American Legal Usage, West Publishing, 1992, p.104-105) which can develop into conflict of interests. So there can be various reasons of conflict (Michael McDonald) http://www.ethics.ubc.ca/people/mcdonald/conflict.htm
Conflict is also the result of organizational politics it can be organizational, personal and intergroup which can result in stress and frustration and can have positive and negative impact on individual’s performance and organizational goals. (Fred Luthans 2008 page 256-258).

As Mintzberg says that there was a time when organizational politics was normally associated with executives (top down influence) is now different from that and employees can also influence managers. It is a process of mutual influencing of the individuals of an organization and everyone has some sort of formal and informal power that allows him to exert influence for his interest. There can be various influence groups like CEO, managers, staff and support etc, but they have different power, interest and influence which then results in conflict of interest in an organization. In this study we will examine the effects of the organizational politics on organizational performance.

**Background**

This study is about the implementation of Self Assessment Model in a Higher Education Institution which was established in 2000 with one campus in Islamabad and till 2007 it established six more campuses in various cities of the country. The university and its other campuses are offering several courses at Bachelors, Master, M. Phil and PhD level with a student body of more than 18,000 and 1700 faculty members. As the time passed the organization realized that there are issues related to teaching and learning, faculty, curriculum development, assessments and other issues linked to these areas.

Like every other university it has a system of teaching and learning, curriculum development, faculty hiring, research facilities and other facilities for the students. In 2003 Higher Education Commission (HEC) in its endeavor to enhance the quality of higher education institutions, developed a Self Assessment Manual and declared it mandatory for the institution to implement it to make its programs more effective. To this end all the programs offered by a university will undergo an assessment every year to come up to the levels of international quality education patterns. HEC then developed Quality Enhancement Cells (QEC) in every higher education institution with a responsibility of implementing the SAM to ensure quality of education.

To this end awareness sessions were held for all tiers of management after which the program teams were nominated by the departments. Then with the help of QEC member, Mission, Objectives and Learning Outcomes were developed by the program team of every department. Information was collected regarding Curriculum Design and Organization, Laboratories and Computing Facilities, Student Support and Advising, Process Control, Faculty, Institutional Facilities, Institutional Support; including filling up of the faculty and student’s assessment forms. This process took a year to complete the SAR of every department which was sent to the Rector and the assessment teams were approved by the Rector. These teams were sent to the departments to assess the implementation of eight criteria against the information provided in the SAR.

Assessment teams gave their comments in an exit meeting and the department was asked to also prepare a future plan, which was to be checked by the QEC for future references and development. With this first cycle of the SAR was completed.
Objectives of the study
1. To give a brief account of the past practices
2. To identify the implementation issues of SAM and preparation of SAR
3. To suggest the possible measures for future implementation

Research Design
A multi-method approach will be used to collect the data for this study based on training sessions, interviews, discussions, observation and experience of the author.

Organizational Politics Assessment
Power/Influence
As it was discussed earlier that social influence gives authority or power to managers working in an organization. It is when one does something which affects someone else in any way like asking your subordinate to do something or your supervisor for a favor. The net result is that in one way or the other one has exercised control by influencing them. There are tactics for this influence which can be persuasive, inspirational, collaborative, pressure, exchange, consultation and coalition. A great deal of power or influence comes from the designations or job title an employee holds which are referred to as legitimate power. In this institution while implementing the SAM sometimes power was a blessing and sometimes it was a big hurdle.

At the time of the awareness session of SAM, first group to be introduced to this concept was the top management (Deans and Directors of every department) of this institution in which they were also asked to nominate the program teams consisting of three people from each department. The documents (hard and a soft copy of SAM) were also handed over to the top management to be passed on to the program teams also. Difficulty faced in this process was that the top management was not able to use their authority as they were either too busy in their own work or were not interested in this work. They were unable to coordinate with the Quality Enhancement Cell Team and their department as they were too senior for this task and used their influence in passing on this task to the Head of the Departments (HODs).

Another issue was the question of the extent of involvement of the deans and directors in this process which was not clear and not mentioned in their job descriptions, so the management decided that the QEC will coordinate with the Head of the Departments for the implementation of SAM. HODs were not comfortable with the idea of being supervised by the Deans and Directors and thought that they themselves should be supervising the work being done in their department and in some cases the HODs were not even sure that were they suppose to be reporting to the deans and directors or not. In this case organizational politics effected our timeline to a great extent as the HOD could not even say all these things to anyone, probably it was their integrity and authority which was being challenged / was at stake in this situation.

After the meetings with the Head of the departments which took more time than expected; finally program teams were nominated and another round of individual orientation sessions had to be conducted for them. The reason for this delay was the lack of incentive for these teams, their interest and non availability of the documents sent to the top management to be passed on to them. Head of the department used tactics by perusing the teams and using personality influence;
authority in this case was a big hurdle in the implementation of SAM. Some of the senior HODs were of the opinion that this was a futile effort and will not make any difference in the situation and improvement of the intuition; they were trying to use the influence of their age and experience which is another way of influencing people as they had no personal interest in the beginning. This lack of interest on the part of senior management trickled down to the program teams and it became a common factor in some of the departments.

On the other hand as authority is recognized because people accept it for the reason they have a direct contact with their senior manager which is considered to be legitimate power, helped in the completion of this project due to the coalition and coordination skills of the HODs. These HODs also had the reward power and the teams working on this project were told that they will get some kind of recognition which gave them motivation to work on this manual. Some of the teams worked for their annual appraisals and increments from their managers. Here the use of reward power worked to some extent, there were some people who were not happy with this incentive given to some people and avoid helping these program teams in their work.

Few teams worked because of the coercive power which was noticed during the development of Mission Statement of the department where all the mission statement were copy pasted from the internet as they had to finish the work given by their HOD. Another negative impact of power in writing the SAR was the fact that department did not want to disclose their observation or put in negative things and actual facts/practices like retention of teachers, salaries, promotions and resources for the departments in practice. As they were answerable to their HOD for this and putting the actual facts might have gone against them so they had to write what they were told.

Another source of power or influence was the control of technology through which one can assert influence. In the development of SAR where some help was required by the technology savvy people, the team was forced to use some tactics like pressure and pursuance and also influence from their HODs. Thus the technological power in the hands the of one department or person made them feel superior/powerful over others which created a political issue.

**Conflict and Interest**

Conflict and interest arises not only in situations but also in the ways individuals behave when they come across some kind of disagreement it can be task, personal, interpersonal and organizational. Conflict styles of individual shape the social environment as discussed in the case of power and influence. In this study conflict was also one of the areas faced during the implementation process. Some managers either to satisfy their own concern or to satisfy their seniors created the situation of conflict. Some of the team members had personal interest in this task as they thought that they will get some extra benefit and recognition by doing this work, which never happened.

HODs had their own angle of interest as they had to prove their ability of leadership to the top management by being the first one to complete this project. But they did not realize that the teams nominated consisted of senior people who were already engaged in some other management and research tasks, which created a conflict between their work and the
responsibility given. As they refused to work on this extra assignment, it created a situation of conflict between them and the senior management.

Some nominated team members did not even have appropriate writing skills which they did not want to disclose as this might go against their interests and turn out to be a source of conflict between them and the management, which delayed the process of SAR. Using their influence of age and personality some senior people allocated this work to their juniors who were unable to even understand the SAM.

Personal interest also played a vital role in this project as some team members wanted to prove their worth in their department by taking up this project. They collected all the data required for this SAR which included the filling up of forms from the students and teachers which was not sufficient. Some team member had to face work-family conflict as they wanted to tackle both family and work together and unable to resolve both, which caused delay in the completion of this report and decisions made by managers in response to these workplace events had important consequences. Personal differences amongst the members of one department also created role conflict which had both negative and positive effect on the completion of this report.

**Conclusion and Discussion**

Organization politics does have an effect on the ways in which an individual responds to various situations. With an awareness of the potential approaches employees can deal with the issues like power, influence and conflict which can provide employees with tools that can help shape their own work climate. After assessing the role of organizational politics in the implementation of SAM, it was suggested that the organization for future work might like to consider the following suggestions for the improvement and implementation of SAM in other campuses and in the second round of assessment in Islamabad campus.

The role of senior management may be defined in the implementation of SAM so that there is no conflict of power and interest; as power is not the act of changing others but it is the potential to take people along.

Teams members who are working on this project may be given some incentive and recognition so that they should work whole heartedly and not to just complete the work by cutting and pasting. Their time in this work may be counted as research work and some teaching load may be taken off from them. Their only interest was their career not of the organization

Coalition and coordination should be used instead of coercive power and in case of family work conflict some standby arrangement should be provided to the team member.

As this is the process of institutionalization so there should be some policy designed to integrate self assessment process in organizational mission, so that each department should start this work as a regular process and from day one allocate this task to those people who are capable of handling this work and have appropriate writing skills.
At the time of exit meetings it was realized that due to some influence and interest the team members did not mention the actual issues of the departments to the top management and resultant management was unable to solve these problems. This was their own personal and career interest and they were not bothered about the organization. On the other hand there were some dedicated people in two departments who were not concerned about their promotions they were task oriented and just doing this work for their own satisfaction and due to task interest and wanted to achieve organizational goals.

In short politics and power are common in organizations. People come to work with a variety of goals, not just one. These goals sometimes create conflict and interest which can then affect the use of power. Organizational politics does have impacts on work environment which are decision making and development of leadership skills. Organizational politics can have both positive and negative effect on work environment and this can be controlled by the management so that it does not negatively affect the work in an organization. As power is a way of solving the issues of interest and conflict in workplace.
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Industrializations of SMEs in Khyber Pakhtunkhwa and Forces Responsible for its Backwardness

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Abstract
Industrialization is considered an engine for development but today industrialization need a marvelous status from its day of inception and require the latest technological advancement side by side its competitive aspect from investor’s and consumers point of view to match with the current global change in demand. For updating the status of advancement in the industrial sector of the Province and as well as in the country, it need research oriented incubator for introducing modern technical know-how, management competency, increased production and overcoming the status of depressed local and international markets for fabricated goods. In this research paper the scholar is going to point out the real status of industrialization in the province and to pin point the forces responsible for its backwardness, not only from investor’s profit oriented motive but from economic perspective of the Province. It is not wise to imagine how it will be if a country does not have small and medium enterprises in the economy. Without the services of small and medium enterprises, the populace will not get supplies of food and other essentials and manufacturing sector will not get cheap raw materials and supplies, and the whole economy will come to a standstill. A country may survive without large enterprises, perhaps at a less efficient level, but a country cannot survive without small and medium enterprises.

Keywords: Industrializations, Small and Medium Enterprises, Supervision, Management, Credit Policies

1. Introduction
From 1947 the status of industrialization in Pakistan was very poor because at that time the country profile was totally agriculture based economy. In the first day of 1949-50 the share of industrial sector in GDP was around 8% by having simple industries of cotton ginning, rice husking and flour mill in the country. The status of industrialization was very poor but that time
government was also not serious for industrialization. The situation of SMEs is one of a rather loose integration within the mainstream of the national economy. Many recent studies undertaken by local & international agencies indicate that although SMEs display the potential for expansion, but numerous hurdles were present in the sector. In Pakistan as in other countries the recognition is growing that small scale industries are important for the development of social and economic sectors. However in spite of the growth of this awareness not much attention was paid to this sector. “Research has revealed that nothing contributes more to the flourishing of small enterprises than the favorable policy context” (Anderson, 2000). This is totally lacking in Pakistan and reflects apathy to one of the most potential sector of the economy (Bangash, Shafiquallah, Amjad and Shehla, 1995; Burstiner, 1979).

Pakistan’s comparative advantage was the skill that its people had in many fields of small & cottage industry. It people were famous for hand crafted products whether in metal, woolen, cotton and wood work. But this comparative advantage over time fritted away & was not exploited or developed (Khan, 2003). There was no tradition of institution building. No guilds and associations that would foster the skill and pass it on to the next generation have developed. There were no laws requiring the skill or recognition of skill, hence the national industrial development suffered.

Pakistan’s economic development policies favored capital-intensive technology choices, ignoring the fact it would create unemployment. Even the subsidized credits for small enterprises stimulated more capital-intensive technologies (Nizamani, 2000). This situation is further compounded by the fact that Pakistan ranks relatively low among other Asian Countries in such areas as per capita number of science & technology personnel and low on R&D (Khan, 2003).

Considerable work was undertaken on Small Enterprises (SEs) in 1990s by UNDP, who allocated research projects on SEs & Micro enterprises to UNIDO and ILO. Similarly a World Bank funding research was undertaken by the Institute of Social Studies Advisory Services for Bankers Equity. The Donors Coordination Group on promotion of the SEs set up in 1993 organized a series of activities for SEs promotion (Bangash, Shafiqullah, Amjad and Shehla, 1995). A series of measures were intended under the Eight Five Year Plan (1993-98) to stimulate the growth of SE sector focusing on improving their productivity and enhancing product quality and standards through training in vocational & technical skills and up gradation of technology and modernization. The impetus to the SE sector came from this new focus, which culminated in the Government’s decision to set up another Small Industries Development Organization (SIDO) in October 1998 called SMEDA- Small & Medium Enterprises Development Authority. Now the SMEDA has introduced its own policy for SMEs in 2002, to introduce the structural change in this sector (Khan, 2003).

2. Problem Statement

At the time of partition in 1947, there were few industries in the newly established Pakistan, but particularly in Khyber Pakhtunkhwa. There was no single industry. So the Government of Pakistan faced a lot that how to industrialize this newly created under-developed part of the country. In this regard, the Government established “Small Industries Corporation” for the whole West Pakistan to develop and promote the cottage and small industries, to create skilled labor, to reduce the rate of un-employment and to feed the new coming industrial units. This corporation
had to cover a vast area; priority was given to such places where there was greater potential for the new industry (Nizamani, 2000).

Followings are the main problems face by the Province:

- Lack of ability to supervise and direct others.
- Lack of capital, in indication of poor financial management.
- Lack of ability in sales promotion and sales management techniques.
- Lack of ability to collect bad debts and to curtail unwise credit policies.
- Lack of Regulations and Taxation Problems.

Number of the indicators showing the failure of SMEs in the country, especially, in Khyber Pakhtunkhwa, regarding its geographical location, because the Afghanistan War started in 1979, during this period the whole process of development was hampered due to geo-political relation failure with the neighboring countries. Up till now, the province is suffering from the burden of Afghan Refugees in every phase of life, especially in the business sector. Due to this crisis the indicators are as under (Khan, 2003):

- Declining sales record over several fiscal periods.
- Progressively higher debt ratios.
- Increased operating costs.
- Deterioration of working capital ratio.
- Reduction in profits (or increasing losses).

3. Government Role for Industrialization for SMEs

After the disintegration of the one unit in 1971, and after Khyber Pakhtunkhwa, becoming a province, realizing the fact that small and medium scale industries are a breeding ground for small entrepreneurs as well as for large industries (Khan, 1990). The Government of Khyber Pakhtunkhwa established the “Sarhad Small Industries Development Board, on 1st July, 1972, with the same objectives and role as that of small industries corporation previously for promotion and development of cottages and small industries in the province” Khan, 1990).

Now, side by side, the Government of Pakistan has introduced “SMEDA” in October, 1998, a federal level agency with the challenge of developing SMEs in Pakistan. SMEDA is not only a policy advisory body to the Government of Pakistan but also a one-stop-shop for its SME clients. It is a relatively new organization, based on a futuristic structure geared to provide business development services for small and medium enterprises. Nation-wise statistics dealing with business failures reveal that managerial inexperience and incompetence account for almost 90% of small business failures (Soomro, 2002).

3.1 The emergence of small industries corporations

After 1972, the institutional support functions for the micro and small scale sector were delegated to the provinces, to be managed by a Provincial SIC. The Punjab and Sindh acquired a Punjab Small Industries Corporation (PSIC), and Sindh Small Industries Corporation (SSIC), respectively. KHYBER PAKHTUNKHWA acquired a Sarhad Industrial Development Board.
3.2 Sarhad Small Industries Development Board (SSIDB)

SSIDB is engaged in developing and promoting small and cottage industries by providing training and overhead facilities, like access to bank loans, development of industrial plots/estates, and expertise and guidance to intending entrepreneurs. SSIDB was established in 1972.

SSIDB is basically a promotional organization with the following main objectives:

a. Manpower training-upgrading of skills and development of handicrafts production;
b. Model pilot projects-with common facility services, consultancy and extension services;
c. Industrial infrastructure-establishing, colonizing and maintaining Small Industrial Estates;
d. Advisory services-appraisal, technical assistance, financial advice and sponsoring loan applications to banks / financial institutions (Shah, 1986).

3.2.1 Model Projects

Since 1972, SSIDB has established 12 model pilot projects throughout the Province. These include woodworking, sports goods, leather goods, ceramics, electronic, agricultural light engineering and metal project centers. In these model projects the following has given some sort of projection to the province (Khan, 1985; Pleitner, 1989).

3.2.2 The Pak-Holland Metal Project

The innovation of the project has been to use the traditional master apprentice system to skill the masters who can then skill their apprentices in turn. The program estimates approximately 3000 graduates based in 2500 workshops as the beneficiaries (Anonymous, 1997).

3.2.3 Pak-German woodworking center

The Pak-German Woodworking Center (PGWC) set up in 1971, is one of the oldest foreign collaborations. Its objectives were to provide a two-year training course, establish a common facility service and a technical extension service and credit. The German component of this project was Rs. 6 million (Anonymous, 1997).

The degree of industrialization in all of these regions is negligible, in the case of PATA and the FATAs because of the mountainous terrain and the remoteness of these areas.

4. Problems of Industrialization of SMEs in Khyber Pakhtunkhwa

From the day of Independence, Pakistan is known is an agricultural country, but now the efforts are being made towards its industrialization. It is clear from the very first day that Pakistan is an industrially backward country. While the Province of Khyber Pakhtunkhwa having no industrial base from the day of independence. This backwardness of the region is due to certain problems, which handicapped its industrial growth. The major problems faced by the industries in the province are highlighted as under (Anonymous, 1997; ibid; Anonymous, 2001):
4.1 Government Policies and Regulations
For every area development some basic criteria are highlighted in advance for eliminating the obstructions creating elements will be cleared. In this regard, the Government Policies and Regulations are not matching with the available SME sector in the province. To boost the process of industrialization in the area, initially a specific package of incentives is granted to that area. However, in 1986 the government decided to establish an industrial estate in Gadoon Amazai. In this regard the government announced certain incentives for the investors. Here the problem is narrated in two ways cycle completion. One on the part of the investors, was that they have collected financial assistance/loans on the name of the said industrial estate in Gadoon Amazai, but really this financial/loans facility was diverted to the established area of the country, namely, Karachi, Faisalabad, and other developed area of the country. All this was done in the paper records, but nothing was available on the ground. Another aspect of the problem was that the Federal Government withdrew these incentives. These withdrawals of the financial packages, the investors of the said area become frustrated and they started withdrawal of their investment from the active industrial side of the Province. This has created an atmosphere of distrust among the investors, which directly hate the SMEs sector in its development stages.

4.2 Political instability/day night change of Government
The political instability and constant changing in policies is another problem faced by the investor of this province. Different ruling parties have different policies towards industries and there is no consistency and continuity in the policies for the growth and development of SMEs, such problems seriously damage the industrial activities in the Province. For SMEs development constant policies measures are needed, which are disturbed by the day-night change of the government. First, the province is backward due to number of issues which is not feasible at this stage to discuss but on the other hand, the government bias positions can double the problems, which directly hampered the growth of SMEs in the area.

4.3 Location Disadvantage
Unfortunately, the Province of Khyber Pakhtunkhwa is in disadvantageous position due to its geographical location. It is 1700 km away from the sea port, which makes the logistics problem, that double the cost of production. Due to this for flange area position, the products of the Province industrial estate may not be able to export to the country main markets like Karachi and Lahore.

4.4 Competitive Problems
The manufacturers of Khyber Pakhtunkhwa cannot compete with the manufacturers of the other provinces of the country due to certain local disadvantages and other factors. First, it is highlighted, that the people of Khyber pakhtunkhwa are not trust worthy, this information has paralysed the industrial environment. Secondly, the people are not socially well behaved in dealing with the different supplier and contractor that directly damage the flow of growth of SMEs in the area. For all these issues, the investors are hesitating from investing in that area of the country. Usually in Khyber Pakhtunkhwa investments are made in small units and produce goods at a smaller scale for the local markets. Because of these factors Khyber Pakhtunkhwa manufacturers are facing all these problems in competing with other provinces manufacturers, which in reality slow down the industrial progress in the province.
4.5 Karhano Markets/Bara Market Impact
The boundaries of Khyber Pakhtunkhwa touch the boarders of Iran and Afghanistan. The borders trades with these two neighboring countries are very close and impossible to stop this illegal boarders crossing. Peshawar is situated close to these boarders, which has proved its result in the form of new illegal markets in the area. Secondly, the misuse of Afghan Free Trade Transit resulted in the form of different illegal markets specified for foreign goods, which having direct affect on the local products production. In these illegal markets prices are comparatively low (due to no payment of taxes), as a result the local manufacturers are discouraged because people prefer to buy the imported goods at a low cost rather than to buy the local goods at higher prices due to high cost of production. Thus these illegal markets are a serious problem for the industries of the province.

4.6 Miranshah/ Zhoeb Markets Impact
Miranshah Bazar and Zhoeb market both are playing a very bad role in the progress of the province, because, all this area is paralysis by the imported goods on low prices. These goods are crossing the boarders illegally without any custom duty that directly showing the effect on the overall prices of the goods available in the markets. First, accesses to these areas are very simple and easy for importing these smuggled goods. Secondly, no proper system of trade application is needed for maturing the transactions. All these process are completed in vernacular methods that having no integration with the modern business techniques application. So these two boarder trades have impaired the local markets with the import of foreign goods. All these illegal smuggled goods are further transported to the different part of the province and also in the whole country.

4.7 Infrastructure Facilities
From the time of partition, Khyber Pakhtunkhwa industrial sector are having no remarkable position in the history, but still this continue in the same status quo form, no proper developments have been made in the industrial sector. Khyber Pakhtunkhwa lacks infrastructure as is evident from the following:

- Shortage of electricity and expensive electricity being 14.57% for both FATA/Khyber Pakhtunkhwa against its share of 13.54% for Khyber Pakhtunkhwa alone and 15.54 for both Khyber Pakhtunkhwa consumption of electricity is 7.1% below the national average 8.46% below Punjab 14.89% below Sindh (Anonymous, 2002).
- Shortage of gas supply being 2% of the total in the country.
- Inadequacy/lack of railway services in Khyber Pakhtunkhwa. The share of railway tracks in the Province is only 6.2% of the total.
- The share of Khyber Pakhtunkhwa in roads is only 5.1% of the total in the country (Industrial Perspective of NWFP, 2001).

On the basis of all the above statistics it is concluded that Khyber Pakhtunkhwa is substantially lacking infrastructure.
4.8 Frequent Breakdown of Electricity
The Khyber Pakhtunkhwa electricity power generation capacity from hydel is 69.07% and from thermal is 62.48% and 32.81% of the total as against Khyber Pakhtunkhwa and FATA consumption of 14.5% that is 44.40% of its own generation. The average cost of fuel alone is 95.82 paisas/KWH in thermal. Moreover, whereas Khyber Pakhtunkhwa is made to pay the full price of generation etc, the insufficient supply of electricity that is 8.14% against its share of 13.5% and frequent breakdown of electricity has also slowed down the industrialization process in the province (Anonymous, 2002).

4.9 Lack of Capital
One of the major problems of industrialization in Pakistan and specifically in Khyber Pakhtunkhwa is the lack of capital. In large scale industries like steel and iron, chemical, automobile etc, the amount of capital required per worker is quite high. In industries like textile, carpet, sugar, paper board etc, require huge amount of capital to establish and expand these industries. On the other hand the government and financial institution allocation of funds for the province is not sufficient to establish these capital intensive industries.

4.10 Lack of Financial Institutions Facility
At present the financial system of the country lacks the desired orientation regarding the SMEs support. The problems of comparatively low allocation, delays in granting sanctions and non availability of funds in time, keep the level of investments in industries at minimal. The banking institutions are not sufficiently active in looking after the financial needs of the lagging areas like Khyber Pakhtunkhwa (State Reporter, 2008).

Another serious related problem that most of the banks headquarters are located in one province namely Sindh (Karachi), so most of the industrialist is unable to go to Karachi for loan availability, therefore, provincial office should be given enhanced loan sanctioning powers. This practice is not sufficient for industrial sector and side by side the coddle formalities develop a gap and lastly it prove unprofitable from investor’s point of view. This will facilitate speedy disposal of cases locally and would save the business community, particularly small and medium ones from unnecessary complications and delays. Furthermore, it has been observed that in some cases funds are not disbursed due to lack of budget allocation for the Province.

5. Role of SMEs in Economic Development
SMEs have been getting immense recognition the world over due to their pivotal role in economic development. Frequently quoted, as the ‘backbone’ of an economy, SMEs contribute towards employment opportunities and revenue generation; promotion of craftsmanship; equitable wealth distribution; resource mobilization and development of an entrepreneurial culture. SMEs are considered the hub of innovation and as the only hope for the survival of local artisans who have been carrying unique skills over generations of national and international buyers.

Despite their significant contributions to the country’s GDP and export revenues, Pakistan’s SMEs are still unable to achieve their maximum potential and are in dire need of ‘hand-holding’
and support services. Our economy has experienced severe downslides during the past years due to factors beyond domestic policy making. But the SMEs always kept on going, accommodating the workforce from the non-productive industrial units and yielding positive results in the face of all adversities. Due to their small and thus manageable structures and limited scope of operations, SMEs manage to reallocate resources and survive in adverse economic conditions. But even then, their remarkable services to the country never earned them the recognition they merit. SMEs have always been short of business support, regulatory and financial assistance. This is mainly due to the absence of a conducive legal, social, economic, and institutional framework resulting in their lack of access to formal financing sources. Recently, the government has made efforts to create conducive operating environment for SMEs and provide them access to the formal banking sector. As part of these efforts, the formal financial sector has been undergoing a major restructuring exercise over the past two years (Anderson, 2000).

5.1 The Edge of SMEs over Large Scale Industries

Pakistan is a labor surplus economy with scarce capital resources. In view of this factor, the development of small and medium scale industry has specific effects on the balanced and dynamic growth of the country. It has a number of advantages over large scale industries are as under (National management Consultants, 1995):

- It generates more jobs per unit of capital.
- It is more capital efficient.
- It is strongly integrated into the domestic economy.
- SMEs use a high percentage of local raw materials.
- Most of local consumable products are produced by small and medium scale industries.
- It taps resources at grass root level.
- Promotion of SMEs induces rapid growth of large scale manufacturing in the long run.
- Regional cohesion and sustainable development.
- Generation of innovation and diversification of the economy structure.
- Civilization inclusion.
- New technologies for the knowledge-based society.

Small and Medium Enterprises or SMEs have always existed in all countries of the world. That’s where any form of business begins, either it is manufacturing or trading, it must be the SME. In the recent past, there has been an increasing realization of the importance of SMEs as the vehicle for economic growth. In 1998, the Small and Medium Enterprise Development Authority (SMEDA), was established by the Government of Pakistan, for the first time, to develop the links between the local industrialists and government. The objective was to provide a new impetus to the economy through an aggressive sector development and SME support programs.

The need for SMEs is dictated by the age of specialization in which we are now living. Large-scale enterprises find it more practicable, more economical and, therefore, more profitable to sub-contract their ancillary production to small and medium size units functioning independently. In the engineering sector, for example, it is closely a better policy to entrust the production of simple components to SMEs. One such unit could be producing just one
component with a high degree of specialization to turn out products of high quality and standard specifications. Such dedicated production is possible only through sub-contracting to smaller units that have the advantage of specialized skills and economies of scale, which make them cost-competitive with production efficient.

SMEs play a key role in the modern market economy. Small businesses are the monolith fundament of every prosperous and effectively functioning state. They possess a number of plus points, which place them in the centre of the economic and social goals of society. The sector of SME is expected to provide feedback for all type of mega projects in the country (Carson and Gilmore, 2000).

During the last 30 years, the general economic situation has undergone a number of profound changes which have given rise to a phase of marked uncertainty and instability. Following the crisis of the 1970s, some of the factors that had hitherto driven economic growth were called into question. In particular, the role of large firms in the industrialization process was rethought. Until the 1960s, while acknowledging the specificity of individual countries, interpretation of industrial development stressed the tendency of firms to increase in size. In the changed economic circumstances of today, however, it is the capacity to adjust to a rapidly changing market that is most important. At the company level, therefore, flexibility- as the ability to respond appropriately to market trends- is vital. As a consequence of these various factors, there has been growing interest in small and medium-size enterprise (SMEs), especially those which are most innovative in terms of technology and processes, whose main source of flexibility is precisely their medium or small size. It plays the following economic role in the province:

1. Employment Generation.
2. Poverty Alleviation.
3. Contribution to Job Creation.
5. Women’s Employment Opportunities.
6. Innovation and Inventions.
7. Provision of Services to Local Community.
8. Technical Manpower and Suppliers for Large Formal Sector.
9. Role of SMEs in Exports.
10. Safety of Local Artisanship.

6. Forces Responsible for SME’S Backwardness in the Area of Khyber Pakhtunkhwa

Industrialization tended to concentrate in developed parts of the country reflecting high level of regional and urban concentration of manufacturing industry. Initial growth in income inequalities and functional inequalities badly affected backward areas (National management Consultants, 1995; Price, 2006).

Uneven geographical distribution of industries in the country and imbalanced regional industrialization, not allowing fiscal concessions and incentives to favor location in industrial units in backward areas also contribute to the problem. These are as under:
6.1 Change of Government Adversely Affect Industrial Policies

In Pakistan, we are having the problem of system instability which directly hitting the economic policies of the country. But specially the SMEs are vulnerable to such change, because, the large industries are having some protection in the form of political shelter, while the SMEs are organized by the lower/middle class of society that are having no proper shelter from the political system of the country.

Economic policy distortions including over-regulation, price interventions affecting both outputs and inputs, high tax rates and poor tax administration, trade restrictions, poor credit accessibility and inadequate infrastructure are adversely affecting the industrial policies.

6.2 Unpredictable and Depress Market Conditions

Local market are suffered from the state unpredictable policies implementation on one side, while on the other side, the foreign goods/smuggled goods are freely coming in the markets that dark the future of the local market. Today, market forces were allowed to promote industrial production, commerce, banking, insurance, shipping etc. clustered in certain localities and regions, leaving the rest of the country in a state of backwardness. Disparities between the regions widened the capital and labor flow from the backward to the relatively more developed regions.

6.3 Physical Hindrances to the SMEs in Khyber Pakhtunkhwa

Following are the primary reasons causing physical hindrances in growth of SMEs in Khyber Pakhtunkhwa:

a) Private sector development in industrial and mineral sector remained minimal till 1980s.

b) Khyber Pakhtunkhwa suffered from location, financial, technical, skilled manpower and infrastructure setbacks.

c) Entrepreneurial culture and experience is virtually non-existent.

d) Subsistence agriculture approach could not absorb higher population growth, which led to unemployment and poverty.

e) Khyber Pakhtunkhwa is landlocked and is over a thousand miles away from Karachi sea port. As it is highly dependent on the south for both of its inputs, raw materials and markets, higher transportation costs make it difficult for Khyber Pakhtunkhwa industry to compete.

6.4 Impact of Incentive Packages withdrawal by the Government

From time to time, the Governments of Pakistan, announcing different packages for the development of the area. For example, Gadoon Free Industrial Zone, for ten years tax free zones. Such type of Fiscal and monetary incentives had been allowed to the investor’s of Khyber Pakhtunkhwa. Along with other backward areas of the country which included the following:

a) Income Tax holiday.

b) Exemption of custom duties on the import of machinery.

c) Sales Tax exemption.
d) Investors in Gadoon Industrial Estate had been allowed the following special incentive by the Federal Government in the lieu of eradication of poppy cultivation from the areas.

e) Duty free import of machinery, raw material and components.

f) 10 years income tax holiday.

g) Loans at 3% mark up for fixed investment.

h) Sales tax exemption, and

i) 50% rebate in electricity charges.

These incentives have accelerated the pace of industrialization in the Khyber Pakhtunkhwa, which reached to private investment level of Rs. 60804.886 million, out of which 50.43% has been attracted in the four industrial estates established by Sarhad Development Authority (SDA) at Peshawar, Hattar, Gadoon Amazai and Nowshera (Shahzad, 2002).

Premature withdrawal of these incentives resulted in the closure of industries; besides withdrawal of incentives, other problems are:

1. Over capitalization
2. Management in-efficiency resulting in high financial cost
3. Absence of relevant technical know-how
4. Shortage of raw materials
5. Depressed market
6. Lack of working capital
7. Drop in cash generation
8. Poor cash management
9. Outdated machinery, resulting in low production efficiency
10. Increased production cost, mainly due to high electricity charges
11. Increased overhead costs due to high freight charges

7. Conclusions

From the above discussion, the researchers conclude that industrialization of SMEs is playing the role of nursery for the Large Scale industries in the Province as well as in the country. From the study we concludes that the Government on one side and investor’s on the other side, will play the role of incubator of development for the SMEs in the region to meet the future consumer’s demand and the global market requirements. The role played by SMEs in the region for employment, capital flow, poverty alleviation, manpower development and regional cooperation is the highlighted contribution to the province. The whole world economic development reveals that SMEs are the engine of growth and provides raw materials to the large scale industries in the country. Statistical data of the developed countries highlighting the role played by SMEs are remarkable in every phases of life development. All the problems pointed out in the region are self created and need attention from the policy maker in the initial stages to take start toward the development of SMEs in the area.
In this regard the cooperation execution among SMEDA and SSIDB are important to share their views and suggestions contribution among themselves will play the role of bridge among the government and the concerned area investors. This chain of cooperation among the two contending participants can give the new direction of development to the backward sector of the province and sick industrial units in the region.

Next in this regard, the educational institutions can play very important role in the development of the province as well as in the overall economic sector of the country. All public and private sector universities, Vocational institutions, and Technical Training centers can contribute in the form new formula, skilled personnel, and technical manpower planning for future of the country economic requirements that can double the progress of the existing working units and reactivate the sick units in the region.

One important issue that can practically motivates the investors to join the industrial sector by providing technical assistance in the form of feasibility report of the potential sector identification of the part of the provincial government. This professional task can be accurately performed by the government expert groups by providing free services to the investors. This department/ organized group will work independently in the whole province to develop different feasibility report of the potential area product wise and will be projected in the workshop held by the state to introduce the different sector feasibility report to the investor to come and join the industrial sector by providing this technical support to the individual less capital holder investors. This is very good ideas sharing forum to the industrialist in own home to take start for new ventures. The role of SMEDA and other government authorities are not giving fruitful result for motivating the individual investors. Most of the investor is unable to make proper feasibility of the sector to invest their capital accurately. Most of them leave the project incomplete and lost the whole capital and declared defaulter by the bank and also by the market suppliers.

Finally, we want to divert the attention of the authority for introduction of SMEs subjects in all professional/ technical schools, colleges and universities. For this purpose, the entrepreneurial project can be developed by the scholars of different institutions to provide helpful guidelines to the individual investor according to his own choice area. Most of the professional graduate can shine their efforts by introducing different form of consultancies by offering services on payment basis to the non technical industrialist that having dual aspect function in the name of job employment to graduate and on the other side valuable services to the investor’s on low payment. This practice can contribute a lot the province and as well as to the nation economy.
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Defining amalgamation and cultural adjustment
How expatriates are residing in Danish Society

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Abstract
The main objective of this research is to investigate how the term ‘integration’ is defined by highly educated foreigners. Integration might not mean the same for different people. The way how individuals define the term, might be connected to their personal process and experience of integration, which is why the expatriates’ personal experiences will be taken into consideration. Additionally, the study wants to determine whether expatriates have a desire to integrate, what makes them feel integrated and at what point of their personal integration process the individuals are standing right now. As the study is conducted in Denmark, with expatriates living in this country, the Danish host society and its distinctive characteristics seem to be an interesting and important issue to include in the research paper.

Key words: Expatriates, Danish Host Society, Integration, Facilitation, Adaptation,

Introduction
In times of globalization as well as the internationalization of the labour market, people cross borders all the time. Reasons for migration include for instance “money and fortune (work)”, “love and family” as well as “danger and persecution” (Nygaard 2009:Slide 9). People migrating for work reasons are often called ‘expatriates’. They cross borders for short business trips or longer foreign assignments, but the category might also include foreign students or people who try to find a new job in a foreign country by their own initiative. Expatriates can provide valuable knowledge for the host country, which would be especially important for a country like Denmark (Tung et al. 2008; Expat Study 2007). Due to its size, Denmark struggles to keep up with the high speed of modern technology and to educate skilled workers in all fields (Expat Study 2007). Hence, exchanging knowledge with other countries and attracting highly skilled workers is crucial (Oxford Research 2007). However, attracting is not the only challenge. As the global “war on talent” (Tung et al. 2008) is getting more serious, retention becomes even more important. No talent should be lost to another company or country. (Tung et al. 2008) In this respect, Denmark might have more problems than competing countries, for example, due to its culturally rather homogeneous society (Tung et al. 2008), its language and its comparatively high income taxes (Roseveare and Jorgensen 2005). Furthermore, Denmark, just as many other Western countries, is facing demographic challenges. The population is aging and its percentage of immigrants from developing countries is increasing. Thus, the workforce in general and the highly skilled in particular, is declining, a tendency which might have a negative impact on Denmark’s productivity and competitiveness. (Roseveare and Jorgensen 2005) Consequently, it
seems important to satisfy expatriates in their professional as well as private situation in Denmark for a long or even permanent time.

Nevertheless, expatriates seem to get considerably less attention and support by the Danish government and society than other groups of foreigners. This is even more astonishing when considering the Danish immigration statistics. In 2008 about 6,000 foreigners came to Denmark for asylum or family reunion, the groups which are in the focus of the political and public discussion of integration. However, in the same year about 70,000 (Nygaard, 2009) foreigners came for work or study reasons and, still, they are rarely included in the integration activities of the government. Expatriates, just as any other groups of foreigners, bring their cultural heritage with them, which will come into contact with the host country culture. These cultural differences might lead to problems and could be one of the reasons for the often reported ‘failures’ of expatriates on international assignments (see e.g. Forster 1997). Expatriates are primarily business people having a job to do. A great part of expatriate literature deals with expatriates doing business in foreign cultures, how they fail and can be trained to do better. However, expatriates are also private individual shaving to cope with the changes in their live and with their personal situation in a foreign country. In this research, therefore, their integration as a private individual is of interest, rather than their skills of doing business in a foreign country. Nevertheless, the integration of the expatriate as a private individual could be of high interest for a variety of stakeholders. This could be businesses relocating or employing foreign workers as well as countries relying on the expatriates’ knowledge and skills. Hence, in order to predict possible problem areas, it seems important to understand the psychological and social processes an expatriate goes through when living abroad (Morley et al. 2006).

This inclusion of the psychological aspect of cultural barriers and the interdependence of willingness and adaptation has not been widely discussed in the literature (Selmer 2000). It seems as if the literature tends to assume that expatriates are willing to adjust and therefore focus on the ability to do so, on the underlying processes or on the obstacles that they might face. However, especially expatriates that come for a limited time to a foreign country might not be willing to change; rather they might want to remain a home country orientation (Berry et al. 2002; Gudykunst and Kim 2003). In order to successfully retain expatriates, it is important that they feel satisfied with their situation. Hence, knowing what makes them satisfied is crucial. In order to integrate them, knowing whether they want to integrate, what would make them feel integrated and how this could be achieved seems fundamental. Accordingly, the depth of desired contact with the dominant society and culture needs to be studied. This paper wants to make a contribution by giving expatriates the chance to explain what integration means to them, whether and how they want to become part of the local culture and society and how they experience this process of integration in Denmark.

Literature Review
Expatriate research has had a growing interest, especially due to the rapidly increasing amount of multinational corporations and globalization of business (Morley et al. 2006). Furthermore, an enormous amount of academic literature regarding cultural contacts exists. Parts of this literature deal with expatriates specifically but also literature on immigrants and other sojourners has delivered important insights for this research. Studies about expatriates or other cross cultural
contacts seem to be conducted from various perspectives. Kim (2001), for example, highlights that studies on adaptation have been carried out with different perspectives in the length of intended stay in a foreign culture. According to her, studies with a longer term perspective, are often analyzing immigrants and refugees migrating to a new cultural environment (see also e.g. Van Tubergen 2006; Fair 2008). On the contrary, studies with a rather short term-perspective are focusing on temporary sojourners and expatriates (see also e.g. Torbiörn 1982; Oberg 1960; Selmer 1998-2007). This paper, however, agrees with researchers such as Kim (2001) on the importance of combining these two perspectives and applied, as explained above, a broader definition of expatriates. Gudykunst & Kim (2003) suggest that foreigners who intend to stay permanently might have a greater motivation to adapt to the local culture than expatriates or other sojourners who only spend a limited amount of time in the host country. Moreover, in the attitude the foreigner encounters in the host society might vary. It might for example be more accepted that temporary sojourners act in divergent ways than if permanent sojourners do so. (Kim 2001) Hence, it seems interesting to examine the differences and commonalities of these two groups of expatriates. Furthermore, much of the existing literature on cross-cultural adaptation can be perceived as either looking at the macro or at the micro level of cultural contact. At the macro-level, researchers study the changes that groups of individuals from different cultures go through when coming in contact with each other. On the other hand, studies conducted at the micro-level, focus on the “intrapersonal and interpersonal experiences” (Kim 2001:15) of individuals entering a new culture. Although not done by many studies yet, researchers such as Berry et al. (2002), Berry (2001) and Kim (2001) highlight the importance to combine these levels when analyzing the adaptation process of an individual entering a social group in the host culture environment. In this research work, the focus lies on the micro-level considering the cases of individual expatriates. However, the receiving cultural environment, in this case the Danish society, as a group and its influence on the adaptation process of the expatriates is taken into consideration. Moreover, many studies use existent theories such as Berry’s (2001) (see point 3.2.4) to find tendencies in migrating cultural groups (e.g. Ward and Rana-Deuba 1999). Berry’s work seems highly valuable and received a lot of attention and affirmation in the literature. However, according to Ward (2008) due to its established relevance and its strong developed framework it might constrain new research in its development. She therefore requests researchers to “think outside the Berry boxes” (Ward 2008:106). For this paper, Berry’s theory seems a valuable framework that provides a good insight into the research topic. However, in accordance with Ward, many other researches and theories are included. Furthermore, the expatriates are not simply tested in which of Berry’s acculturation strategies they fit best; rather, they are asked to give their own definition of integration. These definitions might develop a new perspective on acculturation strategies and might even display hybrid forms of Berry’s existing strategies.

Expatriate ‘integration’ theories
The objective of the paper is to find a definition of the term ‘integration’ and to ascertain what integration means to expatriates. The author of the present paper, thus, is very open to all kinds of different perspectives on that term. At this point it therefore considers the different terms the literature uses to describe processes that occur when individuals come into contact with a foreign culture and environment. Different authors use several common terms for these processes such as ‘adaptation’ (e.g. Berry 2001; Berry et al. 2002; Kim 2001; Gudykunst & Kim 2003),
‘adjustment’ (e.g. Torbiörn 1982; Oberg 1960) and ‘acculturation’ (Hofstede and Hofstede 2005; Berry et al. 2002; McGuire and McDermott 1988). However, some authors, such as Ward (Searle and Ward 1990; Ward and Kennedy 1992) or Kim (2001) use the terms in an interchangeable way, mixing especially the terms adjustment and adaptation. Based on the lack of clear differentiation between the existing terms, some authors, such as Kim (2001) combine them into the term ‘cross-cultural adaptation’, which she defines as “the dynamic process by which individuals, upon relocating to new, unfamiliar, or changed cultural environments, establish (or reestablish) and maintain relatively stable, reciprocal, and functional relationships with those environments” (p. 31).

The word ‘integration’ does not seem to be widely used in the literature. Nevertheless, it is the one which is most frequently used outside academic literature and therefore seems to be the most suitable term to use for this paper. Nonetheless, the experience of private conversations with expatriates showed that ‘adaptation’ is used quite frequently too. Due to the existence of several terms in the literature, in the following these terms will be presented in order to give an overview.

**Adaptation**

Kim (2001) defines the process of adapting to a foreign culture as a “life-changing journey” and as “a process of ‘becoming’ – personal reinvention, transformation, growth, reaching out beyond the boundaries of our own existence” (p. 9; original emphasis). Thus, according to Kim, the longer-term contact with a foreign culture, the insights made and the involved process of adaptation lead to changes in the individual. Cultural as well as cross-cultural adaptation is described as a process of learning through communication. (Kim 2001) This process ultimately leads to assimilation through interplay of learning and “unlearning” (Kim 2001:51) of cultural habits. Berry et al. (2002) understand adaptation as a process that eventually results in an outcome. They define it as “the long-term ways in which people rearrange their lives and settle down into a more-or-less satisfactory existence” (Berry et al. 2002:369). This outcome can vary from positive to negative. Whether the eventual adaptation outcome is positive might be connected to the acculturation strategy (further described in point 3.2.4), with integration being the most and marginalization the least successful (Berry et al. 2002). Hence, other than it might be implied in the common use of the word adaptation in non-academic conversation, adaptation does not necessarily mean that people change in order to fit better to their environment (Berry et al. 2002).

**Adjustment**

Torbiörn (1982) defines ‘adjustment’ as a concept “generally used to express a dependent relationship, in which changes take place in the individual as a result of new conditions in his surroundings” (p. 54). He focuses on what he calls ‘subjective adjustment’ and connects it to the ‘satisfaction’ of the individual. Satisfaction is achieved when “the demands he [the individual] makes on his surroundings or on himself are fulfilled” (Torbiörn 1982:55, my own emphasis). Subjective adjustment, when connected to the concept of satisfaction, can thus be defined as “changes which the individual actively engenders or passively accepts in order to achieve or maintain a state in which he can feel satisfaction” (Torbiörn 1982:55). According to this, a subjectively well adjusted expatriate would be satisfied with his overall situation of living in a
new cultural surrounding. Similarly, Hippler (2006) defines adjustment as “the general satisfaction with one’s life in the new environment” (p. 67). Hence, according to Hippler (2006) the adjustment of expatriates is heavily connected to the environment they live in. Different aspects of the host environment require adjustment. Accordingly, Ward and Searle (1991) explain that the literature deals with both a psychological and a socio cultural dimension of the adjustment of sojourners in foreign countries. These dimensions are related but have to be observed separately from each other as they are predicted through different variables. The two dimensions will now be explained briefly (following Searle and Ward 1990; Ward and Searle 1991; Ward and Kennedy 1992):

**Psychological adjustment**
Psychological adjustment refers to subjective feelings of well-being, psychological as well as emotional, and satisfaction. It is therefore also connected to the attitudes of the expatriate and influenced, for example, by the expatriates personality and social support.

**Socio Cultural adjustment**
The socio cultural domain relates to the individual’s ability to “fit in” or negotiate interactive aspects with the host society” (Ward and Searle 1991:210; original emphasis). Everyday situations must be managed by the expatriates. How well this is done can depend, for example, on the cultural distance between the home and the host culture, the ability to speak the host country language, cultural knowledge and interactions with members of the host society. Selmer (1998) explains that for psychological adjustment, attitudinal changes must be made whereas for socio cultural adjustment, behavioral changes are necessary. According to the literature, before achieving adjustment, an expatriate might go through a process of culture shock. Expatriates and other foreigners are influenced by their cultural heritage, which will in many aspects differ from the cultural norms they meet in the host culture. These differences can result in culture shock. A name frequently used in connection with the concept of ‘culture shock’ is Kalervo Oberg, who was one of the first using the term in the 1950s. He described culture shock as “the anxiety that results from losing all our familiar signs and symbols of social intercourse” (Oberg 1960:142). Culture shock is often described as a process divided into four stages, developing during the stay of the expatriate. The first three stages are ‘honeymoon’, ‘crisis’ and ‘recovery’ and the last one is called ‘adjustment’ (Oberg,1960:143). At this last stage the expatriate accepts the customs in his new environment and even starts to enjoy them. Other authors, such as Hofstede and Hofstede (2005) or Torbiörn (1982) describe culture shock as one of the stages of acculturation or adjustment, similar to stage two which Oberg (1960), calls ‘crisis’. Most literature on culture shock treats it as a negative phenomenon. However, some authors, such as for example Adler (1975), provide an alternative view on the concept of culture shock, suggesting a positive side, consisting of “cultural learning, self-development, and personal growth” (p.14).

**Culture**
One characteristic of being an expatriate is living in a foreign national culture. Hence, expatriates and their integration might be influenced by the respective host culture. In order to understand this connection, it seems important to have a closer look at the concept of culture.
Defining culture

Culture as a concept is not easy to grasp as the amount of varying definitions in the literature shows. Hofstede and Hofstede (2005) provide an often cited text where they define culture as “the collective programming of the mind that distinguishes the members of one group or category of people from others” (Hofstede and Hofstede 2005:4). Describing people’s culture with the analogy of computer programs shows that the way people think, feel and act is influenced by their “software of the mind” (Hofstede and Hofstede 2005:3). This software develops through the environment in which the person grows up, the people it interacts with and the experiences it makes. It is a process of learning; people are not born with a certain predetermined culture. As stated in Hofstede’s definition above, culture is always, at least partly, shared with others; it is a “collective phenomenon” (Hofstede and Hofstede 2005:4). Hence, culture is closely connected with communication because without communication culture cannot be transmitted (Gudykunst & Kim 2003). Similarly, Ting-Toomey and Chung (2005) refer to culture as reinforcing the boundaries between an in group and an out group based on a shared identity and culture inside one group. They define culture as “a learned meaning system that consists of patterns of traditions, beliefs, values, norms, meanings, and symbols that are passed on from one generation to the next and are shared to varying degrees by interacting members of a community” (Ting-Toomey and Chung 2005:28).

Culture is a group phenomenon and a shared culture can be attributed to different kinds of groups. Trompenaars, for instance, mentions national, regional, corporate or professional culture (Trompenaars 1993:7). In this paper national cultural differences are in the focus. However, one should keep in mind that in many nations several societies live together which not necessarily share a common culture (Hofstede and Hofstede 2005). Schein (2004) suggests three levels of organizational culture which can be applied to the concept of culture in general (Harris et al 2003). The three levels are ‘artefacts’, ‘espoused values and beliefs’ and ‘underlying assumptions’ (Schein 2004:25). They differ in their visibility and are therefore often displayed in form of an iceberg (see for example Watson 2006). According to Schein (2004), artefacts are surface manifestations and would lie, in the analogy of the iceberg, above the surface of the sea. Those manifestations could contain for example the language, architecture or certain customs of a culture. Values lie deeper but are still more visible than the underlying basic assumptions. These are deeply rooted and include assumptions about how a society works and about human nature. They are not visible and mostly taken for granted. It is very hard for outsiders, such as expatriates, to access them, understand them and even to adapt to them. (Schein 2004)

Cultural contact and its barriers

As described above, national cultures differ from each other. However, cultures are complex concepts and one cannot assume that two expatriates from the same country carry the same cultural heritage. Thus it is not an easy task to compare cultures and evaluate their degree of differences and the possible barriers that might result. The literature provides attempts to differentiate cultures through a variety of dimensions (see for example: Hall and Hall 1990; Trompenaars 1993; Hofstede and Hofstede 2005). Cultures show attitudes or patterns of behaviour that are characteristic for the respective dimensions. (Gudykunst and Kim, 2003:54). Hence, understanding the possible dimensions can help to understand differences between these
cultures and the actions of their members. Torbiörn (1982) on the contrary presents an alternative way to differentiate cultures from each other, namely through analysing three aspects of culture: language, religion and living standard, which should be understood in a broad way. According to his study, these three dimensions can affect the strength of the cultural barrier and are connected with several aspects of the expatriate’s life abroad. He names aspects such as for example the orientation of the expatriate to spend his leisure time more with home or host country nationals and the expatriate’s satisfaction.

In case of intercultural contact, cultural barriers can occur when “cultural differences affect the individual’s ability to understand or accept and adopt another country’s norms” (Torbiörn 1982:119). Torbiörn (1982) furthermore suggests that an expatriate’s “willingness and ability to adopt the host country’s norms” (p.119) reflect the level of cultural barriers between the home and host culture. Hence, cultural barriers are a psychological phenomenon. Torbiörn (1982) furthermore suggests that in the specific situation of contact, the individual from one of the two cultures might experience a higher cultural barrier than the other. This could for instance be the case when the cultural difference affects values that are more central or fundamental in one culture than in the other. (Torbiörn 1988) It seems relevant to note that, just like cultures, cultural barriers are not static. Cultures change, barriers can shift and expatriates can find ways to adapt to cultural norms that they perceive for themselves as barriers (Torbiörn 1982).

Furthermore, some authors (Berry et al. 2002) argue that the greater the distance between the two meeting cultures, the more difficult the process of acculturation will be. Similarly, Waxin (2006) suggests that adjustment is more problematic the bigger the cultural distance between the home and the host culture. On the other hand, Torbiörn (1982) argues that regardless how big the cultural barriers are, in the end it seems possible to deal with the host culture. Similarly, but referring to cultural distance in general rather than to real barriers, Selmer (2007) found that for expatriates both a distant and a similar culture might be equally challenging to adapt to. However, as Selmer admits, the findings are the results of one single, exploratory study with all its limitations. The issue might need to be studied further, for example in different cultural settings or over longer terms (Selmer 2007). On the contrary, Ting-Toomey and Chung (2005) suggest that foreigners entering a new culture, expecting a low cultural difference, might experience rather high levels of problems and frustration. According to them, the assumed cultural similarity could lead to a failure to see the existing differences, resulting in insensitive behaviour. In accordance with this, Khan-Panni and Swallow (2003) suggest that when entering a culture perceived as very similar to ones own, experiencing differences might result in quite a shock as these differences were not expected.

**Denmark and its integration policies**

However, according to McGuire and McDermott (1988), the majority of studies on acculturation fail to consider the characteristics and behaviours of the host country and host society. In line with that, Berry (2001) observes that acculturation processes not only affect the non-dominant culture. Hence, research should consider the reactions of the dominant culture. The individual expatriates settle down in a new country and get in contact with the dominant society, thus, the dominant culture and its attitude towards integration might influence how individuals can integrate. Hence, it seems highly relevant, at this point, to consider the host culture and its
attitude towards integration. As Denmark constitutes the host in this case, its culture and attitude towards integration will be discussed in the following.

How Denmark defines integration

When looking at how expatriates who are currently living in Denmark define integration it seems highly relevant to consider the Danish definition of the term as well. This will be done in the following. The Danish definition of integration seems to have a focus on economic integration. In short, this means that foreigners who have a job are integrated. Hence, expatriates are basically excluded from the whole debate on integration as they, when they come to Denmark already have a job or at least are highly educated. Thus, the definition of integration and the discussion about it focuses on immigrants, non-Western in particular.

According to the Danish Ministry of Refugee, Immigration and Integration Affairs and the integration law, integration consists of three general columns: job, education and becoming part of society (Nygaard, personal conversation, 06 October 2009). In 2005, the Ministry developed an integration plan which, again, shows a clear focus on economic integration. The plan, however, seems to lack a clear statement towards multiculturalism and diversity in Denmark. Social and cultural issues are hardly mentioned, except an aiming towards a general recognition of basic “values of society such as democracy and equality between the sexes” (Ministry of Refugee, Immigration and Integration Affairs 2005:1).

On the other hand, there are institutions that include customs and culture in the discussion. In the integration policy of the Municipality of Copenhagen (2006) integration is defined in terms of adaptation and acceptation. According to them, foreigners should adapt through learning the language, living according to national laws as well as respecting the customs and culture of the dominant group. At the same time, the dominant group is requested to accept the minority’s culture and customs as long as these do not contradict democracy and human rights. The minority group should furthermore not be obliged to take over the dominant culture. (Municipality of Copenhagen, 2006)

Another insight on how Denmark defines integration might be gained through a study conducted by ‘Dansk Center for Integration og Analyse (DCIA)’ to analyze what the Danes’ expectations of integration are. Their idea was to make it easier for foreigners to “become Danish enough for the Danes” (DCIA 2009c; own translation). In focus has been the discussion about the differences and problems between Danish and Muslim culture. This, on the one hand, makes the results of the study not fully valid for an expatriate study and one the other hand shows, again, where the focus in Danish integration discussion lies: on immigrants, especially those with an Islamic background. Nevertheless, the results of the study seem interesting for this paper as they show the Danish attitude towards integration. The survey finds three main aspects of integration (DCIA, 2009a): to speak Danish, to work and to follow the law. Furthermore, the study points out that, for the Danes, everyday life is where foreigners have to integrate. Danish culture on the other hand does not seem to be in the focus in the respondents’ definition of integration as only 10% of the respondents see it as a prerequisite of integration (DCIA 2009a:11). The aim of the study, to make foreigners ‘become Danish enough for the Danes’ seems questionable as it could...
be understood as aiming towards assimilation, something that does not seem to be consistent with the actual findings of the study.

As seen in the discussion above, the question of whether Denmark favours assimilation or integration is not entirely clear. This corresponds with the findings of the Eurobarometer (2000) which describes Denmark as a “polarised country” (p. 25) in which a large part of the population is intolerant towards minority groups but at the same time it has one of the largest percentages of actively tolerant people inside the EU. Furthermore, the study describes the Danes as rather open towards foreigners in comparison to other EU countries. According to Hedetoft (2006b), the main strategy in political and social practice is assimilation. However, according to the Eurobarometer (2000) the majority of the Danish population does not expect foreigners to give up their own culture, except “those aspects of their cultural life that violate domestic legislation” (p. 48). Hedetoft (2006b) also admits that, besides these assimilationist practices, there is a new discourse on integration and diversity. While the assimilationist strategy is broadly accepted by several political parties, it is mainly supported by the Danish Peoples Party (Hedetoft 2006b), a party known for its anti immigration attitude (Bjørklund and Andersen 1999). Some other political parties are starting to foster a diversity discourse; however, with a mentality to take advantage of diversity and the different backgrounds foreigners bring to Denmark. (Hedetoft 2006b).

Lassen (2009) differentiates the political and media discourse from the reality on the Danish labour market. According to him, there seem to be two realities when talking about integration in Denmark:

1. Integration in Denmark is a big problem
2. Integration in Denmark is a big success

The first reality refers to the media and political reality which is focusing on problems in the different cultural and religious backgrounds of foreigners in Denmark. The second reality, however, refers to the ongoing success in integrating immigrants into the labour market and the educational system. (Lassen 2009) According to Lassen (2009), the difference in these two realities stems from different attitudes towards immigrants. The public discussion is challenging immigrants to become like Danes and if they do not, integration failed. On the other hand Danish companies seem to be welcoming immigrants as they are, figuring out a way how they can work together in the future. In Lassen’s argumentation it shows that the Danish media seems to have a strong influence on the public opinion about integration. Gudykunst and Kim (2003) might agree as they suggest that mass media can have a strong influence on the host society’s attitude towards a certain cultural group or foreigners in general. According to Lassen’s (2009) two realities, it seems that Denmark is not necessarily as focused on homogeneity and assimilation as the media and political discussions often try to communicate. Hence, when looking at the situation for foreigners in Denmark it seems crucial to always remember what reality one is looking at. Regarding the three main columns of the integration law mentioned above, Denmark seems to have made big steps in achieving the first two points, job and education. In order to fulfil the third point, integration into society, Denmark is working on different projects, for instance in cooperation with NGOs. Moreover, there are awards and projects around the issue of
diversity. (Nygaard, personal conversation, 06 October 2009) Hence, Denmark seems to be shifting towards a focus that could also reach expatriates.

The situation for expatriates in Denmark

Denmark wants to attract expatriates, especially those who bring special knowledge in certain areas. As in other European countries many immigrant workers were invited to Denmark in the 1960s. However, when around 1973 the borders were closed down for them, for a long period only vulnerable immigrant groups such as refugees entered Denmark. These people came to Denmark often rather lowly educated and with rather distant cultural backgrounds. In the late 1990s the government decided that change was necessary (Nygaard, personal conversation, 06 October 2009). The new legislation therefore focused on two issues (Nygaard 2009, slide 17):

1. “Turning the general profile of immigration”
2. “Closing the competence gap”

The government’s integration plan tried to aim at a “better balance of immigration” (Ministry of Refugee, Immigration and Integration Affairs 2005:1), meaning that the number of expatriates should exceed the number of vulnerable immigrants. Here it seems as the group of highly skilled expatriates is the preferred kind of foreigner. The plan seems to have worked out as today the number of foreigners coming to Denmark for work or study reasons exceeds the number of foreigners coming to seek asylum because of family reunion by far (Immigration Service 2009) while just a few years ago the opposite was the case. Interestingly, although the number of expatriates coming to Denmark is significantly higher than the number of immigrants, they seem to get considerably less attention. Press, politics and governmental institutions almost exclusively focus their discussion on immigrants coming to Denmark as asylum seekers or for family reunion. One could conclude, that integration, rather than assimilation, of certain groups of foreigners might be ‘more allowed’. There are several possible reasons for that. Firstly, highly educated expatriates might be perceived as ‘better’ foreigners, constituting a resource for Denmark and contributing to its system and, thus, nobody wants to perceive them as a problem. On the contrary, immigrants or refugees are perceived as a threat to the Danish welfare system as they receive support without having contributed (Hedetoft 2006b). Secondly, foreigners from a culture close to the Danish culture might be allowed to integrate rather than assimilate. A reason for this might be that, according to Torbiörn (1982) cultural barriers face two ways. Hence, the lower the cultural barriers the higher might be the acceptance of partly differing values. Finally, expatriates might get less attention because they either have a job or are well educated enough to get a job quickly and are therefore not covered by the Danish definition of integration. Due to the lack of attention and support, expatriates group up in order to help themselves and to get their voice heard in the society. Different initiatives, from expatriates for expatriates exist such as ‘Worktrotter’ or ‘Foreigners in Denmark’.

Additionally, there are companies offering their services to expatriates as well as to companies hiring expatriates. Most of them are relocation companies such as ‘Relocation Scandinavia’, ‘Alldenmark Relocation’, ‘Gateway to Denmark’, to name just a few. Others offer their service to the spouse of expatriates such as ‘Spousecare’. However, more and more Danish institutions seem to realize the importance to support expatriates. The network ‘Expat in Denmark’ is run by the Danish Ministry of Economics and Business Affairs together with the Danish Chamber of
Commerce, the Copenhagen Post and the Danish Bankers Association. Its aims are to facilitate networking, to support expatriates with advice and knowledge as well as to make their stay more successful. (Expat in Denmark 2009) Moreover, the Danish Ministry of Integration seems to understand the need for highly skilled expatriates in Denmark. After succeeding in opening the borders for them first initiatives were recently developed such as a project called ‘welcometo.dk’. This is a joint project of different unions and the municipality association, aiming at supporting expatriates in areas such as “Contact with authorities, Workplace culture, Family matters, Acquisition of language and culture” (Welcometo.dk 2009).

Conclusion
Conclusions will be made regarding two main points, firstly, the definition of integration and, secondly, the influence Denmark as the receiving society might have on this definition.

How expatriates define integration
According to the findings of the study, expatriates define integration as related to the following aspects: local language skills, a social network, acceptance and respect towards the local culture, compliance with the law, a job and a feeling of belonging and satisfaction. The findings furthermore suggest that, for expatriates, integration is a question of attitude and of individual choice. The expatriates clearly reject the idea that, in order to integrate, assimilating into the host culture could be necessary.

The literature could not provide a clear definition of the term integration or the processes that occur in cross-cultural contact. The findings of the study show that the term ‘adjustment’ comes closest to the expatriates’ definition. Adjustment points towards accommodating differences in order to achieve satisfaction whereas adaptation seems to imply more radical changes, ultimately leading to assimilation. Most expatriates are willing to change in order to integrate, however, only in superficial or practical aspects, aspects that they can chose themselves and aspects that they like. They do accept and understand the fact that the local culture is different and they are eager not to offend anybody. However, radical change and giving up fundamental aspects of one’s own culture are not defined as integration. Especially when change is imposed and affects one’s private domain, it is rejected. The findings furthermore suggest that changing towards the local culture or sticking to one’s own are not the only options; rather an international culture could develop too. Many of the expatriates are open to balanced change and to mixing cultures in a way that suits them best as an individual or as a family. Similar conclusions can be drawn regarding the attitude towards the local language. The expatriates agree with the literature on the importance of language for adapting to and integrating into a new environment. However, their eagerness to learn the host country language does not necessarily include a willingness to step away from their home country language or other languages they are used to speak in their private domain. Hence, defining one’s own culture and the way one desires to integrate is very individual and about being able to make choices. Regarding the expatriates’ social network, the preference towards home country nationals, suggested in the literature, could not be confirmed; rather the opposite was true. Similarly, the possibility to merge ‘members of the local society’ and ‘members from third cultures’ into a universal ‘the others’ could clearly be rejected by the findings. The differences between these two groups, especially in the degree of difficulty to
make friends with them, are too big and require a separate assessment. As the findings showed, most of the expatriates do want to integrate into local society rather than being separated. However, due to the closed circles of the Danes, which were suggested by the literature and confirmed by the study, some expatriates only succeeded to integrate into the existent expatriate society.

The found definition does, to an extent, go in line with Berry’s acculturation strategy called ‘integration’. Both concepts point towards a maintenance of one’s cultural heritage as well as towards the establishment of contact to people with other cultural backgrounds than one’s own. However, the borders between integration, assimilation and separation seem less clear in real life than in theory. The findings suggest that choosing the right acculturation strategy is an individual process of finding an outcome most suitable and satisfying for the individual expatriate. This research tried to build a bridge between research on temporary sojourn and longer term immigration of high educated foreigners by including expatriates who came to Denmark in order to follow their Danish partner. The findings of this study, do not suggest major differences between expatriates with or without a Danish partner. The same applies for the comparison expatriates with a more or less distant culture. Only a slightly lower openness towards change and towards learning the local language for expatriates with a temporary stay was found.

Overall, the findings regarding the expatriates’ attitude and satisfaction as well as their ability to deal with the foreign environment suggest that they succeeded in integrating. The responsibility for this achievement seems to lie with the expatriates themselves. They are the ones that have to deal with their changing situation and in order to do so, the right attitude is perceived as crucial. However, in accordance with Berry’s theory, in order for the expatriate to integrate, there exists a demand on the receiving society to allow for integration and support the expatriates’ efforts, for instance, in learning the local language and building a social network with the locals.

**Integration in Denmark**

This work tried to include both the individual perspective of the expatriates and the group perspective of the Danes as a receiving society. The findings suggest, that, in theory, the Danish definition and the definition given by the expatriates show many similarities. Both point towards language skills, job, and compliance with the law rather than towards assimilation. However, the expatriates seem to be influenced by the public and media discussion on foreigners in Denmark which displays cultural differences as a problem.

Due to this existent public discussion on integration, Denmark, as receiving society, seems to have an influence on the expatriates’ definition of the term. Many of the expatriates were very opposed towards assimilation because they felt that Denmark tried to impose its culture on them. Hence, a pressure to assimilate creates refusals in the expatriates. The more influence the receiving society tries to get on the process of integration of the expatriates, the less they seem to be willing to take over the culture. Pressure seems to create refusal, with the result that expatriates then rather want to integrate while keeping their culture. Another influence of the Danish society is their characteristic of being a rather homogeneous and closed group. The attitude of the expatriates towards the Danes in general is predominantly positive and most of the expatriates show no desire to live separate from them. However, the reported difficulties to make
closer friendships with the Danes seem to put this issue even more in focus when defining integration. After having failed to make friends with Danes, some expatriates give up, shifting their focus towards integrating into an expatriate society. For a country like Denmark, relying on the skills and knowledge of foreign expatriates, these findings might contribute to first ideas for possible measures that government and companies could take in order to help integrating and retaining expatriates. For example, the findings implied that contact to locals is seen as a crucial support for integration. In conclusion, Danish institutions could start programs and initiatives bringing Danes and expatriates together more frequently and in a way that builds a tie between them. Companies, at the same time, could implement or extend programs of mentorship for foreign employees. Furthermore, it seems recommendable for the government to be aware that their political and media discussion reflects on how expatriates understand the Danish definition of integration. Initiatives in order to guide the discussion in a more positive direction and in order to make their highly skilled foreign workers feel more welcome might be taken.

Further research possibilities
Due to the breadth of the field of expatriation and intercultural contact, as well as the exploratory character of this research, it intended to, and could, only contribute with a small insight. To truly understand how expatriates in general, and different groups of expatriates in particular, define integration as well as to develop useful insights for governments and international companies in practice, the area would need to be studied more in-depth and from different angles. For this reason, in this last point of the research some limitations of the study and recommendations for future research will be made, firstly, regarding cultural aspects, secondly, regarding the individual backgrounds of the interviewed expatriates and, finally, regarding the inclusion of formal business expatriates. The study had its limitations regarding the amount of cultures that met. It studied expatriates currently living in a single receiving country, Denmark. Hence, the expatriates’ answers might have been influenced by their integration process in Denmark and its distinct characteristics. The study is aware of and did consider the influence Denmark might have. However, for future research and in order to truly understand how Denmark’s distinct characteristics influenced the expatriates, comparing the results of this study with findings from another country seems highly recommendable. The same research in, for example, a country with a much more multicultural society, might deliver different insights into the concept and underlying processes of integration as well as the resulting definitions of the term. Similarly, different cultural groups could be compared when coming to Denmark. In connection to that, it might be interesting to measure the degree of cultural distance of these groups as well as to the receiving society by means of the dimensions provided in the literature (see for example: Hall and Hall 1990; Trompenaars 1993; Hofstede and Hofstede 2005). To consider the perceived cultural distance, as done in this research, turned out to be a good measure to understand the expatriates’ attitude towards the host country, but it is not necessarily a clear measure for cultural distance. In relation to the receiving society it seems furthermore relevant to note that all expatriates are currently living in Copenhagen and only one of them has been living in another part of Denmark before.

So when talking about integration in Denmark, this might be influenced by Copenhagen. Integrating into other parts of Denmark might be different. Hence, further research is encouraged to compare definitions of and experience with integration in Copenhagen and in other parts of
the country. Regarding the background of the interviewed expatriates it seems relevant to point out that all of them were fluent in English and had a rather international background and attitude. Many of them had experience of living in foreign countries and eight of them are living with a partner of a different cultural background. Hence, their attitude towards the contact with a foreign culture as well as making friends with host or third country nationals might be different to expatriates with a less international background. Furthermore, coming back to the characteristics of Denmark as a host, being fluent in English already facilitates to make first contacts with the locals without needing to speak their language. The majority of the Danes have quite good English skills, arriving in a country, however, were English skills are less common might be different and might have an influence on the possibilities of, or obstacles to, integration.
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DATA LOSS AND PROBABILITY OF THREATS ASSOCIATED WITH K-ANONYMITY

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Abstract

K-anonymity provides a model to protect the confidentiality of the individual. It presents the data in such a way that for each single tuple there are k same types of tuples in the released table. In this paper, we calculate the total data loss in a table after applying k-anonymity. A measure is given that can calculate data loss for any value of K. Similarly the probability of threats is also measured after applying K-anonymity. This work also measures the strength of security. These measurements help a Database Administrator or Security Officer to select the value of K for applying K-anonymity based on the security and data loss requirements of an organization. It is proved that K-anonymity is directly proportional to data loss and security, and inversely proportional to probability of threats.

Key words: K-anonymity, Quasi-identifier, Data Loss, Probability of Threats

1. INTRODUCTION

Currently different organizations such as hospitals publish their raw non-aggregated data (also called micro data), for research purpose or a variety of different reasons. However, such data may contain private information as in the case of medical record, where identities of entities should be kept secret. In 1996, TIME/CNN conducted telephone poll in United States in which 88% of the respondents replied that medical information about themselves should not be released without their permission. In a second survey, 87% people said to restrict organizations from giving out medical information without a patient’s permission. People prefer that employees and directly involved people can only have access to their records and organization should be bounded by ethical and legal standards to prohibit further disclosure of their data (Sweeney, 1997).

Currently, the leakage of health information is rigorously regulated in many jurisdictions. Organizations are required to apply privacy protection to health data earlier to their revelation to researchers. For example, the Health Insurance Portability and Accountability Act (HIPAA) in the United States, and the Personal Health Information Protection Act (PHIPA) in Canada, are some of the well known privacy regulations that protect the confidentiality of healthcare information.

In order to protect the data of respondents, data holders often remove or encrypt explicit identifiers such as names, SSN and phone numbers before releasing (Ciriani, Foresti and
De-identifying these attributes, however, provide no warranty of anonymity. Released information often contains other fields, such as birth date, gender, and zip code which can be linked with external information to re-identify the individuals’ private data (Ciriani, Foresti and Samarati, 2007).

L. Sweeney estimated that 87.1% of the US population can be uniquely identified by the combination of their 5-digit zip code, gender and date of birth because such records can be linked to publicly available database such as voter lists and driving records. To prove her point, Sweeney re-identified a series of supposedly anonymous medical records including one belonging to William Weld (Governor of Massachusetts at that time) (Sweeney, 2002)

Consider the medical data given in the table to be published by a hospital.

<table>
<thead>
<tr>
<th>S/No</th>
<th>ZiP Code</th>
<th>Age</th>
<th>Gender</th>
<th>Nationality</th>
<th>Name</th>
<th>Condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>13053</td>
<td>28</td>
<td>M</td>
<td>Pakistani</td>
<td>Ali</td>
<td>Heart Disease</td>
</tr>
<tr>
<td>2</td>
<td>13067</td>
<td>29</td>
<td>M</td>
<td>American</td>
<td>Bob</td>
<td>Heart Disease</td>
</tr>
<tr>
<td>3</td>
<td>13053</td>
<td>35</td>
<td>M</td>
<td>Canadian</td>
<td>Jan</td>
<td>Viral Infection</td>
</tr>
<tr>
<td>4</td>
<td>13067</td>
<td>36</td>
<td>F</td>
<td>Japanese</td>
<td>Tina</td>
<td>Cancer</td>
</tr>
</tbody>
</table>

Table 1: Macro data of a hospital

Table 1 shows the original data while table 2 shows the data by suppressing names in order to protect identities of respondents.

<table>
<thead>
<tr>
<th>S/No</th>
<th>ZiP Code</th>
<th>Age</th>
<th>Gender</th>
<th>Nationality</th>
<th>Condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>13053</td>
<td>28</td>
<td>M</td>
<td>Pakistani</td>
<td>Heart Disease</td>
</tr>
<tr>
<td>2</td>
<td>13067</td>
<td>29</td>
<td>M</td>
<td>American</td>
<td>Heart Disease</td>
</tr>
<tr>
<td>3</td>
<td>13053</td>
<td>35</td>
<td>M</td>
<td>Canadian</td>
<td>Viral Infection</td>
</tr>
<tr>
<td>4</td>
<td>13067</td>
<td>36</td>
<td>F</td>
<td>Japanese</td>
<td>Cancer</td>
</tr>
</tbody>
</table>

Table 2: De-identified data given in table 2 seems to be protected (medical record).

However, values of other released attributes, such as Name, Zip Code, Age and Nationality can also appear in some external table for example voter’s registration list which can be linked to identify an individual’s record.

<table>
<thead>
<tr>
<th>S/No</th>
<th>Name</th>
<th>ZiP Code</th>
<th>Age</th>
<th>Nationality</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>John</td>
<td>13053</td>
<td>28</td>
<td>American</td>
</tr>
<tr>
<td>2</td>
<td>Bob</td>
<td>13067</td>
<td>29</td>
<td>American</td>
</tr>
<tr>
<td>3</td>
<td>Chris</td>
<td>13053</td>
<td>23</td>
<td>American</td>
</tr>
</tbody>
</table>

Table 3: Publicly available table/voter list

For example, Zip Code, Age, Gender and Nationality can be linked to the Voter List in Table 3 to identify the name of a person. Thus it identifies the corresponding tuple as pertaining to “Bob, who is a 29 years old man living in Zip Code 13067 of United State of America and he is a patient of heart disease”.

In order to overcome the possibility of a privacy breach, some researchers tried to de-identify the data by using techniques such as sampling, swapping and adding noise to the data while maintaining an overall statistical property of the result. However, this compromises the integrity or truthfulness of the released data (Adam, and Wortman, 1989), (Samarati, 2001), (Willenborg and DeWaal, 1996)

L. Sweeney proposed a model called K-anonymity to protect the respondents’ identities and release truthful information. She suggests to change the data in such a way that for each tuple
in the released table, there are at least k-1 other tuples with the same value for the quasi-identifier” (Sweeney, 2002). L. Sweeney presented Minimum Generalization Algorithm (MinGen) that uses Generalization and Suppression (Sweeney, 2002). It produces K-anonymity with minimal data loss, but they do not measure the amount of data loss. K. Lefevre, D.J. DeWitt and R. Ramakrishnan proposed Incognito Algorithm (Lefevre, DeWitt and Ramakrishnan, 2005) which provides a model for k-anonymization technique called full-domain generalization. To guarantee the minimality of the anonymization, Incognito uses bottom-up breadth first search on domain generalization hierarchy. The incognito algorithm begins by checking single attribute in Q1, discarding those generalizations that do not satisfy k-anonymity for a single attribute. Then it combines the remaining generalizations in pair, performing the same operation on pair of attributes (iteration 2) and so on until the whole set of attributes is completed. Major drawback of this work is that it returns the set of all possible solutions, and thus it is impractical to check all the information loss to find the optimal one. Xiaoxun Sun, Lili Sun and Hua Wang (Xiaoxun Sun, Hua Wang and Jiuyong, 2008), (Xiaoxun Sun, Lili Sun and Hua Wang, 2010) discuss data loss. They explain that the data loss ratio increases with the quasi-identifier size. When quasi-identifiers contain more attributes, more chances are there that two tuples are different and more chances that tuples will be generalized. This will increase the amount of data loss but they do not measure the data loss associated with the attributes of quasi-identifiers.

1.2 Research Objective:
A lot of research work has been done in k-anonymity and data loss e.g, in (Sweeney, 2002), (Lefevre, DeWitt and Ramakrishnan, 2005), (Xiaoxun Sun, Hua Wang and Jiuyong, 2008), (Xiaoxun Sun, Lili Sun and Hua Wang, 2010), (Zhang and Yang, 2010). But no one has focused on the measurement of data loss in a column and/or table by applying K-anonymity. This research work measures the actual data loss and probability of threats in a table after applying K-anonymity.

2. BASIC DEFINITIONS
This section defines some terms that are used in this paper.

2.1 Quasi-Identifiers:
A set of attributes Q in a private table T that can be joined with external information to re-identify an individual’s record (Dalenius, 1986), (Samarati, 2001). Examples of common quasi identifiers are dates (such as birth, death, admission, discharge and visit dates), location (such as zip codes, region) and gender (Eman, Brown and Abdelmalik, 2008), (El Eman, Jabbours, Sams, Drouet, and Power, 2006)

2.2 Generalization:
It is the replacement of the original value by a semantically consistent but less specific value (Sweeney, 2002).

2.3 Suppression:
Data is suppressed in this technique. Suppression can be at cell or tuple level (Sweeney, 2002).
2.4 Domain Generalization:
Constructing a more general domain from existing domains is called Domain Generalization (Lefevre, DeWitt and Ramakrishnan, 2005). For example, consider a domain of Zip Code 23145 which is generalized into 2314* by ignoring the least significant digit.

2.5 Domain Generalization Relationship:
A domain generalization relationship is defined as \( D_t \preceq DD_j \) to denote that domain \( D_t \) is either identical, or a domain generalization of \( D_j \) (Lefevre, DeWitt and Ramakrishnan, 2005). If there is an edge from \( D_t \) to \( D_j \), \( D_j \) is called the direct generalization of \( D_t \). Domain generalization relationship is transitive, that is,
If \( D_t \preceq DD_j \) and \( D_j \preceq DD_k \), then \( D_t \preceq DD_k \).

2.6 Domain Generalization Hierarchy:
It is defined to be the set of domains that is totally ordered by the domain generalization relationship \( \preceq D \) (Lefevre, DeWitt and Ramakrishnan, 2005). A Domain Generalization Hierarchy can be considered as the nodes in a chain of direct generalizations.
- Edges – direct generalizations
- Paths – implied generalizations

This paper proposes two measures to calculate Data Loss and Probability of Threats after applying generalization and suppression

3. K-ANONYMITY
K-anonymity is a very famous technique for the protection of data. Here we take an example and apply the anonymity technique for different values of K (i.e 2-anonymity, 3-anonymity, 4-anonymity etc)

Consider a hospital’s data given in table 4.

<table>
<thead>
<tr>
<th>Zip Code</th>
<th>Age</th>
<th>Gender</th>
<th>Nationality</th>
<th>Condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>02110</td>
<td>30</td>
<td>M</td>
<td>Pakistan</td>
<td>HIV</td>
</tr>
<tr>
<td>02028</td>
<td>25</td>
<td>M</td>
<td>America</td>
<td>Flu</td>
</tr>
<tr>
<td>02130</td>
<td>40</td>
<td>M</td>
<td>China</td>
<td>Chest Pain</td>
</tr>
<tr>
<td>02135</td>
<td>21</td>
<td>M</td>
<td>Japan</td>
<td>Flu</td>
</tr>
<tr>
<td>02011</td>
<td>39</td>
<td>F</td>
<td>England</td>
<td>Heart Disease</td>
</tr>
<tr>
<td>02041</td>
<td>33</td>
<td>M</td>
<td>France</td>
<td>Heart Disease</td>
</tr>
<tr>
<td>02118</td>
<td>37</td>
<td>F</td>
<td>China</td>
<td>Vomiting</td>
</tr>
<tr>
<td>02016</td>
<td>30</td>
<td>M</td>
<td>America</td>
<td>Heart Disease</td>
</tr>
<tr>
<td>02147</td>
<td>46</td>
<td>F</td>
<td>Russia</td>
<td>Fever</td>
</tr>
<tr>
<td>02021</td>
<td>43</td>
<td>M</td>
<td>America</td>
<td>Hypertension</td>
</tr>
<tr>
<td>02115</td>
<td>34</td>
<td>F</td>
<td>Pakistan</td>
<td>Flu</td>
</tr>
<tr>
<td>02035</td>
<td>30</td>
<td>F</td>
<td>France</td>
<td>Viral</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Infection</td>
</tr>
</tbody>
</table>
Table 4: Hospital Data

In the above table, there are four quasi-identifiers, which are Zip Code, Age, Gender and Nationality. By applying generalization hierarchy to each attribute of quasi-identifier we get the following tree:

Levels

Zip Code

< 40 = 40 4 = 50

Gender

< 50 = 50

Nationality
In each variable of quasi-identifier, domain generalization is constructed from existing one. So in Domain Generalization Hierarchies (DGH) edges and paths are made. That is directly and indirectly relationships are constructed from one level to another. Now we can apply generalization hierarchies to achieve K-anonymity. i.e, 2-anonymity, 3-anonymity and 4-anonymity.

**2-Anonymity:** Achieving 2-anonymity using generalization hierarchies on the given data, in table 4 we get

<table>
<thead>
<tr>
<th>Zip Code</th>
<th>Age</th>
<th>Gender</th>
<th>Nationality</th>
<th>Condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>02110</td>
<td>30</td>
<td>M</td>
<td>Pakistan</td>
<td>HIV</td>
</tr>
<tr>
<td>02115</td>
<td>34</td>
<td>F</td>
<td>Pakistan</td>
<td>Flue</td>
</tr>
<tr>
<td>02118</td>
<td>37</td>
<td>F</td>
<td>China</td>
<td>Vomiting</td>
</tr>
<tr>
<td>02130</td>
<td>20</td>
<td>M</td>
<td>China</td>
<td>Chest Pain</td>
</tr>
<tr>
<td>02135</td>
<td>21</td>
<td>M</td>
<td>Japan</td>
<td>Flue</td>
</tr>
<tr>
<td>02139</td>
<td>35</td>
<td>M</td>
<td>Japan</td>
<td>Viral Infection</td>
</tr>
<tr>
<td>02144</td>
<td>42</td>
<td>F</td>
<td>Japan</td>
<td>Cancer</td>
</tr>
<tr>
<td>02147</td>
<td>46</td>
<td>F</td>
<td>Russia</td>
<td>Fever</td>
</tr>
<tr>
<td>02011</td>
<td>39</td>
<td>F</td>
<td>England</td>
<td>Heart Disease</td>
</tr>
<tr>
<td>02016</td>
<td>30</td>
<td>M</td>
<td>America</td>
<td>Heart Disease</td>
</tr>
<tr>
<td>02021</td>
<td>43</td>
<td>M</td>
<td>America</td>
<td>Hypertension</td>
</tr>
<tr>
<td>02028</td>
<td>49</td>
<td>M</td>
<td>America</td>
<td>Flue</td>
</tr>
<tr>
<td>02035</td>
<td>30</td>
<td>F</td>
<td>France</td>
<td>Viral Infection</td>
</tr>
<tr>
<td>02036</td>
<td>24</td>
<td>F</td>
<td>France</td>
<td>Obesity</td>
</tr>
<tr>
<td>02041</td>
<td>33</td>
<td>M</td>
<td>France</td>
<td>Heart Disease</td>
</tr>
<tr>
<td>02049</td>
<td>29</td>
<td>M</td>
<td>Canada</td>
<td>Fever</td>
</tr>
</tbody>
</table>

**3-Anonymity:** Achieving 3-anonymity on the given data, in table 4 we get

<table>
<thead>
<tr>
<th>Zip Code</th>
<th>Age</th>
<th>Gender</th>
<th>Nationality</th>
<th>Condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>02110</td>
<td>30</td>
<td>M</td>
<td>Pakistan</td>
<td>HIV</td>
</tr>
<tr>
<td>02115</td>
<td>34</td>
<td>F</td>
<td>Pakistan</td>
<td>Flue</td>
</tr>
<tr>
<td>02118</td>
<td>37</td>
<td>F</td>
<td>China</td>
<td>Vomiting</td>
</tr>
<tr>
<td>02130</td>
<td>20</td>
<td>M</td>
<td>China</td>
<td>Chest Pain</td>
</tr>
<tr>
<td>02135</td>
<td>21</td>
<td>M</td>
<td>Japan</td>
<td>Flue</td>
</tr>
<tr>
<td>02139</td>
<td>35</td>
<td>M</td>
<td>Japan</td>
<td>Viral Infection</td>
</tr>
<tr>
<td>02144</td>
<td>42</td>
<td>F</td>
<td>Japan</td>
<td>Cancer</td>
</tr>
<tr>
<td>02147</td>
<td>46</td>
<td>F</td>
<td>Russia</td>
<td>Fever</td>
</tr>
<tr>
<td>02011</td>
<td>39</td>
<td>F</td>
<td>England</td>
<td>Heart Disease</td>
</tr>
<tr>
<td>02016</td>
<td>30</td>
<td>M</td>
<td>America</td>
<td>Heart Disease</td>
</tr>
<tr>
<td>02021</td>
<td>43</td>
<td>M</td>
<td>America</td>
<td>Hypertension</td>
</tr>
<tr>
<td>02028</td>
<td>49</td>
<td>M</td>
<td>America</td>
<td>Flue</td>
</tr>
<tr>
<td>02035</td>
<td>30</td>
<td>F</td>
<td>France</td>
<td>Viral Infection</td>
</tr>
<tr>
<td>02036</td>
<td>24</td>
<td>F</td>
<td>France</td>
<td>Obesity</td>
</tr>
<tr>
<td>02041</td>
<td>33</td>
<td>M</td>
<td>France</td>
<td>Heart Disease</td>
</tr>
<tr>
<td>02049</td>
<td>29</td>
<td>M</td>
<td>Canada</td>
<td>Fever</td>
</tr>
<tr>
<td>02045</td>
<td>25</td>
<td>M</td>
<td>France</td>
<td>Heart Disease</td>
</tr>
</tbody>
</table>

In table 5, it may be noted that we have two identical tuples in terms of quasi identifiers.

**3-Anonymity:** Achieving 3-anonymity on the given data, in table 4 we get

<table>
<thead>
<tr>
<th>Zip Code</th>
<th>Age</th>
<th>Gender</th>
<th>Nationality</th>
<th>Condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>0211*</td>
<td>&lt;=40</td>
<td>Person</td>
<td>Pakistan</td>
<td>HIV</td>
</tr>
<tr>
<td>0211*</td>
<td>&lt;=40</td>
<td>Person</td>
<td>Pakistan</td>
<td>Flue</td>
</tr>
<tr>
<td>021**</td>
<td>&lt;=40</td>
<td>Person</td>
<td>China</td>
<td>Vomiting</td>
</tr>
<tr>
<td>021**</td>
<td>&lt;=40</td>
<td>Person</td>
<td>China</td>
<td>Chest Pain</td>
</tr>
<tr>
<td>0213*</td>
<td>&lt;=40</td>
<td>M</td>
<td>Japan</td>
<td>Flue</td>
</tr>
<tr>
<td>0213*</td>
<td>&lt;=40</td>
<td>M</td>
<td>Japan</td>
<td>Viral Infection</td>
</tr>
<tr>
<td>0214*</td>
<td>&lt;=50</td>
<td>F</td>
<td>Asia</td>
<td>Cancer</td>
</tr>
<tr>
<td>0214*</td>
<td>&lt;=50</td>
<td>F</td>
<td>Asia</td>
<td>Fever</td>
</tr>
<tr>
<td>0201*</td>
<td>&lt;=40</td>
<td>Person</td>
<td>Europe</td>
<td>Heart Disease</td>
</tr>
<tr>
<td>0201*</td>
<td>&lt;=40</td>
<td>Person</td>
<td>Europe</td>
<td>Heart Disease</td>
</tr>
<tr>
<td>0202*</td>
<td>&lt;=50</td>
<td>M</td>
<td>America</td>
<td>Hypertension</td>
</tr>
<tr>
<td>0202*</td>
<td>&lt;=50</td>
<td>M</td>
<td>America</td>
<td>Flue</td>
</tr>
<tr>
<td>0203*</td>
<td>&lt;=40</td>
<td>F</td>
<td>France</td>
<td>Viral Infection</td>
</tr>
<tr>
<td>0203*</td>
<td>&lt;=40</td>
<td>F</td>
<td>France</td>
<td>Obesity</td>
</tr>
<tr>
<td>0204*</td>
<td>&lt;=40</td>
<td>M</td>
<td>Europe</td>
<td>Heart Disease</td>
</tr>
<tr>
<td>0204*</td>
<td>&lt;=40</td>
<td>M</td>
<td>Europe</td>
<td>Fever</td>
</tr>
</tbody>
</table>

In tables 6 and 7, we have three and four identical tuples respectively in terms of quasi identifiers.
4-Anonymity: Achieving 4-anonymity on the given data, in table 4 we get

<table>
<thead>
<tr>
<th>Zip Code</th>
<th>Age</th>
<th>Gender</th>
<th>Nationality</th>
<th>Condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>02110</td>
<td>30</td>
<td>M</td>
<td>Pakistan</td>
<td>HIV</td>
</tr>
<tr>
<td>02115</td>
<td>34</td>
<td>F</td>
<td>Pakistan</td>
<td>Flue</td>
</tr>
<tr>
<td>02118</td>
<td>37</td>
<td>F</td>
<td>China</td>
<td>Vomiting</td>
</tr>
<tr>
<td>02130</td>
<td>20</td>
<td>M</td>
<td>China</td>
<td>Chest Pain</td>
</tr>
<tr>
<td>02135</td>
<td>21</td>
<td>M</td>
<td>Japan</td>
<td>Flue</td>
</tr>
<tr>
<td>02139</td>
<td>35</td>
<td>M</td>
<td>Japan</td>
<td>Viral Infection</td>
</tr>
<tr>
<td>02144</td>
<td>42</td>
<td>F</td>
<td>Japan</td>
<td>Cancer</td>
</tr>
<tr>
<td>02147</td>
<td>46</td>
<td>F</td>
<td>Russia</td>
<td>Fever</td>
</tr>
<tr>
<td>02011</td>
<td>39</td>
<td>F</td>
<td>England</td>
<td>Heart Disease</td>
</tr>
<tr>
<td>02016</td>
<td>30</td>
<td>M</td>
<td>America</td>
<td>Heart Disease</td>
</tr>
<tr>
<td>02021</td>
<td>43</td>
<td>M</td>
<td>America</td>
<td>Hypertension</td>
</tr>
<tr>
<td>02028</td>
<td>25</td>
<td>M</td>
<td>America</td>
<td>Flue</td>
</tr>
<tr>
<td>02035</td>
<td>30</td>
<td>F</td>
<td>France</td>
<td>Viral Infection</td>
</tr>
<tr>
<td>02036</td>
<td>24</td>
<td>F</td>
<td>France</td>
<td>Obesity</td>
</tr>
<tr>
<td>02041</td>
<td>33</td>
<td>M</td>
<td>France</td>
<td>Heart Disease</td>
</tr>
<tr>
<td>02049</td>
<td>29</td>
<td>M</td>
<td>Canada</td>
<td>Fever</td>
</tr>
</tbody>
</table>

Table 7

5. MEASURING DATA LOSS AND PROBABILITY OF THREATS ASSOCIATED WITH K-ANONYMITY

Here we measure data loss and probability of threats of each cell of the attribute of quasi-identifier such as Discrete variable, Continuous variable and Categorical variable associated with K-anonymity. Then we will find data Loss and probability of threats at each column level and then table level.

5.1 Data Loss Measure:

The data loss measure is used to calculate how much data is lost after applying K-anonymity? For Data loss measurement different formulas will be used according to the value of quasi-identifier.

5.1.1 Discrete Variables:

Variables that can only take a finite number of values are called discrete variables. To measure Data Loss of discrete variable such as zip code we count the number of missing digit(s) and will divide it by the total number of digits. For example zip code 02110 contains 5 digits. Mathematical form of formula is

$$D_{ij} = \frac{M}{T}$$

Here ‘i’ represents row, ‘j’ represents column. ‘M’ denotes missing digit(s) and ‘T’ denotes total number of digits.

5.1.2 Continuous variables:

Variables that can take an infinite number of possible values are called continuous variables. To calculate Data Loss for continuous variable, such as Age, we use the distance formula.

$$D_{ij} = \frac{|B_i - A_i|}{A_i}$$

$A_i$ is the actual value and $B_i$ is the anonymized value.
5.1.3 Categorical variables:
A variable that has two or more categories is called categorical variable. To measure Data Loss for categorical attribute, for example Nationality and Gender, we consider its level that is, current level and maximum level. Such as

\[ D_{ij} = \frac{C}{G} \]

Here ‘C’ is the current level of generalization and ‘G’ is the Maximum level of generalization.

5.2 Probability of Threats Measure:
The probability of threats measurement is used to calculate the chances an intruder may find to anonymize individuals. In other words, we can say that how much the released data is secured? For this purpose, different formulas are used according to the nature of quasi-identifier.

5.2.1 Discrete Variables:
We use the following formulas to calculate Probability of Threats for discrete variable

\[ P_{ij} = \frac{1}{10} \]  
(if one digit is missing)

\[ P_{ij} = \frac{1}{100} \]  
(if two digit is missing)

While Security is measured with the following formula

\[ S_{ij} = 1 - P_{ij} \]

Here ‘P’ denotes Probability of Threats and ‘S’ denotes Security.

5.2.2 Continuous variables:
To calculate Probability of Threats for a Continuous variable, we use the following formula

\[ P_{ij} = \frac{1}{\text{generalized value}} \]

For example, if we generalized 21 to 40, then its probability of threats will be

\[ P_{ij} = \frac{1}{40} = 0.025 \]

5.2.3 Categorical variables:
To calculate probability of threat for categorical attributes, the formula is

\[ P_{ij} = \frac{1}{\text{No. of leaf node(s) of that generalization}} \]

For example, if we write ‘Pakistan’ as ‘Asia’ (Asia contains 3 child node), then

\[ P_{ij} = \frac{1}{3} = 0.33 \]

6. DATA LOSS AND PROBABILITY OF THREATS AT THE COLUMN AND TABLE LEVEL

Data loss at the column level can be calculated as following

\[ \overline{D} = \frac{1}{n} \sum_{i=1}^{n} D_{ij} \]

Here i = 1, 2, 3… n represent the number of rows in the jth column.
While probability of threats at the column level can be measured as following:
Similarly data loss and probability of threats of 4-anonymity will be

To find Data Loss of the entire table, we use the following formula:

\[ D_T = \frac{1}{m} \sum_{j=1}^{m} D \]

Here \( j = 1, 2, 3 \ldots m \) represent the number of columns.

Similarly to find Probability of Threats of the entire table, we use the following formula:

\[ P_T = \frac{1}{m} \sum_{j=1}^{m} P \]

Similarly the security of the entire table will be:

\[ S_T = 1 - P_T \]

We can apply formulae of data loss and probability of threats for any level of ‘K’ after applying K-anonymity. i.e. 2-anonymity, 3-anonymity and 4-anonymity. We will get different values for data loss and probability of threats for each value of K. First we apply data loss and probability of threats of 2-anonymity associated with Table 5.

\[ D_T = \frac{1}{m} \sum_{j=1}^{m} D \]

\[ D_T = \frac{0.22 + 0.33 + 0.18 + 0.18}{4} \]

\[ D_T = 0.23 \]

While its probability of threats and security will be

\[ P_T = \frac{1}{m} \sum_{j=1}^{m} P \]

\[ P_T = \frac{0.08 + 0.02 + 0.81 + 0.74}{4} \]

\[ P_T = 0.41 \]

\[ S_T = 1 - P_T \]

\[ S_T = 0.59 \]

Data loss and probability of threats of 3-anonymity will be

\[ D_T = 0.38 \]

\[ P_T = 0.27 \]

Similarly data loss and probability of threats of 4-anonymity will be

\[ D_T = 0.50 \]

\[ P_T = 0.21 \]
7. GRAPHICAL REPRESENTATION OF 2, 3 & 4-ANONYMITY

7.1 A graph is generated to plot Data Loss for different values of $K$

![Graphical Representation of Anonymity](image)

The graph shows that $K$-anonymity and Data loss are directly proportional to each other, that is, applying high $k$-anonymity will produce high data loss and vice versa.

7.2 Graph for Probability of Threats and Security

![Graphical Representation of Threats and Security](image)

Above graph shows that $k$-anonymity is inversely proportional to Probability of threats, that is, applying high $k$-anonymity produces low probability of threats and high security and vice versa.

8. COMPARISONS WITH $K$-ANONYMIZATION DATA STREAM BASED ON SLIDING WINDOW (KIDS)

If we compare our work with the ‘KIDS’ by J. Zhang, J. Yang (Zhang and Yang, 2010) they measure data losses for categorical attribute and continuous variable only. For continuous attributes,

$$DataLoss(u) = \frac{Uu - Lu}{U - L}$$
Here $U_l$, $L_l$ denote the Upper and Lower bounds of interval $I_l$ and $U$, $L$ denote the Lower and Upper bounds of $DG$. Consider a tree for age according to diagram of ‘KIDS’

```
1.80
/  \
1.40 40,80
/  \
1.20 20,40
```

As the value of “18” fall into the interval $[1, 20]$, so

$$\text{Data Loss} = \frac{20 - 1}{60 - 1} = 0.32$$

While our taxonomy tree for ‘age’ would like this

```
< =60
/  \
<=40  <=90
/  \
<=20 <=50
```

If we apply k-anonymity (i.e. 2-anonymity) and write $\leq 20$ in place of ‘18’, then our data loss for value of ‘18’ is

$$\text{Data Loss} = \frac{B_t - A_t}{A_t} = 0.11$$

Also ‘KIDS’ calculate data loss for the continuous variable such that value fallen in the same domain will produce same data loss. e.g for ‘16’ and ‘18’ it data loss will same
While every value may different data loss i.e data loss of ‘16’ and ‘18’ are different

9. CONCLUSION AND FUTURE WORK

In this paper, we introduced the concept of data loss and probability of threats for k-anonymity. We proposed different metrics to measure data loss and probability of threats for attributes of different types after applying k-anonymity. We proved that increasing the value of $k$ in k-anonymity, increases data loss and decreases probability of threats and provide high level of security and vice versa. This concept provides a way to measure data loss and security associated with k-anonymity that helps a DBA to anonymize the data as per the data availability and security requirement of an anonymization.
References

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THE EFFECTS OF SUPERVISOR-SUBORDINATE GENDERS ON SUBORDINATES’ INVOLVEMENT ACROSS MANAGERIAL FUNCTIONS

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Abstract

One of the renowned agendas’ of the management study around the globe encircles the gender-biasness or non-biasness in performing the basic managerial functions. Pertaining to the factual studies, mixed views have been brought to light that whether male supervisors have a good relationship with male subordinates or female subordinates and whether female supervisors have good relationship with female subordinates or male subordinates. It is often assumed that cross gender supervisor subordinate relationships are better than same gender supervisor subordinate relationships. The involvement of subordinates in the four managerial functions namely planning, organizing, controlling and motivating are investigated to conclude the effects of gender on subordinate involvement in management functions by the supervisors. A sample of 1000 respondents were specifically chosen from banking sector to identify if gender of supervisor and subordinate has any effect on subordinates’ involvement across managerial functions. To achieve this, firstly, mean of male supervisor with same and cross gender subordinates is compared on the basis of their involvement in managerial functions through applying the split analysis. Results revealed that male supervisors involve male subordinates more in managerial functions than female subordinates. As for female supervisors they have the same level of involvement of both the genders across managerial functions but somehow these involvements are more towards the male subordinates.

Keywords: Supervisor, Subordinate, Gender, Managerial functions.

1. Introduction

Gender in an institutionalized system of social practices consists of males and females who are different in socially significant ways and they arrange inequalities in terms of those differences (Ridgeway & Loven, 1999). Also, the gender is one of the most important components in a supervisor-subordinate relationship (Ragins, 1999). The supervisor’s relationship with the subordinate is not only important for the subordinate but for the organization as a whole. It is the most important relationship expressed in an organization.
(Shockley-Zalabak, 1988). The immediate supervisor is the most important person to a subordinate as he/she is the primary source of receiving information (Foehrenback & Goldfarb, 1990). According to Sias (2008) and several other studies, supervisor and subordinates are physical objects and physical characteristics like gender, age and race that have an impact on their relationship.

The gender of subordinates may also influence supervisory ratings. Shockley-Zalabak (1988) found that females subordinates are not thought to be successful than male subordinates by their supervisors as well as by themselves. A few studies showed that supervisors evaluate males more highly than females (Rosen & Jerdee, 1974). Other studies have shown biasness that females get favored in evaluations (Bigoness, 1976). Frank and Drucker(1977) showed no differences in evaluations of males and females. All these studies inform one about the inconsistency in the findings.

More prominence is required to actually explore the involvement of subordinate in management functions by the supervisor in same and cross gender supervisor- subordinate relationships. The fundamental management functions, which are planning, organizing, controlling and motivating involvement was used to determine the gender biasness faced by the subordinate. Various research studies marked that if subordinates are allowed to participate in decision making, it would increase their motivation and satisfaction (Locke & Latham, 1990).

Furthermore, the same and cross gender combinations (male-male, male-female, female-male and female-female) are highlighted and to study, which gender combination has the best relationship (Fix & Sias, 2006). Goh (1991) has the viewpoint that male supervisors prefer male subordinates rather than female subordinates. It has been seen that there are more male supervisor and female subordinates rather than female supervisor and male subordinates. The literature has witnessed the same and cross gender associations. Based on theses This research is based on the findings found in the extant literature. The research questions directing the investigation are:

Do female supervisors involve male subordinates more in the management functions and male supervisors involve female subordinates more in management functions?

Therefore, the propositions tested were:

P1: Male supervisors involve female subordinates more in the managerial functions rather than male subordinates.

P2: Female supervisors involve male subordinates more in the managerial functions rather than female subordinates.

2. Literature review

2.1 Gender

Gender of a person has been conceptualized in two ways: One is the physiological gender and the other is the social gender (Scott, 1986). Physiological gender considers biological sex that is whether an individual is a male or a female as for social gender of a person is the personality characteristic of an individual that is masculine, feminine, or androgynous (Spence, Helmreich, & Stapp, 1975). A few studies have found that social gender that are the personality characteristics like masculine, feminine are more important than the biological gender in predicting the likelihood of having a mentor and the functions of the relationship for both male and female subordinates (Scandura & Ragins, 1993). A person having a high score on
masculinity and low score on femaleness is known to have a masculine gender role and one being low in masculinity and high of femaleness are known as having a feminine gender role. Undifferentiated are those who are low in maleness as well as femaleness. As for a person high on both is an androgynous (Bem, 1974). Behavior should be similar to the gender of the supervisor as it is perceived favorably by the subordinates. If a female starts to behave like a male does so therefore she won’t be evaluated favorably (Gutek, 1988).

2.1.1 Same Gender Relationship

A few studies have shown that the same gender supervisors and subordinates enjoy higher quality relationships as compared to opposite gender (Fix & Sias, 2006; Varma & Stroh, 2001). Tsui and O’Reilly (1989) even found that gender similarity is the best predictor of subordinates’ performance. Pelled (1999) found that subordinates have difficulties in identifying themselves with supervisors of different gender and age. Vecchio and Bullis (2001) studied the supervisor-subordinate relationship within the US Army and found that gender dissimilarity lead to subordinates being dissatisfied. In contrast, Orbell, Dawes and Schwartz-Shea (1994) found that neither male nor females used gender to predict who could be trusted to cooperate.

2.1.1.1 Female- Female relationship

It has been viewed in many researches that females are more likely to prefer working for a man (Liden, 1985). Based on Terborg’s (1977) study, one explanation of female preferences for male managers may be that the male managers have more influence than female managers. Restraints like personnel policies and lack of authority appeared to be restricting female managers which makes them unable to provide support to subordinates. A few researches show that female supervisors mentor females more than males (Ragins & Scandura, 1994) and females subordinates also give preference to female supervisors (Kram, 1985).

2.1.1.2 Male –Male relationship

There are the evidences and numerous investigations in different researches, it has already been revealed that the male supervisors involve rigorously huskier to their male subordinates in comparison of the female staff as Goh(1991) found in his study that male supervisors’ always tend to involve male subordinates to handle the managerial functions.

2.1.2 Cross Gender Relationship

2.1.2.1 Female-Male relationship

In the research conducted by Williams (1999) on effect of gender of supervisor and subordinate on perceived mentoring, it was concluded that female subordinates would receive the least mentoring behavior from female supervisors. As for male subordinates, they receive the greatest mentoring from female supervisor. O’Neill and Blake-Beard (2002) explored that relationship between female supervisor-male subordinate is affected by physiological as well as social gender. The factors affecting the relationship are gender stereotypes regarding females, power perspective that male mentors are more influential and have more power, organizational demographics that there are few women in upper management, relational demography that
people are more drawn towards those similar in demographics, sexual liaisons and gender behavior.

2.1.2.2 Male-Female relationship

An interesting study by Goh (1991) showed that male supervisors provide less supervisory mentoring to female subordinates as compared to males and women are not as assertive as men and they place greater emphasis on their home life. Biasness towards women by male supervisors is really common which has been noted in the literature. If a female performs well on their job so it is taken as good luck or extraordinary effort rather than appreciating their talent, which does affect the supervisor’s future behavior towards the subordinate (Heilman, 1983). As for male it has been observed that male’s success is attributed to his ability specially when being evaluated by a male supervisor (Kaufman & Shikiar, 1985).

Other works showed that female subordinates preferred male supervisors and this preference was situational rather than due to gender difference as they thought of male supervisors to have more influence in an organization. The differences were not based on individual characteristics rather were based on experience and restraints (Liden, 1985; Terborg, 1977). Female subordinates perceive more barriers in acquiring a mentor/supervisor than males as they think that mentor would be unwilling to form a relationship with them and people would misunderstand their relation as being sexual rather than professional (Ragins & Cotton, 1991). According to the research conducted by Varma and Stroh (2001) females have low quality relationship with male supervisor.

2.1.3 Supervisory behavior of male and female

Powell (1990) found in his study that male and females are similar as supervisors. There is no difference in their management style. The supervisory as well as task and people oriented behavior was the same with no gender differences. In another research done by Trempe, Rigny, and Haccoun (1985), it was concluded that even in the blue collar workers, the gender of the supervisor and subordinate is less important to the perception and satisfaction of the subordinate where as upward influence (doing something for the workers) is important to the subordinate’s perception and satisfaction. Neither the interaction nor the stereotyping affected the subordinates.

Found were also the differences between male and female supervisors. Witherspoon (1997) showed key differences between male and female supervisors. Men are more argumentative, give their opinions and don’t share any personal information. They tend to take over decision-making discussions and are critical towards ideas of other people. They follow an autocratic style.

As for females, they believe in nurturing roles, they interrupt for explanation, and more supportive towards other speakers. They also try to avoid conflict by compromising and talking through problem. These qualities are in favor of females as young girls are socialized to be cooperative, understanding, supportive, interpersonally sensitive and flexible, they are more inclined to develop different managerial styles when they grow up and assume leadership positions in organizations. These qualities are more in line with organizations which value information sharing, participative decision making, developing relationships, and resolving conflict in non confrontational ways. Another point of view by Donnell and Hall (1980) regarding men and women managerial work styles is that females don’t share relevant data with colleagues and don’t provide feedback to subordinates. According to Baird and Bradley (1979), female supervisors communicate differently than male supervisors. They provide information to their subordinates; they are more open to ideas, form interpersonal relationships with employees,
encourage effort by subordinates, monitor employees and are more concerned about their morale. As for male supervisors, they show more of a dominant behavior. They are more relationship oriented (Fairhurst, 1993). Another point of view of a research by Maier (1992) is that to be the best supervisor men should learn good qualities of women and vice versa.

There are many researches on mentorship provided by the supervisor to the subordinate in relation with gender but there is no specific research to date that has explored the involvement of subordinate in managerial functions by the supervisor in same and cross gender supervisor-subordinate relationships. Therefore, this study has enlightened to investigate supervisor-subordinate relationship by looking at the involvement of subordinates into the managerial functions i.e. planning, organizing, controlling and motivating by the supervisor.

3. Methodology and Data Collection

The personal survey method was used to collect data where respondent personally visited the respondents to get the questionnaire filled.

3.1 Sampling technique and Sample size

Quota sampling technique was used to ensure that each type of relationship under study must be given equal representation. It was also ensured that respondents are at the similar designation level across categories to avoid any hierarchical effect.

1000 subordinates of banking sector participated in this research out of which 500 were male and 500 were female with the following distribution:
- 250 male subordinates with male supervisor
- 250 male subordinates with female supervisor
- 250 female subordinates with male supervisor
- 250 female subordinates with female supervisor

The reason for selecting banking industry was the availability of female subordinates and female supervisors.

3.2 Instrument of data collection

To test the impact of gender on supervisor-subordinate relationship, the instrument of data collection was established based on involvement of subordinates in the management functions by the supervisor.

A five point Likert item was used in the questionnaire ranging from strongly agree (5) to strongly disagree (1). As for in the reverse statements strongly agree (1) and strongly disagree (5). 5 depicted strong supervisor-subordinate relationship and 1 depicted weak supervisor-subordinate relationship.
3.3 Content Validity:

The various items of the managerial functions of planning, organizing, motivating and controlling were established using various established instruments and the contents were shared with various subject experts from academia and industry.

3.4 Reliability:

The reliability of the instrument was tested by measuring cronbach’s alpha for each item. The overall cronbach’s alpha of the instrument was 0.92. The four same and cross gender supervisor- subordinate relationships were studied namely male supervisor with male subordinate, male supervisor with female subordinate, female supervisor with male subordinate and female supervisor with female subordinate.

4. Econometrical Technique and Research Findings

Keeping in view the propositions, comparison of mean technique was applied through split analysis after transforming the non parametric data into parametric one.

As one can see in Table 1, the findings revealed that male supervisors involve more to male subordinates than the female ones in all planning, organizing, controlling and motivating functions, while female supervisors on the other hand involve somehow also more to male subordinate than the female ones in all stated functions. Thus, the proposition that male supervisor involves female subordinates more in managerial functions than male subordinates failed to be accepted. Similarly, proposition that female supervisors involve male subordinates more in managerial functions than female subordinates failed to be rejected.

Both the findings concluded the same investigations that it is the male subordinates which are preferred to be involved by the supervisors in the managerial functions no matters if they are male or female.

5. Conclusion and Discussion

This test verifies and concludes that male supervisors involve male subordinates more in management functions. Male supervisor’s relationship with male subordinate is much stronger and better than male supervisor’s relationship with female subordinate while female supervisor relations ship with male subordinates is also found somehow better.

The results of this study identified that out of the two gender combinations of supervisor and subordinates that are male supervisors with male and female subordinates and female supervisors with male and female subordinates; male supervisors involve male subordinates more in planning function than female subordinates. Similarly, the male supervisors involve male subordinates also in organizing, controlling and motivating functions more than female subordinates.
The same finding were revealed in case of female supervisors with male subordinates that the female supervisors tend to involve male subordinates more in all management functions than female subordinates.

The findings regarding male supervisors involving male subordinate’s more than female subordinates is in accordance with the study by Goh (1991) in which male supervisors preferred male subordinates rather than female subordinates. The findings for the female supervisors where they involve male subordinates somehow the same way as the male supervisors do, is also in accordance with the research by William (1999) where he concluded that female supervisors/mentor prefer male subordinates much more than female subordinates. Since, there is the preference for male subordinates as revealed by both the male and female supervisors hence, this investigation shows the importance of the gender difference and that it does have an impact on the involvement of subordinates in the managerial functions in the banking field.
References


Annexure

Table 1. Split Analysis for measuring subordinates involvements by same gender and cross gender
Supervisors

<table>
<thead>
<tr>
<th>Relations</th>
<th>Planning Functions</th>
<th>Organizing Functions</th>
<th>Controlling Functions</th>
<th>Motivating Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male - Male</td>
<td>Mean 3.7109</td>
<td>3.2940</td>
<td>3.3544</td>
<td>3.8552</td>
</tr>
<tr>
<td></td>
<td>SD 0.50344</td>
<td>0.59586</td>
<td>0.29854</td>
<td>0.58345</td>
</tr>
<tr>
<td></td>
<td>N 250</td>
<td>250</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>Male- Female</td>
<td>Mean 3.3538</td>
<td>3.2359</td>
<td>3.1401</td>
<td>3.3900</td>
</tr>
<tr>
<td></td>
<td>SD 0.53508</td>
<td>0.36582</td>
<td>0.42549</td>
<td>0.59501</td>
</tr>
<tr>
<td></td>
<td>N 250</td>
<td>250</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>Female- Male</td>
<td>Mean 3.3946</td>
<td>3.3435</td>
<td>3.2994</td>
<td>3.5000</td>
</tr>
<tr>
<td></td>
<td>SD 0.4311</td>
<td>0.43532</td>
<td>0.35825</td>
<td>0.70794</td>
</tr>
<tr>
<td></td>
<td>N 250</td>
<td>250</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td>Female-Female</td>
<td>Mean 3.4291</td>
<td>3.3333</td>
<td>3.2902</td>
<td>3.4955</td>
</tr>
<tr>
<td></td>
<td>SD .43387</td>
<td>.47936</td>
<td>.36771</td>
<td>.66938</td>
</tr>
<tr>
<td></td>
<td>N 250</td>
<td>250</td>
<td>250</td>
<td>250</td>
</tr>
</tbody>
</table>

Where,
SD = Standard Deviation
N = Sample Size
Male- Male = Male Supervisor – Male Subordinate
Male- Female = Female Supervisor – Female Subordinate
Female- Male = Female Supervisor – Male Subordinate
Female- Female = Female Supervisor – Female Subordinate
Efficiency Studying of Marquitz model based on portfolios of land, currency and stocks

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Abstract
There are various choices for investing. One of the main concerns of investors is combining assets in order to obtain the highest return and the lowest risk in which it is expressed in the framework of an investment portfolio in Marquitz theory. The main goal of this study was to investigate the investment in three assets including: Stock, land and currency and then to compare combination, return and real risk of these assets with those extracted by Marquitz model. The results showed that there were significant differences between the real investment, i.e. combination, return and real risk of assets, and Marquites outputs. The results also indicated that Marquites model has the least efficiency in predicting return investment when the market faces with the lack of a logical and correct analysis on the assets by investors.

Keywords: Marquitz theory, efficiency of portfolio, risk and return, investment portfolio.

Introduction
Investment means passing from current resources by the prospect of access to future return which has a risk proportional to the expected return. All investors have wealth that is resulted from offering their services in the working market, money, received loan or savings. Individuals try to improve their future consumption through economizing in today consumption and savings. Investors try to manage their wealth and assets effectively in order to be able to obtain highest return on these investments. They try to get advantage from factors such as inflation, tax and other factors related to decreasing of assets value by protecting them through investment.

The investment term can involve an extensive range of activities. This term may involve investment in deposit certificate, bonds, common stocks or stocks of common funds. Although those who invest professionally apply other assets like certificate of purchasing of documents, certificate of purchasing option and stocks selling with the proportion of their level of risk.
acceptability. These assets along with foreign exchange assets are known as financial assets. In contrast perceptible assets like gold, valuable goods, dwelling or housing and other physical assets are known as non-financial assets.

The investor can choose the type of his investment according to his characteristics such as: proficiency, amount of available information, income and other factors. But one of the most significant factors that investors consider in investing is the amount of risk associated with investment and also amount of their risk acceptability in the investment (Jones, 2008).

The probable asset risk and return is usually different than what has been expected, therefore the higher the variability of return, the higher the risk of investment. Many risks have been recognized in financial literature that each of them has its own special definition. Risk is divided in to two types through a typical classification: systematic and unsystematic. Systematic risk is a risk that is influenced by total conditions of the market, but unsystematic risk is related to conditions of assets' market at a more micro level. The significant point that could be said about investment is the relation that these markets have with each other. They can affect other markets through their variations. This relation occurs not only in one scope but in other scopes and assets as well. For instance, non-financial asset like A can effect on financial asset like B.

Relations of three assets of land, currency and stock are studied in this paper with regards to the framework of Marquitz model and as a unit portfolio. Then the efficiency level of this model in inter-relation among such assets will be tested with regards to their risk and return.

The theoretical framework of Marquitz model will be presented in the next part. Subsequently, the literature review will be studied. Following that, research hypotheses and research methodology are presented. Finally data analysis and results will be explained.

**Theoretical framework**

Investment decisions are placed around two main questions, choosing of assets and allocating of the amount of assets in an investment basket. Now if assets have risk, another issue will be created, that is determining total of bonds with maximum desirability which means to have the highest amount of return with the lowest risk. In 1952 Marquitz presented a primary respond to such questions. The technique that he has presented as called Mean Variance that is according to basic substitution between the risk and the return. He states that an assets portfolio is efficient
when it has the highest return at a specific level of risk. Marquetz and Toubin were the first ones who in addition to return, insert risk as an important factor in investment. they also considered and student method of minimizing risk with regards to return on asset Iin the bigining, this model did not attract too much attraction, but gradually, the financial accepted is seriously. Today after fifty years, so many model have been formed as remodeled based on that. At first this model attracts low attention but gradually the financial society accepts it severely and today many models are built or reconstructed based on it after fifty years.

One of the major factors in Marquitz model is diversity of investment. In fact diversification is a fundamental issue in finance scope. Common logic always state that don’t put of all your eggs in one basket. Marquitz model explains the concept of diversification or non-diversification with the introduction of statistical concept of covariance or quantitative correlation. Substantially many modern discoveries in finance literature originated from the concept of objective diversity and offer new applications for this concept (Philip, 2007).

Another important issue in Marquitz model is this risk. In this framework risk is defined as the probable deviation from the expected return. However, several studies have been performed that show return's standard deviation could not be considered as a precise criterion for risk, unless there exists a logical reason to accept that return distribution is a symmetrical distribution (Falker, 2005). Moreover, there are evidences which state that return distribution function is not symmetrical (Chen, 2008).

Marquitz in his theory, has inserted assets return variance, return of each assets, the weight of them in the portfolio and relationship link between these assets as of mayger variable. Summarized and conceptual diagram of these variables is shown in the following table.

| $W_i$ | weight of each assets in the portfolio |
| $\sigma_i^2$ | variance of return of each assets in the portfolio |
| $E_i$ | return of each assets in the portfolio |

$i= 1, 2, 3,\ldots, n$
Table 1- Variables of Marquitz mod

<table>
<thead>
<tr>
<th>Assets</th>
<th>$W_i$</th>
<th>$\delta_i^2$</th>
<th>$E_i$</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>$W_1$</td>
<td>$\delta_1^2$</td>
<td>$E_1$</td>
</tr>
<tr>
<td>B</td>
<td>$W_2$</td>
<td>$\delta_2^2$</td>
<td>$E_2$</td>
</tr>
<tr>
<td>C</td>
<td>$W_3$</td>
<td>$\delta_3^2$</td>
<td>$E_3$</td>
</tr>
<tr>
<td>D</td>
<td>$W_4$</td>
<td>$\delta_4^2$</td>
<td>$E_4$</td>
</tr>
<tr>
<td></td>
<td>$\vdots$</td>
<td>$\vdots$</td>
<td>$\vdots$</td>
</tr>
</tbody>
</table>

Marquitz states return of an assets as the sum of weight average of its assets' return.

$$E_p = \sum_{i=1}^{n} W_i E_i$$

Also, Marquitz uses portfolio variance for the risk of a portfolio. In addition to variance of each assets, he inserts the relationship among them that is summarized as of the following.

$$\delta_p^2 = W_1^2 \delta_1^2 + W_2^2 \delta_2^2 + \ldots + W_n^2 \delta_n^2 + 2W_1W_2 \text{Cov}(1,2)$$

$$\delta_p^2 = W_1^2 \delta_1^2 + W_2^2 \delta_2^2 + W_3^2 \delta_3^2 + \ldots + 2W_1W_n \text{Cov}(1,n) + 2W_2W_n \text{Cov}(2,n)$$

Marquitz has pointed out that the best portfolio is one with maximum return and minimum risk. In fact we can present a linear programming model for it.

$$\text{Max } E_p \quad \text{Min } \delta_p^2$$

Subject to

$$\sum_{i=1}^{n} W_i = 1 \quad \sum_{i=1}^{n} W_i = 1$$

$$0 \leq W_i \leq 1 \quad 0 \leq W_i \leq 1$$
Another step in the process of investment management is evaluating of portfolio's performance. So we can utilize it as a mechanism with self-control for effectiveness of investment management process. Evaluation of performance includes two basic actions, the first step is to determine the desirability of portfolio and the second step is whether such return is resulted from chance or is created as a result of proficiency. The main opinion in comparing of portfolio's performance is the comparison of performance of the portfolio with the return of one or more suitable portfolios. Among the most important criteria related to evaluation of the portfolio's performance we can refer to Jenin, Treiner, Sharp and $M^2$. The purpose of this article is to compare the obtained variables of Marquitz model and its real amount in a portfolio consisting of stocks, land and currency for the period of 1999-2007. The portfolio evaluation model that is used in this article is based on Sharp criterion.

Research Literature

The issue of an efficient portfolio and its experimental performance is one of the basic considerable issues in financial markets discussion. Most investors are familiar with models of assets allocation. Although Marquitz model seems understandable, its implementation, is encountered with complexities. This model states that access to an optimized situation which has maximum return and minimum risk is possible with having of assets return and their fluctuations and correlation among them (Brian, 2008). But how should this model be justified for the investors? Marquitz has introduced expected maximum desirability method in order to recognize optimized portfolio for solving of this problem. Following this topic, this issue has been proposed that whether a precise selection among portfolios would be resulted in expected maximum desirability or not by means of Marquitz model and its implementation (Chen, 2008). Afterwards various studies have been performed about whether Marquitz model is resulted in maximum desirability or not.

Moradoghlu et al, (2005) have studied portfolios' performance and have reached to this conclusion that models which are based on probable prediction of investors have a better performance than those which are based on experimental data and models. Other studies have been done about clarifying of portfolio's efficiency. Branch et al (2009) have combined an active
and multi-purpose algorithm in order to attain a solution for portfolio's optimization. They have performance this study with the purpose of gaining of a convex collection and so they have applied linear programming algorithm and then have merged minor and major responses. Miguel et al. (2009) have performed a study for optimization of portfolio and finding of an optimized portfolio in which their emphasis has been on solving the common minimum variance. But these researches exerted limitations based on which weight of portfolios is lower than a certain threshold. Alexander (2008) has tried to precede market's index by concentrating on active managers in portfolio industry and by using of Roll model with minimizing variance. Chen (2008) has used a multinomial programming model for choosing portfolio that considers interaction between expected return and the value subjected to danger along with the possibility of interfering investors' preferences. Results of it show that solving of problems the traditional model is possible.

Buhm and Venzelber Gerd (2005) have studied performance of efficient portfolios in finance markets with heterogeneous investors including logical merchants, noisy merchants and chartists other and results reveal that logical investors preferred based on CAPM model.

Hypotheses of research

Hypothesis 1: assets weight of land, currency and stocks in real investment portfolio is equal with amount of it in Marquitz model.

Hypothesis 2: total assets collection return of investment portfolio of real stocks, currency and land is equal with the amount of it in Marquitz model.

Hypothesis 3: in case of choosing a portfolio based on Marquitz model, lower risk will be obtained.

Hypothesis 4: Marquitz model based on assets of land, currency and stocks during 1998-2006 is efficient in Iran.

Hypothesis 5: passing of time affects portfolio's efficiency.
**Methodology of research**

Obtaining passive amounts in hypotheses is necessary for testing them. These amounts are obtained through collected data and also through Marquitz model. Passive variables are of the following as that group A is obtained through Marquitz model and group B is obtained through real data.

Table 2- Required variables of the problem

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>* minimum amount of risk ( (S_p^2) )</td>
<td>( (S_p^2) ) *Amount of risk during research period</td>
</tr>
<tr>
<td>*Weight of each assets based on minimum risk ( (W_i) )</td>
<td>*Weight of each assets during research period ( (W_i) )</td>
</tr>
<tr>
<td>* Return of the portfolio based on ( W_i )</td>
<td>* real return of portfolio ( (E_p) )</td>
</tr>
<tr>
<td>* cov of assets</td>
<td></td>
</tr>
</tbody>
</table>

The following table shows obtained information from the obtained data during the time period of research. Each of the assets is defined as of the following.

A= stocks  B= land  C= currency

**TABLE 3- REAL VALUE OF VARIABLES**

<table>
<thead>
<tr>
<th>Variable</th>
<th>assets</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>( \delta_i^2 )</td>
<td></td>
<td>0/197</td>
<td>0/0134</td>
<td>0/0813</td>
</tr>
<tr>
<td>( W_i )</td>
<td></td>
<td>37%</td>
<td>58%</td>
<td>/5%</td>
</tr>
<tr>
<td>( E_i )</td>
<td></td>
<td>0/43</td>
<td>0/20</td>
<td>/1</td>
</tr>
<tr>
<td>Cou (A,B)</td>
<td></td>
<td>0/0301</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cou (A,C)</td>
<td></td>
<td>0/0248</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cou (B,C)</td>
<td></td>
<td>-0/007</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The above information and variables have been obtained through the existing data based on which these variables are extracted. Statistical information about these variables is given in appendix 1. Now, we form Marquitz model by this data to reach necessary results and then extract existing variables that are given in table 2.

As it has been described in the theoretical framework, Marquitz model for constructing investment portfolio and for the purpose of decreasing or minimizing risk, is defined as the following:

$$\delta^2 = W_A^2 \delta_A^2 + W_B^2 \delta_B^2 + W_C^2 \delta_C^2 + 2W_AW_B \text{Cov}(A,B) + 2W_AW_C \text{Cov}(A,C) + 2W_BW_C \text{Cov}(B,C)$$

Now obtained variables from table 3 are inserted in the model, just $\delta_i$ are inserted to achieve $W_i$.

$$\delta^2 = W_A^2 (0.197^2) + W_B^2 (0134 + W_C^2 /0813 + 2W_AW_B (0.0301 + 2W_AW_C (0.0248 + 2W_BW_C (0.007))$$

Data variance in $\delta^2$ which means the risk should be minimized and to do this we should minimize the whole model. It is necessary to apply quantitative models and so we use linear programming. This model is represented below.

$$\min S^2 P = 0 / 197W_A^2 + / 0134W_B^2 + / 0813W_C^2 + / 0602W_AW_B + / 0496W_AW_C - / 0144W_BW_C$$

S.T

$W_A + W_B + W_C = 1$

$0 \leq W_A, W_B, W_C \leq 1$

The model’s response is as of the following through the program.

Table 4- Weight of assets based on Marquitz model

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$\min S^2 P$</td>
<td>0/06</td>
</tr>
<tr>
<td>$W_A$</td>
<td>29%</td>
</tr>
<tr>
<td>$W_B$</td>
<td>0</td>
</tr>
<tr>
<td>$W_C$</td>
<td>71%</td>
</tr>
</tbody>
</table>

Now we can test the first hypothesis. The obtained result indicated that weight of assets based on Marquitz model is different from weight of assets based on real investment according to the obtained data. As it is observed none of the weights are equal with each other and all of them are different from each other. In fact the first hypothesis that test weights of investment in two models is generally rejected.
We should gain investment return based on Marquitz model and real return of this portfolio in order to evaluate the second hypothesis. The portfolio return in Marquitz model is obtained from weight average of assets return.

$$E_p = \sum W_i E_i$$

The return is as the following according to Marquitz model:

$$E_p = \sum W_i E_i = (29\% \times 0/43) + (0\% \times 0/58) + (71\% \times 0/01) = 0/318$$

The real return is obtained as of the following:

$$E_p = \sum W_i E_i = (37\% \times 0/43) + (58\% \times 0/20) + (0/5\% + 0/01) = 0/2756$$

Now we can evaluate the second hypothesis too and the result is that return of total assets based on Marquitz model is different from the obtained weight according to this model and real amount of these assets. As it is observed return in Marquitz model is equal to 0.31 percent and in the real model it is equal to 0.27. In fact the second hypothesis is rejected too.

$$E_p : 0/31 \neq 0/27$$

In order to test the third hypothesis we should obtain the amount of risk formed Marquitz model and then compare it with the obtained risk. Based on Marquetz model:

$$S_p^2 = (0/37)^2 (0/43)^2 + (0/58)^2 (0/01)^2 + 2(37\%)(0/58)(0/0301) + 2(0/37)(0/05)(0/0248) + 2(0/58)(0/05)(-0/007)$$

$$S_p^2 = 0/052$$

We can compare this number with the obtained number from Marquitz model based on minimization and analyze the third hypothesis. In fact these two amounts are equal to some extent. It means that we can confirm the third hypothesis optimistically.

We can represent a table like the following in order to reach to the result of the fourth hypothesis and compare amount of obtained variables from both portfolios with each other.
Table 5- Comparing of amounts of variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Marquitz model</th>
<th>Real amount</th>
<th>equality</th>
<th>inequality</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\delta_p^2$</td>
<td>0/06</td>
<td>0/052</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$E_p$</td>
<td>0/1318</td>
<td>0/2756</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$W_A$</td>
<td>29%</td>
<td>37%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$W_B$</td>
<td>0</td>
<td>58%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$W_C$</td>
<td>71%</td>
<td>0/5%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

It is necessary to calculate performances of two portfolios for confirming or rejecting the hypothesis and then compare the amount of performance of the portfolio based on Marquitz model and the real portfolio of market. To do this we can use performance criterion of portfolio which has been presented by Sharp. This criterion shows a combination of performance of portfolio which is called ratio of reward to variability (RVAR) that is shown in the following.

$$RVAR = \frac{E_p - E_F}{\delta_p}$$

$E_p$ = return of portfolio

$E_F$ = mean return without risk

$\delta_p$ = risk of the portfolio

$E_F$ is obtained from the annual return mean in the time period of 1998-2006. RVAR for two portfolios is as the following.

$$RVAR_1 = \frac{0/1318 - 0/13277}{0/2449} = -0/00396$$

Reward to variability based on Marquitz model

As it is obtained the real amount of RVAR is higher than Marquitz model. By considering the obtained amount we can conclude that Marquitz model is not efficient with required to the above data and the time period.

For testing the fifth hypothesis and the effect of time on the model, data is divided into three periods of 1998-2000, 2001-2003 and 2004-2007 and efficiency of Marquitz model is evaluated separately in these three periods. These results for the three time periods are illustrated in the table below.
Table 6- Time classification of variables

<table>
<thead>
<tr>
<th>Difference of Portfolio's efficiency</th>
<th>Portfolio's efficiency</th>
<th>Return average without risk</th>
<th>Real amount</th>
<th>Marquitz model</th>
<th>Variable period</th>
</tr>
</thead>
<tbody>
<tr>
<td>( RAVR_2 - RAVR_1 = 2/69 )</td>
<td>( \frac{0.195}{0.046} = 1/19 )</td>
<td>14</td>
<td>0.018</td>
<td>0.046</td>
<td>( S^2 P_1 )</td>
</tr>
<tr>
<td></td>
<td>( RVAR_1 ) real Marquitz</td>
<td>14</td>
<td>0.21</td>
<td>0.195</td>
<td></td>
</tr>
<tr>
<td></td>
<td>( \frac{0.21}{0.018} = 3/88 )</td>
<td>14</td>
<td>0.186</td>
<td>0</td>
<td>( W_{A_1} )</td>
</tr>
<tr>
<td></td>
<td>( RVAR_2 ) real Marquitz</td>
<td>14</td>
<td>0.073</td>
<td>0.055</td>
<td>( W_{B_1} )</td>
</tr>
<tr>
<td></td>
<td></td>
<td>14</td>
<td>0.082</td>
<td>0.045</td>
<td>( W_{C_1} )</td>
</tr>
<tr>
<td>( RAVR_2 - RAVR_1 = 2/9 )</td>
<td>( \frac{0.778}{0.278} = 2/3 )</td>
<td>13</td>
<td>0.05</td>
<td>0.278</td>
<td>( S^2 P_2 )</td>
</tr>
<tr>
<td></td>
<td>( RVAR_1 ) real Marquitz</td>
<td>13</td>
<td>0.47</td>
<td>0.778</td>
<td>( E_{P_2} )</td>
</tr>
<tr>
<td></td>
<td>( \frac{0.47}{0.05} = 6/8 )</td>
<td>13</td>
<td>0.379</td>
<td>1</td>
<td>( W_{A_2} )</td>
</tr>
<tr>
<td></td>
<td>( RVAR_2 ) real Marquitz</td>
<td>13</td>
<td>0.582</td>
<td>0</td>
<td>( W_{B_2} )</td>
</tr>
<tr>
<td></td>
<td></td>
<td>13</td>
<td>0.037</td>
<td>0</td>
<td>( W_{C_2} )</td>
</tr>
<tr>
<td>( RAVR_2 - RAVR_1 = 179/1 )</td>
<td>( \frac{0.39}{0.004} = -223 )</td>
<td>12.8</td>
<td>0.0011</td>
<td>0.0004</td>
<td>( S^2 P_3 )</td>
</tr>
<tr>
<td></td>
<td>( RVAR_1 ) real Marquitz</td>
<td>12.8</td>
<td>0.08</td>
<td>0.039</td>
<td>( E_{P_3} )</td>
</tr>
<tr>
<td></td>
<td>( \frac{0.08}{0.0011} = -43/90 )</td>
<td>12.8</td>
<td>0.0416</td>
<td>0.1</td>
<td>( W_{A_3} )</td>
</tr>
<tr>
<td></td>
<td>( RVAR_2 ) real Marquitz</td>
<td>12.8</td>
<td>0.561</td>
<td>0</td>
<td>( W_{B_3} )</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12.8</td>
<td>0.022</td>
<td>0.99</td>
<td>( W_{C_3} )</td>
</tr>
</tbody>
</table>
The above data reveals that efficiency of the portfolio based on Marquitz model is decreasing by passing of time. It has been increased in the third period intensively with regards to the second period, while its amount has been lower between the first and second period. In fact passing of time has resulted in increasing of inefficiency of Marquitz model to a high extent.

**Discussion and conclusions**

This article has studied the amount of efficiency of Marquitz model in Iran's market during period of 1998-2006. Its purpose was to examine whether it was possible to obtain a better performance by relying upon a theoretical model in the real market of Iran with three assets of land, currency and stocks. Five hypotheses were tested in this study that four of them were rejected and it showed inefficiency of Marquitz model in this time period. The fifth hypothesis has been confirmed, it showed that effect of time is resulted in more inefficiency of Marquitz model. One of the reasons of such inefficiency of Marquetz model could be attributed to the investment in Iran's market, which is not a suitable process as the investors make decisions by chance and based on their individual experiences. We may consider this difference of return as a result of chance.

This study has been faced with limitations including nonseparation of professional investors who are familiar with Marquitz model and unfamiliar with it. This could be a research topic about whether the amount of efficiency's difference of this model is existed among individuals or not.
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INSTITUTIONAL CARE FOR CHILDREN IN PAKISTAN

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Abstract

This paper addresses the concept of institutional care for children tracing its earliest forms from “Egyptian temples” to “Xenodochia” of Greece to the present form of formal care provided in the light of the International Conventions regarding children rights. Provisions of Care by establishing formal Institutions is one of the most important service which has been granted in the conventions for those children who have lost their primary caregivers. Institutional Care for the children aims to reduce the vulnerability of children to different risks, abuses and exploitation. It also provides shelter, food, education, recreation and other welfare services. However, the findings of different researches identify the implications of the institutionalization on children. It was a desk-based exercise; researchers have made an effort to take on a systematic overview and analysis of existing literature. The secondary data was collected from libraries, government & Non-Governmental organizations, civil society organizations, internet and other available sources. However the findings of different researches identify the implications of the institutionalization on children and the discussion made in the article concludes with these sociological implications. It also invites the researchers to make scientific investigation about the effects of residential care services being provided in the country.

Keywords: INSTITUTIONAL CARE ; CHILDREN

INTRODUCTION:

The concept of institutional care in not new. Historical record presents its presence. Initially they were established in Egyptian temples. However, “Xenodochia”, were the first homes established in Greece and later on this tradition was practiced in the middle Ages. Varazdin which is a city of Croatia has a long tradition of hospices or Xenodochia as institutions for accommodation and care of disabled, poor and elderly citizens, and occasional travelers. Preserved documents also show that these institutions existed till 1454 (Piasek).

During the period of the industrial revolution, "institutionalization" was introduced in many countries of Europe for the care of disabled, poor and aged. An expansion and development of
the role of government were observed for the establishment of institutions, which was seen as a private domain previously.

In traditional societies, as well as pre-industrial Europe, joint families existed predominantly. In the joint family set up protection is provided to all members and more to children at familial level. The family provides them the material and emotional security, education and vocational training.

The approaches and ways to safeguard children exercised in the old order have ceased to be effective now. The modern ways of life have given rise to a series of problems in relation to children particularly the orphans, the physically and mentally handicapped, the destitute who were formally cared for in the family. It has created new avenues of caring of children. It is estimated that about 1.5 million children in the Central Eastern Europe and Commonwealth of Independent States (former USSR) live in public care. In Europe and Central Asia, over one million children live in residential institutions. In 93 countries of sub-Saharan Africa, Asia, and Latin America and the Caribbean, the number of orphans (children aged 0–17 who have lost one or both parents) was estimated to be 143 million at the end of 2003; of those children 15 million were orphaned by AIDS, more than 12 million of them in sub-Saharan Africa. Asia has the highest number of orphans. They had different causes of illness, with 87.6 million children (Children without Parental Care, 2006).

In Pakistan, institutions are existing in public as well as private sector. They are functioning as orphanages and children homes. Adoptions and informal foster care are not common but are other forms of care are practiced in the society (Children without Parental Care, 2006).

THE CONCEPT & DEFINITION OF INSTITUTIONAL CARE FOR CHILDREN.

In general sense the word “care” is referred as an object of concern or the provisions of what is necessary for the health, welfare, maintenance, and protection of someone who needs it. While the institution is society or organization founded for a religious, educational, social, or similar purpose. It is also referred as a place where residential care services for people with special needs- destitute, disabled, or mentally ill. The term child care includes all types of education and care services provided to young children by public or private sector organizations.

The term children without primary care is generally defined as “those who are deprived temporarily or permanently of their first source of protection” (UNICEF). “Generally the children without primary care are kept in any child-welfare facility which either primarily or incidentally provides full-time room, board and watchful oversight to six or more children through 18 years of age outside of their own homes” (Regulatory Services). The concept explained as “a child care institution”, an establishment which provides care & accommodation wholly or mainly to children. The definition is applicable to private voluntary and governmental children’s institutions including Madarsas (religious institutions) and some specialist establishments for children requiring therapeutic support or for disabled children (Rehman & Arshad, 2009).
INTERNATIONAL & NATIONAL LEGAL FRAMEWORK REGARDING INSTITUTIONAL CARE OF CHILDREN:
Every child has the right to be looked after and protected by his or her parents or family. A child who has lost his family or separated from his or her family due to some reasons, or whose family can cause serious danger to his or her health or development. He/she gets the right of alternative care. The children without parental care are vulnerable and at a higher risk of discrimination, inadequate care, violence, abuse and exploitation.

The United Nations Convention on the Rights of the Child often referred to as CRC, determines the civil, political, economic, social and cultural rights of children. Article 20(2) of the CRC accord the right to “alternative care to those children who are temporarily or permanently deprived of their family environment, as well as in their own interests, for other reasons, cannot be allowed to remain in that environment, State parties are required to ensure alternative care for such children in accordance with their national laws. Article 20(3) of the CRC provides that alternative care could include, inter alia, foster placement, Kafala of Islamic law, adoption, or if necessary placement in suitable institutions established for the care of children.

The 1986 UN Declaration on Social and Legal Principles relating to the Protection and Welfare of Children contains provisions for institutional care and also reinforces the CRC. In cases where a child is unable to be cared for by his or her parents or legal guardians based on national laws and procedures, alternative care in a family environment must be provided by the State (Dacanay, 2006).

However, article 3 of the International Convention on the Rights of the Child (CRC) guides that the Institutions providing caring services are responsible to ensure the safety and protection of children residing in the institutions through adoption and practice of the standards established by competent authorities, particularly in the areas of safety, health, the number and suitability of staff, and competent supervision (CRC, 1989).

CHILD CARE SERVICES IN PAKISTAN:
In Pakistan, approximately 30 percent of population lives below the poverty line where basic needs, especially those of children, remain unfulfilled. Government institutions working to safeguard the rights of children like many other government institutions lack adequate funding and other deficiencies for delivery of services.

In Pakistan, the parents take the responsibility of caring of their children. Extended and joint families are still in existence although their role is diminishing. The trend in the urban areas, however, is promoting the nuclear family. In this way, parents remain as the only caregivers. “The joint family system with the change that overtook with progressive inroads into the economy of self sufficiency in rural areas and with the divergence into cellular units in urban areas has increasingly failed in giving adequate material and emotional protection to the child. The old order has changed the social institutions and individual logged behavior”. (Rehman & Arshad, 2009)
However, in families where children live with one or both of their parents and they are unable to provide the necessary parenting or protection to their children, the child care role may also be taken on by the joint family. This helps the child to remain attached with his/her family, peers and neighborhood which is necessary for his/her psycho-social and emotional development.

Children in Pakistan face a variety of serious challenges ranging from malnutrition, poor access to education, health facilities and exploitation in the form of child labor. They become victim of violence at home; school as well as they also faces sexual exploitation (Overview, 2004). Besides this, there are some other factors behind their vulnerability. Lack of parenting skills, neglecting attitudes, illegitimate births, trafficking and poverty are among the significant factors underlying the admission of children to institutions.

According to UNICEF report, Children without parental care find themselves at a higher risk of discrimination, inadequate care, abuse and exploitation, and their well-being is often insufficiently monitored. Many children are placed unnecessarily and for too long in institutions, where they receive less of the stimulation and individual attention needed to grow their full potentials. Inadequate caring environments can impair children’s emotional and social development and leave them vulnerable to exploitation, sexual abuse and physical violence (Children without Parental Care, 2006).

A research study by Save the Children, UNICEF and Government of the North West Frontier Province in three districts of NWFP found that corporal punishment is widely used to discipline children in homes and educational institutions. According to the findings, an overwhelming majority was the victim of corporal punishment which includes hitting with an object (shoe, brick, iron rod, knife, etc), smacking, kicking, punching, hair-pulling and ear-twisting. (Disciplining the Child: Practices & Impacts, 2005)

Frequent natural disasters and internal displacements due to terrorist activities in different parts of the country generally and tribal areas adjoining to Afghanistan as well as province of Khayber Pakhtun Khawa (NWFP) are presenting an awful situation faced by the children. Moreover, in 2005 & 2008, devastating earthquakes and the history’s worst flooding in 2010 have added in the difficulties for children. The after-effects of a disaster can disrupt the lives of children leaving them disabled, orphans and destitute.

To deal with the challenging issues of children, several interventions have been made to ensure the survival & development of children and provide them a protective environment. National Commission for Child Welfare (NCCWD), its provincial & district level chapters, child welfare cells in Social Welfare, Police & Prison Departments and the establishment of Child Protection & Welfare Bureau (CPWB) are the governmental efforts to protect children from harmful elements of society. Social Welfare Departments at provincial level are amongst those focussing on children. These departments are providing caring services to the children by establishing and administering Child Care Institutions throughout the Pakistan.

In Pakistan, the services for children without care include children homes:
Table No.1
Child Care Institutions (Governmental)

<table>
<thead>
<tr>
<th>Name of Institutions</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Gehwara,</td>
<td>Gehwara, providing services to the unclaimed babies</td>
</tr>
<tr>
<td>2. Nigehban,</td>
<td>Nigehban, providing rescue and rehabilitation services to run away, lost and kidnapped children</td>
</tr>
<tr>
<td>3. Kashana</td>
<td>Kashana provide training, education and other rehabilitative services to the destitute, poor and needy women &amp; girls</td>
</tr>
<tr>
<td>4. Chaman,</td>
<td>Chaman, services for mentally and physically disabled children.</td>
</tr>
<tr>
<td>5. Nashemnan,</td>
<td>Nashemnan, services for physically disabled children.</td>
</tr>
<tr>
<td>6. Model Children Homes</td>
<td>Model Children Homes for orphans</td>
</tr>
<tr>
<td>7. Borstal Institutions</td>
<td>Borstal Institutions for juveniles, providing correctional &amp; rehabilitation services</td>
</tr>
</tbody>
</table>

Source: www.punjab.gov.pk/departments/socialwelfare, women development & Bait-ul-Maal,

Table No.1 shows that the institutional care services for children are mainly targeting those which are without care. They are babies, destitute, poor and needy girls, mentally and physically disabled children.

Besides residential services in both public & private social welfare sector. Another major formal residential care system also exists in Pakistan. Which is administered by one of the most significant, influential and prominent faction of the society. These institutions provide services in religious schools (Madarsas). Though the initiatives have been taken by the government of Pakistan to provide institutional care to the children without care even then the families in both urban and rural areas trust the Madarsas more for education, shelter and training. There are an approximate 28,000 Madarsas in Pakistan with only 8,000 of them registered (Chandran, 2003). According to the Human Rights Commission of Pakistan (HRCP) 2002 report, by March 2002, there were around 600,000 students in 6,000 registered Madarsas with more than 250,000 students in Punjab alone (State of Human Rights, 2002).
SPARC (Society for Protection of the Rights of the Child) in its report states that an amount of $225 million has been earmarked to modernize 8,000 madrassas over three years. The modernization program as hoped could also help spread consciousness about AIDS. Yet, the same report says 14 per cent of all child-abusers in 2007 were clerics. SPARC activists cite two specific cases to illustrate sexual abuse of children and their brutality in religious seminaries (SPARC, 2008).

A recent development regarding child protection has taken place by the Government of the Punjab-Pakistan by establishing Child Protection & Welfare Bureau. It provides its services as an autonomous body established in accordance to the Punjab Destitute & Neglected Children's Act 2004. The Bureau has been established to rehabilitate special and deprived children and those engaged in begging. Under the authority and supervision, several Child Protection Institutions have been established for the temporary and long term institutional care of destitute and neglected children in different parts of the province. These Child Protection institutions are contrary to the traditional concept of orphanages and welfare homes, children at these Child Protection Institutions are provided with high quality residential, educational, vocational and recreational facilities.

Several initiatives have also been taken by Non-Profit, Non-Government sector of Pakistan. A large number of child care institutions as orphanages are functioning in the country.

Table No.2

Child Care Institutions (Non-Governmental)

<table>
<thead>
<tr>
<th>Name of Institutions</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Fountain House,</td>
<td>• Fountain House, for orphan children</td>
</tr>
<tr>
<td>2. Edhi Homes.</td>
<td>• Edhi Homes, for Orphan, Destitute and Abandoned babies.</td>
</tr>
<tr>
<td>3. Chanbili</td>
<td>• Chanbili, for mentally disabled children.</td>
</tr>
<tr>
<td>4. Ghuncha</td>
<td>• Ghuncha, for socially destitute children.</td>
</tr>
<tr>
<td>5. Orphanages</td>
<td>• Orphanages under different NGOs.</td>
</tr>
<tr>
<td>under different NGOs</td>
<td></td>
</tr>
</tbody>
</table>

The earlier given situations and statistics show that a large number of children are residing in institutions whether administered by governmental or non-governmental organizations. Usually children are kept in these institutions. They are provided protection from different threats, dangers and risk and to reduce their vulnerability to different types of abuses, exploitation and maltreatment. A large number of child care institutions are already working in the country and
there is likelihood of further increase. However, the phenomenon has been seen with a different view globally.

**IMPACTS OF INSTITUTIONAL CARE ON CHILDREN**

The scholars and researcher have made their efforts to identify the impacts of institutionalization on children. The findings of some of them are presented below:

- Early studies documented the adverse effects that long-term institutional care had on young children’s emotional, social, and cognitive development (Goldfarb, 1945).

- In another study, it was pointed out that “In the long term, institutionalization in early childhood increases the likelihood that impoverished children will grow into psychiatrically impaired and economically unproductive adults.” (Frank, Klass, Earls, and Eisenberg)

- A research on the impacts of institutionalization reported that “The children we interviewed did not like living in institutions, and their comments included criticism of institutions for the absence of some essential qualities of parental care. The children clearly preferred other forms of surrogate care, which scored considerably higher on those prized qualities. Their comments indicate a wide gap between the blueprint for institutions found in professional writing and the reality of institutions as the children perceived it.” (Bush, 1980)

- The Child Health and Illness Profile- Adolescent Edition (CHIP-AE), a new standardized instrument, was administered to 63 adolescents living in group homes or institutions in Illinois. The CHIP-AE measured overall health and self-concept, emotional health and disorders, and achievements of social expectations in education and/or employment. Key findings of the study show that youth living in group homes or institutions take more risks, have more threats to achievements, and have poorer peer influences. It was also noted that it is crucial to help these youth to connect with an adult who can provide needed support and guidance. It is disturbing to think that the environments in which these youth live are not providing them with such adult guidance (Altshuler, & Poertner, 2002).

- In 1998, the impacts of institutionalization were assessed. The researchers studied 79 boys aged 12-17 years with histories of previous out-of home placement and serious and chronic delinquency. Study findings show that “Boys ran away less frequently from MTFC (Multidimensional Treatment Foster Care) than from group care, completed their programs more often, and were locked up in detention or training schools less frequently. MTFC boys had fewer criminal referrals than boys in group care from the time they were placed through the year after discharge from the programs (Chamberlain & Reid, 1998).

- The research undertaken by California’s Foster Care Information System, University of California, Berkeley in which up to 52,613 children under age six shows that “Compared with a primary placement in foster homes, group care for young children results in less stability, lower rates of adoption, and a greater likelihood of remaining in care.” “Given that placement into group care costs much more, provides less stability of care giving, and does not increase the likelihood of adoption, very young children should not be placed in group care(Berrick, Barth, Needell & Jonson, 1997).”

- Another research study in which comparison of 12 children’s homes to 12 specialized foster homes was made reported that “Residential caregivers were found to make far
greater use of inappropriate and ineffective techniques of control than special foster parents.” The study further highlighted that “The children’s homes were generally found to be markedly less child oriented than the special foster homes.” The results of the research confirmed that the role of residential caregivers involves a heavy emphasis on control and supervision; they further suggest that a greater degree of familiarity, reciprocity and social closeness characterized relations between special foster parents and foster children than existed between residential caregivers and the youngsters they looked after (Colton, 1992).

- Findings of a research study conducted by Health Promotion and Therapeutic Communities revealed that 83 percent of youths detained in juvenile jails of Pakistan are involved in different drugs (Khan, 2007).

DE-INSTITUTIONALIZATION

In the developed countries, the concept of “De-Institutionalization” and its importance has been realized. Due to this realization, different other options of alternative care have been introduced. Community Care, Foster Care and care by any other relative (Kinship Care) are such alternatives practiced in USA, Canada, Europe and Australia. However, in Pakistan, like several under-developed countries, social welfare services are rendered with a residual approach which focuses on underprivileged and indigent segments of the society.

DISCUSSION:
The concept of institutional care in not new. Historical record shows that the concept of institutionalization existed in the ancient Egyptian and Greek societies. The Egyptian temples, Xenodochia and tradition of hospices (institutions for accommodation and care of destitute and disabled, elderly citizens and occasional travelers) are examples of such institutions. During the period of the industrial revolution. Institutionalization was introduced and widely accepted in many countries of Europe.

As a result of the social changes in the society where the emotional ties between the family members have weakened, the residential care is considered the key response to give assistance to the children deprived of primary care. These institutions are providing material help such as food, better medical care and clothing as well as emotional and psychological support to the institutionalized children.

In present era, socially conscious peoples, communities, groups with the help of philanthropists and religious organizations initiated the concept of child care institutions. They strive to meet the needs of those children and to lessen their sufferings. Mostly, the institutional care is provided to the children who are deprived of their primary caregivers due to the death of their parents. The children whose parents are not alive are usually kept in orphanages and model children homes. With a little divergence, the concept of institutional care exists almost in all the societies of present era.
In Pakistan, a large number of institutions have been established without trained staff and scientific approach which include orphanages, madarsas and vocational training centers. They are springing up to take care of children deprived of parental care. The majority of the researchers which have made situational analysis of the phenomenon of residential care discovered that that the institutionalizations, if used unnecessarily, without proper planning and in the absence of skilled professionals, trained in case management makes severe psycho-social and emotional impacts on children.

CONCLUSION:
Before the independence in 1947, Pakistan was a part of the British colonial rule which was established in the 19th century. The British government introduced a system of governance in the subcontinent as delivery of services- education, health, sanitation and social welfare which was alien to the local people and society. The concept of formal Institutional Care for the underprivileged, needy, poor, destitute and deprived segments of society was also promoted by the British. This approach is still practiced in Pakistan.

The manifestation of the violations of protection rights is quite visible in Pakistan. The awful situation faced by the children which needs to be assessed by making interaction with those children living without primary caregivers, trafficked, exploited physically, sexually, emotionally, socially, and subjected to violence ranging from corporal punishment to sexual abuse and involved in various forms of child labor.

Although, institutionalization is seen as an important part of process of modernization in developing countries, involving again the expansion and improved organization of government structures (Institution). Ignoring its negative affects, child care institutionalization is frequently increasing in Pakistan, conveying their acceptance and recognition by the society. The researchers and child rights experts point out that prolonged Institutionalization, without rehabilitation plan have severe affects the children placed in institutions.

RECOMMENDATIONS:
Keeping in view the impacts of institutionalization on children, the following recommendations are made:

1. “Deinstitutionalization” of children which involves a long transitional process as the children are prepared to rejoin the society to play their social role. The authorities and stakeholders need to focus on the following strategies:
   a. The prevention of institutionalization. Other alternatives like foster care, community care and care by some other family members may be practiced.
   b. The prevention of unnecessary, prolonged and unplanned stay of children in those institutions which lack adequate and proper care facilities.
   c. The deinstitutionalization of those who are currently residing in the institutions or at risk to be institutionalized.
d. The identification of alternative care services by undertaking researches on the effects of institutional care

e. The creation of community-based services.

2. The concept of Case Management is needed to be introduced and made part of the curriculum. Guidelines for Case Management in Child Protection may be developed by the academicians, professional social workers and researchers in association with other experts who are working in this field.

3. Collaborative efforts of different public and private as well as corporate sectors are needed for the development and maintenance of Minimum Standards of Care which ensure the protection of children form the impacts of institutionalization.

4. Capacity building of the professionals and staff of Child Care Institutions is required which will enable them to make proper assessments, problem identification, planning and to manage the cases according to the principles of case management.

5. The relevant qualification, specialization, expertise may be included in the eligibility criteria while recruiting staff for the care institutions.

6. Considering the importance and acceptance of religious institutions by the community to a large scale, it is a matter of serious concern which needs to be addressed amicably for mainstreaming the students of these institutions.
References


Exploring the puzzles, paradoxes and limitations of civil society as a development agent in developing countries

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Abstract  
Purpose of this paper is to explore the puzzles, paradoxes and limitation of civil society as a development agent in developing countries especially in Pakistani and Indian contexts. The concept of civil society is not new. In past many thinkers and philosophers focused their attention to refine the idea of civil society in comparison to the state and the market. Hegel, Ferguson and Fukuyama (Hall, 1995) were the champions of the idea of the civil society as a development agent and brought this idea in the limelight in the last two decades when the state failed to provide development assistance to the poorer of the poor in third world countries.  
Keywords: Exploring; Puzzles; Paradoxes; Limitations; Development Agent; Countries

Introduction  
In the beginning of the 21st century, we are very familiar with the idea of civil society as the home of culture, freedom, development, and the independence. The concept of civil society is not new. As the historical background to the development of civil societies shows that many philosophers and thinkers have tried and contributed to define and develop the idea of civil society with the comparison to the state and the market such as Hegel, Ferguson and Fukuyama (Hall, 1995). However, the definition and scope of civil society is still debated among different schools of thoughts. The role of civil society as a development agent came in the limelight in the last two decades when the state failed to provide development assistance to the poorer of the poor in third world countries.  
In this paper firstly, the concept of civil society will be discussed. This section will include the debate about the development and civil society and will also examine the emergence of civil society as a development agent in the last two decades. The final section will focus and discusses the limitations civil society organizations are facing in the field of development.

What is Civil Society?  
The term civil society is much debated and often defined frequently in contradictory ways. Without an answer to the above question it is difficult to recognize the civil society and without having a blueprint it will be hard to create a vibrant civil society. The idea of civil society has emerged in contrast to other organizational structures; state and market (Francis, 2002). However, the rise of civil society has been an evolutionary and gradual process.
Civil society as third sector is very important because it offers an alternative between state and market (Howell and Pearce, 2001). Many philosophers and thinkers have responded to the above question. There are many definitions of civil society but two of them are more quoted of all time famous authors; Marx and Walzer.

According to Marx:

“Civil Society is space, an arena, a sphere in which citizens associate with each other, independently with the state, creating a network of links and organizations to promote their collective identities and serve and represent their group interests” (Hall, 1995)

Walzer said:

“The words ‘civil society’ name the space of uncoerced human association and also the set of relational networks formed for the sake of family, faith, interest and ideology” (Walzer:1995)

It seems very clear that there is a sharp distinction between the state and the civil society. Civil society is taken as an arena where various activities take place which do not happen in the market and the state. According to Walzer, Civil society is a particular form of society. The voluntary, non-state, and non-market organizations are most natural form of civil society such as communities, friendship network, professional organizations and movements (Alexander, 1998).

According to the debate on civil society, there are three basic prerequisites for good civil society:

- Existence of rule-of-law
- Existence of strong organized non-state organizations
- Existence of balanced pluralism among civil society

And above all, there is a strong need to have enough social capital to keep the civil societies intact. The social capital or social glue holds groups and societies together and enables them to get things done. The social capital is the strength of family responsibilities, community volunteerism, selflessness, public or civic spirit and the moral element which underlies the civil society debate (Francis, 2002).

In short, civil society in a descriptive sense is a concept and in a prescriptive sense it is a theory and a model. The question is that can it serve as a model for development and social change?

It seems reasonable to suggest an affirmative answer to this question as civil society organizations potentially fulfill the following functional roles to achieve their political, social and developmental goals:

**Intellectual:** Adopt proactive approaches rather than reactive approaches to protect and promote their cause. They act as change agent and agenda setter.

**Advocacy:** Civil society groups help to bring the issues (such as; public health, women rights, child labour, education and so on) to the public and try to change the opinion.
Problem Solving: A variety of professional organizations as well as other community and advocacy groups work with different public and private organizations and provide technical support to those who are in need.

Service Provision: Many NGOs, CBOs, including religious and social service groups, provide direct services to the poor and needy. They have diversified activities from capacity building programmes to food distribution and from garbage collection to water & sanitation programmes.

Critics & watchdog: NGOs, journalists, and others can serve to monitor the activities of the both state and market.

Financial Support: Many philanthropic foundations provide funds to different organizations and independent think tanks.

Civil Society as a Development Agent:

In the early 1950’s, there was a limited role for market forces in the development arena and there was a central role of the state to deliver the goods. Through blue print approach many big infrastructure projects were introduced and executed in third world countries. Execution of the projects was almost in top-down fashion and the role of market and civil society was not very much significant. However, the concept of civil society as development and change agent was there and in many third world countries this function was carried out by socialist movements (Deakin, 2001). By the 1970s, the development states failed to bring prosperity and economic growth in poor and developing countries while the communist welfare states were un-successful to sustain themselves. The idea of a big push and structural change had also failed and the benefits were not reaching the poor. The developmental role of the third-world states was challenged from all sides in the 1980s and the state was seen as the part of the problem, not part of the solution. In many third-world countries, state was criticized on many grounds and the third world was characterized by lack of accountability, militarism, authoritarianism, corruption, wasteful investment and expenditure, distorting market forces etc (Howell and Pearce, 2001)

In the late twentieth century many third-world countries were ruled by military dictatorships. Antiauthoritarian civil society movements could be seen all over the world. However, the collapse of socialism across the Soviet Union and Eastern Europe closed the chapter of controlled economy and hegemony of the state. Therefore, the focus shifted from state to market and civil society organizations. For instance in the mid of 1980s, Bangladesh was ruled by General Irshad. Many antiauthoritarian movements felt that civil society could express their aspirations for freedom as citizens. They started to raise their voices for representation and minimizing the social and economic inequalities created by the state and the market (Karim, 1995). After a successful struggle, now Bangladesh has a vibrant civil society which is providing basic needs to poor people of the country. The story was same in different other poor countries but the results were different such as

The need emerged to revisit the relationship among state, market and civil society to provide development assistance and protect the people’s rights. The concept of civil society got more popularity and become more important as a development agent in the last two decades of the 20th century. Many developmental organizations, international donor agencies and development practitioners started to use this term more frequently in their work.
After the failure of top-down approach, donors started out with two implicit assumptions, that democracy contributes positively towards development and civil society is an important democratic check on the state (Howell and Pearce, 2001). Donors started to use their funds through civil society organizations. Non-government organizations (NGOs) and other civil society organizations (CSOs) came in the picture as active player to provide development assistance in third world countries.

Stiglitz (2000), emphasized the crucial role for state, market and the civil society and he also highlighted the poor governance, lack of accountability and corruption in third-world countries. In theory and practice, civil society does not allow the state and market to act exploitatively, abusively and to take socially irresponsible action against people (Alexander, 1998). Nowadays, civil society is extensively working in different fields of life from advocacy to service delivery. Civil society organizations’ role has emerged as a watchdog on both the state and the market. Civil societies protect the public interest from the market domination. Civil society organizations (CSOs) are raising their voices against the poor quality and over priced product and services and they are also trying to alleviate the socioeconomic inequalities created by the market.

The concept of corporate social responsibility (CSR) also emerged during this struggle. Now many multinational companies are working with the state and civil society organizations to provide public goods. However, this partnership has raised many questions regarding the relationship among state, market and civil society.

Many civil society groups emerged in the last two decades to address the need of the poor, vulnerable, and marginalized and they developed community based response to social problems. From animal rights to environmental degradation, all issues are taken up and properly responded by civil society. Many examples can be quoted in this regard such as Green Peace, CIVICUS, BRAK, AKDN, CRS, and CWS and so on.

In service delivery, civil society organizations are working in every walk of life. In the remote and deprived areas of third-world countries where market and state fail to provide basic facilities like water, sanitation, education and health services to their people. Civil society organizations are working with local people and providing basic facilities. Poor people are educated and empowered by using different participatory methods and techniques. Defiantly civil societies reduce some of the financial burden on the state (Howell and Pearce, 2001). World Bank and other multinational donor organizations and developed countries prefer to spend their funds through civil society organizations. Despite the fact that civil society can provide few successful models for development it remains state responsibility to provide decent basic public goods.

Today, civil society works as a pressure group on the state and significantly on the market too. Civil society organizations in Bangladesh like Grameen Bank, BRAK and many others who were basically involved in service delivery operations played a very significant role in last general elections. They rose up as a pressure group on the political scene of Bangladesh (Karim, 1995).

Shift in focus from service delivery to advocacy and lobbying has created a debate among development thinkers, practitioners, and activists. Civil societies as a whole are committed to
promote democracy in third world countries. With the passage of time they have founded positive relationship between development and democracy. In a democracy, the plans and actions of a government are often guided by opposition parties and the civil societies (Sekhar, 2003). Many issues like, lack of basic education, poor health, etc do not receive due attention from the political parties. These issues are taken up by civil society and they bring these issues onto the political agenda through lobbying, mass media, and judiciary. Most social services like basic education, water and sanitation, healthcare or even land reforms, all of them require political commitment and actions. All success stories in India such as public distribution system in Andhra Pradesh, land reforms in West Bengal, education in Kerala, and school meal in Tamil Nadu have a common characteristic that the all issues were raised by civil society and discussed in the parliaments of the respective states (Sekhar, 2003). Therefore, the direction and magnitude of the government action towards development programmes are determined by the power of civil society organizations. Through this process civil societies have achieved more confidence, popularity and importance.

Limitations:

Limitations of civil society as a development agent may depend on the specific situation and circumstances. Few significant limitations are mentioned here:

Insufficient Resources: If we define civil society as a non-government and non-profit then definitely civil society has no obvious sources of funds. Civil society organizations often lack the financial and human resources to carry out their programmes and projects. The sustainability of the programmes may be at stake due to the lack of both resources. Typical civil society organizations depend on members’ fee, donations drives, and services charges (Howell and Pearce, 2001). There is always a competition to get the funds from individuals as well as other business groups. Comparatively small organizations do not have appropriate skills to get their portion. Therefore, they always face the financial crunch.

The civil society organizations have very good ideas and plans and they implement these ideas at a small scale but due to the insufficient resources they often fail to develop on a larger scale and achieve greater impact. This makes them vulnerable and dependant on the state or other big donor agencies. This dependency can create some other issues and may result in diversion from the core mission and objectives.

Inefficiency: Insufficient financial resources are mostly a hindrance to attract the talent they need to perform efficiently. Most civil society organizations are operational at a small scale where they face the problem of professional human resource. Without having professional people they use motivational appeal to maintain their pace. Some times these organizations perform well but most of the time they work with minimum managerial skills and do not reach to the poorest of the poor. Nevertheless they still do better than government in reaching to poorer sectors.
Invisibility: State and market, both have better access and resources as compare to civil society. Third-world countries civil society organizations have medium size organizational structure where they contain typical four or five departments. Mostly they collect donations for their projects and intentionally they avoid spending this money on marketing or public relation activities. However, this creates ambiguities and uncertainties about their mission, objectives and programmes (JHIPFC, 1999).

Personalism: Civil society groups are generally dedicated to the public goods and they are mostly leader driven (JHIPFC, 1999). Sometimes the civil society organizations are more vulnerable when the leaders fail to provide their successor or if they leave the organization. This makes civil society organizations less reliable in the eyes of different stakeholders with a long term interest in the cause.

Regulations: State often introduces different rules and regulations to control the civil society organizations. For instance, state uses the tax exemption law to manage the civil society groups in its own way. Time to time State amends non-profit organizations registration laws and bonds them answerable to the state bureaucracy. After the nuclear tests in Pakistan and India, many civil society organizations protested against the test and asked the state to spend this money for the welfare of the poor people. State took very serious action against civil society organizations and they imposed many new laws on civil society groups to control and minimize their activities.

Donor Dependency: As we mentioned above that civil society organizations do not have obvious sources of funding. In many cases they try to get the funds from state or other multinational donor agencies. This partnership can create some other problems which may affect the project in future. For instance, State wants to gain popularity and political advantages. This can destroy the image of civil society organizations as they may be perceived as government agents or part of the setup. International donor organizations and donor countries have their own criteria, policies and objectives and small civil society groups in poor countries are often forced to alter their goals and objectives to suit the donor policy guidelines.

Mistrust: Many civil society organizations emerged during the 1980s. Many bilateral and multilateral donors put their funds in development sector through national and local NGOs and CBOs. Opportunistic NGOs also emerged to take the advantage of funding (Edwards and Hulme, 1995). They did a very good job on paper but in the field they had very little activity or they failed badly. These organizations developed good relationships with the donors because they knew the donor language, culture and systems. However, they were very distant from the local realities. General public in third-world countries took their programmes and projects as donor driven or based on westernized agenda. The mistrust and misperceptions about all other civil society organizations still prevails in many countries and without addressing this it seems difficult to gain the stakeholders’ confidence.

Institutional Capacity: Civil society organizations try to protect people’s rights and work for better and prosperous societies. This is the shared responsibility of all three sectors: state, market and civil society. Non-profit organizations are often insufficiently aware about the state process and what happens in the power corridors (JHIPFC, 1999). These civil society
organizations are also unaware about market mechanisms of business organizations (Howel and Peace, 2001). Without having this capacity it is hard to act as a watchdog and protect the rights of poor and deprived people.

Conclusion

Civil society organizations are getting momentum throughout the world and civil society organizations are also seen as effective vehicle for the delivery of the development assistance and other economic objectives. However, the civil society is not a homogeneous mass of organizations. There are a lot of contradictions and weaknesses within civil society. In most literature, the idea of civil society was presented as an opponent of the state. If serious progress is to be made in reducing poverty, ensuring social justice, achieving equality of life, and improving the quality of life for all people, then there is dire need to build a coordination and strong cooperation among different sectors. In other words, a new paradigm in social problem solving and sustainable development has arrived. The key to this new paradigm is the building of effective partnerships among state, market, and civil society organizations. Although, there are many challenges and limitations, but, the limitations on the part of one sector are nicely matched by the strengths of others. So it is needed to create win-win situation for all three sectors. The roles of the state, market and civil society have become mutually dependent to provide development assistance in third world countries.
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Using Two New Models for Measuring the Intellectual Capital

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Abstract
This paper reviews the intellectual capital and its measurements in communities especially in the developing countries. Moreover, paper proposes two new models to measure IC. These models based on monetary and financial perspective evaluate IC and designed according to the accounting rules. In these models, previous offered models including Stewart’ model of market to book value, Stewart’ model of Tobin’s q, lev’s model of residual income, and Skandia’ Navigator model have been used. In the first model, intellectual capital has been divided into human and structural capital with the employ of Skandia model. The second model examines the approximate of intellectual capital based on accounting profits and identifying intellectual capital return.

Keywords: Intellectual capital, Monetary and financial measurement, monetary model of Tobin Q, the return model of intellectual capital.

Introduction
Economics frequently asserts that land, labor, financial and/or other economic resources are necessary for an industrial enterprise (Sullivan, 1998). The changing trends during the last two centuries have shifted the emphasis from traditional economic system to knowledge intensive one and consequently, service based industries have taken the major share in the value creation process especially in developed societies. The organization can survive in the competitive market if it can identify the measures and manage thoroughly its actual and hidden capitals. Despite much attention which has been made in recent years to the issue of intellectual capital as a value-producer and influential on the function of organization, it seems that no single model for its measurement has been specified. Regarding the intellectual capital some researchers believe that no single model can be considered for its measurement, as the definition of intellectual capital is different in different societies. Intellectual capital should be defined according to the culture of each community and a model should be suggested. It is obvious that such remarks not only can solve the problems of intellectual capital but also can create duality and maybe these statements are the biased one. In the present situation in which all communities moved towards globalization and the matter of global village discussion is raised, in order to have meaningful reports and prepare intellectual capital management, some models should be designed that are approved by international standard makers for measuring intellectual capital. Otherwise the conducted extensive research would have no result (especially in developing countries) and as it is happened in the recent years many of the capital will be lost.

Intellectual capital
Intellectual capital refers to the sets of knowledge assets which affects organization’s developing competitive situation. In fact, from accounting perspective the intellectual capital, which moves in the line with the assumption of continuous activity of business unit, is of a great
importance. Nowadays, only those companies, which have a clear view regarding intellectual capital, are able to survive in competitive markets.

The intellectual capital should be regarded by the organization not only as a substitute for monetary and financial assets but also as a complement which today would have a greater position in relation to it. The research conducted by Brooking (1996) stated that IC almost represents the 62% value companies. The view of replacing intellectual asset and capital with other current asset and capital has made management to lose its interest in accepting the new findings. As it is clear, our managers are integrated with traditional asset and capital in which there is no specific way for their measurement.

Intellectual capital is not related to a particular type of organization or company from the management, measurement and disclosure perspectives. However, the extensive research reveal the position of intellectual capital in all organizations including profit and non-profit organizations, universities, institutions and other governmental organizations (Holland, 2006; ICAEW, 2003; Lev, 2001; OECD, 2006). Therefore, for designing intellectual capital measurement model the objectives of organization should be taken into account. In this way all the organization’s need would be fulfilled.

Educational and academic centres play a decisive role in producing organization’s intellectual capital particularly in the domain of human resources. Through training committed and expert human resources, they play a vital role in overall development of intellectual capital. Big companies in America and European countries like Microsoft and Intel have established research and development institutes in china and exploited number of Chinese which are expert in science and technology. In the recent years also these companies are educating the top students from different levels in china. While flourishing these talented students they decide to use them as their future employees. However, this action is not specified only to china. Generally, this issue shows the importance of intellectual capital and knowledge assets for pursuing the developing movement process of organization.

**Impact of intellectual capital on the performance of organization**

Based on conducted research there is a significant relationship between intellectual capital and financial performance of the organization. Globally, organization should enjoy competitive benefits and for obtain these benefits; the implementation of physical and financial resources as well as intellectual resources is needed. According to the carried out researches by Brown *et al.*, 1996; Chang, 1998; Collins *et al.*, 1997; Francis and Schipper, 1999; Lev and Zarowin, 1999 the role of intellectual capital is more dominant than the tangible capitals. In this way, one may also encounter great number of companies which can be mentioned as a successful companies like the above mentioned companies in which the profitability owes to their intellectual capital. In the similar study, which compares two big companies of Microsoft and IBM, the significance of intellectual capital was conspicuous.

Intellectual capitals are the key resources that lead to the better exploitation of other investments through the creation of performance, affectability, innovation and manufacturing capability. In the recent years, many studies on the relation of intellectual capital with organization performance have been conducted. The followings are the some examples of these studies.

1-Walker (2001) studied on the relationship between intellectual capital with the 3 functional dimensions on the organization which are profitability, productivity and market price. He has found the relationship between intellectual capital and the mentioned dimensions.
2- Roos, Roos, Dragonetti, and Edvinson (1997), through extensive research and experimental test has found that the increase and decrease (changes) in intellectual capital affects the organization’s financial performances increasingly.

Therefore, in order to obtain competitive advantages, the organizations need to increase and develop their resources strategically. It is not exaggeration to say that all the organizational capabilities are based on their knowledge and performance because this kind of knowledge and information gives the company identification, power, preserving and restoring the qualification and competence.

Measuring intellectual capital

Management is tied to measurement and evaluation since things, which have basis for measurement, would be managed. In general measurement is inevitable in effective management. A consulting center in Swiss conducted some studies in the field of intellectual capital and found that only %20 of the organization’s knowledge was used and the reason is known to be the lack of appropriate measurement of intellectual and knowledge capitals. To measure each capital, the created value (return) in it should be identified. In a simple definition, intellectual capital is defined as a difference between book and market value, and this difference indicates the intellectual capital return so that the whole organization value is more than what was reported earlier.

For better description of the matter, Sveiby’ measurement (1997) states that suppose a person is in charge of measuring stream’s water. Different ways may exist for measuring the water, but the measurer should pay attention to the measurement objectives and the consumers. He also believes that the risk of changes and the drying of the stream should be taken into account. Therefore, what is the purpose of measuring the intellectual capital? Perhaps the answer is to maximize the owners’ wealth through developing and optimal allocation of resources. General framework of intellectual capital is as follows (see Figure 1).

Who uses intellectual capital reporting? As it is, clear for improving traditional report, intellectual capital should be included. Therefore, measuring intellectual capital as well as other conventional reports can be used by a wide range of users such as managers, actual and potential investors, creditors, government agencies and so on. Intellectual capital with its gained significance would affect logical users’ decision-making about reports and financial statements.

Skandia’s intellectual capital model
In the former initiation of IC concept, Skandia was the first company (1994) that presented the IC of the organization. According to this model, the total market value of the company is based on two components; financial capital and intellectual capital. The following Figure 2 is the Skandia’s model which was proposed by Edvinsson (1997).

![Skandia Value Model](Source: Roos (2001))

Further, Edvisson (1997) has divided intellectual capital into two categories including human capital and structural capital. As it can be seen, there are some other classifications for structural capital. There are classifications, which are presented by other scholars over the issue of intellectual capital. One of the presented models which used the Skandia’ model, tries to measure two main parts of intellectual capital including human capital and structural capital.

Human capital is defined as a collection that includes knowledge, skills, innovation of organization and staff, and personal abilities to conduct the affairs assigned to them. Discussion of the human resources has long been proposed in accounting which is paid especial attention as the most important intellectual capital. One of the disadvantages in measuring the human capital is the fact that when the employee leaves the company, the human capital will leave consequently.

Structural capital as it can be seen, is a combined item and an organized capital which includes information and communication systems, software, database, trademark and anything related to organization’s knowledge capabilities which support human productivity. It includes...
those parts of intellectual capital which remains in the organization even if when the employees are outside the organization. In some other classification, customers capital is also reported separately which is considered as a sub-category of structural capital.

**Tobin’s Q measurement model**

Amongst several presented models, Tobin’s Q is the most interesting model. This model has derived from Stewart’s market value to book value model. In the market value to book value model as the simplest model, the difference between these two values is seen as intellectual value and while so simple, the disadvantages can be as follows:

1- **External factors are not considered in the book value resulting from the historical cost.** Due to a factor named inflation, asset value has changed. In this case the reported value as intellectual capital has been shown as a fact.

2- **Different adopted methods and procedures, which authorized the organization in the selection, would definitely affect book value of the organization.** In this case the intellectual capital may be more or less the fact.

3- **Value reduction in asset would also affect the intellectual capital measurement.** In this model possibly capital might be less than what is reported.

To solve these problems, a model named Tobin’s Q ration was designed in which the amount of this ration will be determined through the remainder of the division of the market value of the organization on the replacement value of organization’s assets. This model is more effective in measuring the intellectual capital and the high amount of Q is indicator of attention and investment in organization’s intellectual capital. However, this model can be criticized in the sense that firstly, it reports the value of the intellectual capital as a ratio and secondly it defines the value of intellectual capital very generally and ignore its components.

**Monetary model of Tobin Q**

This model seeks to remove some of its defects by following Tobin’Q. The difference between the market value of the organization and the asset replacement value of the organization would be intellectual capital based on the division derived from the overall value by Edvinsson. In Skandia model, two values of human capital and structural capital can be extracted. The current value of the future payments to pay the salary, wages and any expenses which the organization should go through that can be estimated and calculated is known as human capital. The remainder of total value of intellectual capital and human capital is structural capital. It should be explained that such capitals can be assessed in renewal period or rather they will be depreciated and generally they can be treated as capital expenditure.

For example, if the market value of organization is $14/000/000 and its recorded value is $1/800/000, based on conducted assessment, the asset replacement value is $2/400/000, in this case $1/600/000, the difference between the market value is known as intellectual capital. However, if the current value of the future payments for human resources is $1/000/000 (it is necessary to estimate this value for specific period and for example, it should enjoy the staircase increase), the value of structural capital can be $600/000. In this case, any spent expenditure for human resources or structural capital including salary, wages, employee services, research and development, software, marketing and etc can be used as a reduction in human capital or structural capital commitments.
This model not only considers the defects of Tobin’ Q ration but also tries to maintain the above-mentioned value through monetary assessing of intellectual capital and its division into human capital and structural capital.

The return model

The main problem in the area of intellectual capital measurement is the combination of this capital’s profit with other organization’s capital. Using the net profit of the organization is the model that can separate the profit of this capital from the other capitals of the organization. First, the profit before the deduction of tax and interest was considered but since interest is also one of the managerial decisions, the net profit became the basis.

One of the basic financial statements, which companies required to prepare, is the statement of profit and loss with which the net profit of the unit would be shown. It can be basis for measuring and assessing the intellectual capital so that the net profit of the unit would be compare to the reported net profit of the industry (the industry index), any remainder can be called intellectual capital. With the belief that the reported net profit of the industry is just from the usual capital and it does not include the intellectual capital. Now considering the fact that the company’s net profit and the net profit of the intellectual capital belongs to the specific intellectual capital book value and replacement value can be used. The book value or the assets replacement would be divided by the reported net profit through industry index and the remaining would be multiplied by intellectual capital’s net profit (which already has been calculated). The balance shows the overall value on intellectual capital. Although using the replacement value is difficult, it is more accurate than the recorded value. This model can be applicable first when there is an industry index; second, this index enjoys sufficient accuracy.

For example, if a company has recorded assets of $6000000 and the reported net profit by company and industry is $2000000 and $1500000 respectively, the gained remainder of $500000 can be identified the intellectual capital return or part of the intellectual capital’s profit. According to the industry index, the asset is divided by the book value or the net profit replacement. The gained result is 4. Therefore, it can be stated that the intellectual capital value equals 200000 as it is mentioned earlier, it is better to use replacement value that is more accurate instead of the book value.

The proposed models interpretation

As it is clear, no single model, possess an absolute measurement of intellectual capital. Therefore, the need would be searching models that are practical and operational. However, the combination of the previous presented models may also solve the problem.

The proposed models are designed based on the accounting rules and principles which are expected to be of interest for accounting professional societies. These models are also focused by management, because intellectual capital is measured by monetary and financial measures in such a way that management during preserving the existing and reported values will attempt to promote it. However, the non- monetary ways may evaluate intellectual capital components accurately. While management looks at the reports from monetary and financial perspective, thus it cannot be easily accepted. The monetary characteristic of these models will provide comparability for the users to comment on this part of capital.

The other advantages of this model are that they are easy to measure. In these models, accountants can easily calculate organization’s intellectual capital and the attempt is to fulfil the right of intellectual capital to some extent. This simplicity makes the intellectual capital report to lead the user’s intelligibility regarding the capital. Perhaps the intellectual capital return method
is the only method that tries to estimate intellectual capital through accounting profits. The other presented methods and models, reports and financial statement have received less attention

Conclusion

Many experts have studied the intellectual capital and designed many ways for its measurement. It is clear that all these models have some advantages and disadvantages. The presented models by this paper are not the exception to this fact and have some disadvantages. We hope that researchers, practitioners, and accountants seek to solve problems regarding the current models and provide the other optimal models, which are derived from accounting rules and principles. They also should be able to introduce the desirable models for measuring intellectual capital and make them necessary for performance. The subject of intellectual capital would be the center of attention when there is a legal and professional requirement for its measurement and disclosure.

Although the intellectual capital discussion is a new phenomenon but lots of attention is paid to it by developing countries to the extent that in the recent year big companies (which are located in the world developing countries) are not reluctant to maintain the physical asset. The reason to its being big, unlike the past, is not its assets but special attention to intellectual capital. The developed countries are transferring the industrial and risky occupations to the developing countries. They have found the importance of intellectual capital and moving towards management organizations. They try to manage global village or markets and make use of developing countries as their agents (employee). Training the specialist around the world can prove this claim.

We should exit the existing framework and oriented this significance capital, which abounds in Iran. This aim will not be fulfilled unless we identify this new capital, model or accepted optimized model for measurement (monetary and otherwise). They should be managed appropriately. In Iran, the government manages most of the organizations directly or indirectly. These organizations are regularly supported by outside resources. Resources restrictions should be taken into account and with the help of intellectual capital management, we should prevent the capitals to be wasted.
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Investigating the Influence of Safety and Health Concerns and Self-Efficacy on Lecturer’s Environmental Attitudes towards Electronic Green Products

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Abstract
The purpose of this study is to contribute to the body of knowledge within the area of environmental attitudes towards green marketing. Therefore, this study intends to identify the influence of safety and health concerns and self-efficacy on environmental attitude towards lead-free electronic products (green electronics) amongst lecturers. In this study safety and health concerns is conceptualized as the consumer’s concern for quality of life, health issues and the environment for humans and non-human species. While self-efficacy is conceptualized as how well one can execute required actions to deal with specific situations. Hence, through a self-administered questionnaire among 170 lecturers, from USM main campus and USM engineering campus the study found some revealing insights. Through the results of this study, safety and health concerns and self efficacy had a significant positive influence on lecturers’ environmental attitude. The theory of planned behavior Azjen (1985) supported the findings of this study, firstly, for safety and health concerns on environmental attitudes, which is related to behavioral beliefs part of the theory: The person’s beliefs that the behavior leads to certain outcomes and his or her evaluations of these outcomes. Therefore, attitudes are determined by behavioral beliefs. Secondly, for self-efficacy this is related to the concept of perceived behavioral control which is concerned with judgment of how well one can execute required actions to deal with specific situations. People’s behaviors are strongly influenced by their confidence in their ability to perform them.

Keywords: Green Marketing, Green Electronic Products, Safety and health Concerns, Self-Efficacy, Environmental Attitude, Theory of Planned Behavior.

1. Introduction
Polonsky (1994) defined green marketing in much broader way those of other researchers and it encompasses all major components of other definitions. According to polonsky (1994) green or environmental marketing consists of all activities designed to generate and facilitate any exchanges intended to satisfy human needs or wants, such that the satisfaction of these needs and wants occurs, with minimal detrimental impact on the natural environment. This definition incorporates much of the traditional components of the marketing definition that is "All activities designed to generate and facilitate any exchanges intended to satisfy human needs or wants"
Therefore it ensures that the interests of the organization and all its consumers are protected, as voluntary exchange will not take place unless both the buyer and seller mutually benefit. The above definition also includes the protection of the natural environment, by attempting to minimize the detrimental impact this exchange has on the environment. This second point is important, for human consumption by its very nature is destructive to the natural environment. (To be accurate products making green claims should state they are "less environmentally harmful" rather than "Environmentally Friendly.") Thus green marketing should look at minimizing environmental harm, not necessarily eliminating it.

Hence, Consumers who are aware of and interested in environmental issues are called green consumers (Soonthonsmai, 2007). These green consumers usually organized petitions, boycotted manufacturers and retailers and actively promote the preservation of the planet (Fergus, 1991). Ottman (1992) reported that consumers accepted green products when their primary need for performance, quality, convenience, and affordability were met, and when they understood how a green product could help to solve environmental problems. The knowledge gap on the uses and values of green products prevents consumers in committing themselves to any purchase decisions. In addition, Ottman (1993) argues that all types of consumers both individual and industrial are becoming more concerned and aware about the natural environment. Polls consistently show that a large majority of U. S. citizens have shown that saving the environment is a high priority to most American citizens, with public concern growing faster than any other issues (Schwartz & Miller, 1991). In a 1992 study of 16 countries, more than 50% of consumers in each country indicated they were concerned about the environment.

Thus, as the demand for electronic products by consumers is ever increasing, companies manufacturing high-tech electronic products are using state-of-the-art technologies to stay in the competition. However, the life-cycle of electronic products is short, therefore, technology rapidly evolves and people are constantly upgrading to new equipment and retiring their old equipment. Hence, high tech product demand worldwide has made the electronic industry today a very dynamic one and new products are launched everyday in the consumer electronics sector. The typical electronic product may contain more than 1,000 different substances, some of which are potentially hazardous to the environment and to human health. If old equipment is not properly recycled, these substances could seep into air, soil, and water, and have a direct polluting impact on the environment and an indirect polluting impact on humans. One of these hazardous substances is lead; Lead is an alloy that is used in soldering electronic components on (PCBs); it is mostly used on computer key boards, mobile phones, cameras, DVDs, etc… [Accessed on June-2006] Available from http://rethink.ebay.com/odcs/custom .

Hatija (2003) argued that given the many applications of PCBs (Polychlorinated biphenyl) in industries it is likely that products and equipment that contained PCBs would be disposed off as regular garbage. This is because there has not been much concern given to the disposal of hazardous household waste such as electrical equipment or products which are likely to contain PCBs in Malaysia. PCBs are made up of more than 200 related compounds these manufactured substances exhibits many ideal characteristics such as fire resistance, high stability. They also do not conduct electricity and have low volatility at normal temperature. These and other properties have made them desirable components in a wide range of industrial and consumer products. These same properties make the PCBs environmentally hazardous- especially their extreme resistance to chemical and biological breakdown by natural process in the environment. Due to their stability, PCBs have a high potential for bioaccumulation it is able to accumulate in aquatic environments such as lakes and rivers.
As early as 1985 tests conducted on shellfish collected from sea bed around Penang island showed PCBs content to be in the range of 400 - 600 ppb. The amount of PCBs detected exceeded the permitted level set by the Food and Drug Authority (FDA) of 300 ppb. In 1992, tests conducted on 25 rivers in Peninsular Malaysia for PCBs residue showed that the amount was higher in the rivers that flow through industrial or densely populated area. The amount of PCBs detected was found to be in the range of 2.1 - 0.9 milligram per liter. This exceeds the level in the Proposed Interim National Quality Standards for Malaysia, which sets a standard of 0.044 milligram per liter of PCBs in effluents (Hatija, 2003).

![Figure 1.1](Path of Lead (Pb) from Sn-Pb Soldered PCB to the Human Body via Drinking Water)

Figure 1.1 the way lead’s toxicity effect human health.

Source: Napp D. (1995) Lead-Free Interconnect Materials for the Electronic Industry, In: Proceeding of the 27th International SAMPE Technical Conference. Figure 1.1 shows lead’s toxicity effects on human health. These detrimental effects have led to several legislations on the restrictions of lead usage in electrical and electronic equipments (EEE) industry today globally.

Therefore, this study attempts to sheds some light on the problem of the pollution (which is caused by the disposal of electronic products as regular garbage at the end of the products life cycle) by revealing the dark side of high technology, polluted drinking water, waste discharges that harm fish and wildlife, high rates of miscarriages, birth defects, and cancer clusters in another word it has a direct impact on the environment and an indirect impact on the consumer via drinking water (Napp, 1995). Since, lecturers are considered relatively heavy users of...
electronic products, due to their profession and technological consumption their environmental attitude towards green electronic products is the focus of the study. Therefore, this study intends to identify the influence of safety and health concerns and self-efficacy on lecturers Environmental attitude.

2. Literature Review

2.1 Safety and Health Concerns

Safety and health concerns are defined as the consumer’s concern for quality of life, health issues and the environment for humans and non-human species. However, it seems that given the broad problems that are defined as environmental issues, the probability that individuals will be affected by one or more of these issues is high (Dunlap, 1989, Mitchell, 1990). In addition, there is also evidence to suggest that people believe environmental conditions are worsening for example, (water pollution, and air pollution) (Dunlap, 1990; Dunlap & Scarce, 1991). Thus, the diversity and intensity of environmental problems as experienced by the public, are themselves proposed as an explanation for the widespread nature of environmental concern. According to Wall (1995) safety and health concerns are considered the strongest predictor of attitude and behavior; her findings lend support to those researchers who claim that increasing concern with health and safety are becoming prominent factors in shaping people’s attitudes towards the environment. It also supports the self-interest notion that behavioral motivation increases with perceptions of personal risk.

However, Rundmo (1999) carried out a study aiming to analyze how health attitudes, environmental concern and behavior are influenced by risk perception. A self-completion questionnaire survey was distributed among Norwegian residents in 1996 and 1997. Respondents belonging to five sub-samples participated in the study and a total of 1124 replied to the questionnaire. Perceived risk was measured by asking the respondents to assess how ‘safe’ they felt from a health injury caused by specific sources of environmental and health risks. The questionnaire also contained indices of health attitudes, environmental concern, and behavior, including health behavior, environmental behavior as well as consumer behavior related to, i.e. purchasing 'green' products. The findings of the study concluded that the respondents felt most unsafe regarding chemical food additives, infected food, industrial pollution and risks related to traffic behavior. Attitudes towards health promotion were strongly associated with health behavior and environmental concern significantly affected environmental behavior. There was also a strong correlation between the different types of behavior. Attitudes and environmental concern explained 40% of the variance in environmental as well as consumer behavior. In a number of studies, environmental concern has been found to be a major determinant of buying green products (e.g., Brombacher & Hamm, 1990; Grunert, 1993; Van Dam, 1991) another determinant is concern with one’s health (e.g., Von Alvensleben & Altmann, 1986; Langerbein & Wirthgen, 1987).

2.2 Self-Efficacy

Is related to the concept of perceived behavioral control, and this concept is most compatible with Bandura’s (1977, 1982) concept of perceived self-efficacy which is concerned with judgment of how well one can execute required actions to deal with specific situations. People’s behaviors are strongly influenced by their confidence in their ability to perform them. Self-efficacy refers to a person’s belief in his or her capability to perform a task as referred to by Bandura (1997), and Wood, and Bandura (1989). Carvone and Peak (1986) has related self-
efficacy to diverse outcomes such as problem solving, learning achievements (Campbell & Hackett, 1986), adaptability to new technology (Hill, Smith, & Mann, 1987), and training effectiveness (Earley, 1994 and Gist, 1987). However, this study identifies self-efficacy expectations as a person's beliefs concerning his/her ability to successfully perform a given task or behavior Bandura (1977). Hence, applying the term to this study lecturers' self-efficacy is defined as judgment of how well can lecturers execute required actions that can influence their environmental attitude.

2.3 Environmental Attitude

Recent research suggests that despite high levels of “green attitudes” environmental concern has failed to translate into widespread environmental action (Roper organization, 1990; Dunlap, 1991; Wall, 1995). More than two decades of environmental attitude research has resulted in a multitude of studies dedicated to discovering the social determinants of environmental attitudes (Van Liere & Dunlap, 1980; Buttel, 1987). Much of the social scientific investigation of environmental attitudes in recent years, rather than remaining focused on demographic predictors, has turned instead to explanations for the widespread popularity of environmental issues. There is also evidence to suggest that people believe environmental conditions are worsening, concern for quality of life has given a way, in many cases, to concern about health issues, and life itself, for human and non-human species (Dunlap, 1991).

Maloney and Ward (1973) argued that during the last few decades, the relationship between human beings and the environment has been an important issue due to the fact that natural resources have been used up at a faster pace than they can be restored. Environmental problems are viewed by many as caused by faulty human behavior and psychology, therefore, can have an important role in the amelioration of these problems by improving ecological behavior (Maloney & Ward, 1973; Weigel & Weigel, 1978; Oskamp, 2000; Schmuck & Schultz, 2002; Schmuck & Vlek, 2003). One way to contribute to this is through the study of environmental attitudes (EA) that may underlie ecological behavior. “Environment concern” is the term typically used in empirical literature to refer to EA (Fransson & Garling, 1999; Dunlap & Jones, 2002). Many researchers use the two terms as synonymous (Van Liere & Dunlap, 1981; Dunlap & Jones, 2003), whereas others have differentiated them (Stern & Dietz, 1994; Schultz, Shrimer, Tabanico, & Khazian, 2004). Nevertheless, EA seems to be the preferred term in psychology, because environmental concern is viewed now as a general attitude (Bamberg, 2003), and EA are the psychological index term generally used (American Psychological Association, 2001). EA have been defined as the collection of beliefs, affect, and behavioral intentions a person holds regarding environmentally related activities or issues.

Based on the foregoing literature, it can be argued that safety and health concerns, is an important predictor of environmental attitude. Hence, on the whole the following hypothesis was developed:

H1. Safety and health concerns have a significant positive influence on consumer’s environmental attitude.
H2. Self-Efficacy has a significant positive influence on consumer’s environmental attitude.
3. Methodology

3.1 Sample

The population for this study consists of full time university lecturers from University Sains Malaysia. University lecturers were chosen from five main perspectives; Firstly, from an economic perspective according to Noor and Ainin (2005), university lecturers have the purchasing power which means they can afford to purchase high-tech computers and electronics for personal use and in utilizing research grant budget to purchase electronic equipment. Secondly, from a social perspective university lecturers are considered heavy users of computers and electronic products Majid (1999), either for their personal use or for teaching, involvement in research grants and consultancy. Hence, according to Hoe (2006) all academics of Universiti Kuala Lumpur Institute InfoTech MARA (UniKL IIM) are required to use the e-learning portal in their teaching activities, it is compulsory for Lecturers, Assistant Lecturers and Instructors to use at least 60 percent of the features available in the portal and upload at least 50 percent of the lecture notes to the portal. The usage of the portal contributes 10 percent to individual achievement in the annual performance evaluation.

Thirdly, from professional perspective university lecturers have the need for add-on peripherals such as a printer, modem, or storage system, which works in conjunction with a computer Sam, et al. (2005). In addition, for example university lecturers in University Sains Malaysia are all given one desktop personal computer, apart from desktop PC given by the University; some lecturers have their own notebooks bought using their own pocket money or grants. However, since the life-cycle of electronic products is short, according to information obtained from the School of Computer and Communication, USM, (2007) computers given to lecturers will be changed when the technology is already backward as compared to current trend, hence, every 3 to 5 years; new computers are supplied to lecturers. Fourthly, from a political perspective university lecturers are aware of government rules and regulations which can influence their use of green electronics. Finally, while environmental issues are not well known by the general public, university lecturers are considered opinion leaders and the more opinion leaders are valued and respected, the more likely an innovation is to spread (Lars Perner, http://www.LarsPerner.com (accessed online 2006). Respondents will be full time university lecturers from the university’s main campus and from the university’s engineering campus, based on academic staff statistics obtained from the University chancellery on January (2007) there are 898 full time university academic staff working on main and engineering campus. Therefore, by using the stratified proportionate sampling method a list of names of lecturers working in each school was obtained either from the university directory book or from USM website and once the population has been stratified into 25 major schools, 20% of the total number of academic staff working in each school will be drawn. Therefore, the target number of questionnaires need to be collected is 179. However, 175 were returned, 4 questionnaires were not returned and 5 were rejected due to incompleteness and were unusable. Hence, 170 completed sets will be used for the data analysis in this study there by giving a total of 95%.

3.2 Measurement of variables

3.2.1 Independent variable- safety and health concerns:

Health and safety concerns was measured by Wall (1995) using 1 statement stating “Our food is becoming unsafe because of food additives” respondents were asked to give answers from 1= strongly disagree to 7= strongly agree. Rundmo (1999) used 3 items to measure health and safety, respondents were asked to give answers from 1= most unsafe to 5= extremely safe. Therefore, the measurements for this variable will be adapted from (Wall 1995 & Rundmo

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1999); this means the respondents will have to give answers to 4 items on a scale ranging from 1= strongly disagree to 5= strongly agree.

3.2.2 Independent variable- Self-efficacy: Self- efficacy was measured by Hill et al (1987) respondents will give answers ranging from 1= not at all true to 4 = exactly true. Therefore, the measurements for this variable will be adapted from Hill et al (1987) this means the respondents will have to give answers to 4 item statements. For example;” I understand to accomplish my task with minimum damage caused to the environment” or “I am confident that I am able to engage in positive environmental behaviors,” on a scale ranging from 1= strongly disagree to 5= strongly agree.

3.2.3 Dependent variable- environmental attitude:
The measurement environmental attitude will be adapted from Maloney and Ward (1973). This means the respondents will have to give answers to 10 items for this variable. A five point Likert scale ranging from 1= strongly disagree to 5= strongly agree will be employed to measure environmental attitudes.

4. Results and Findings
A total of 200 sets of questionnaires were distributed to academic staff working in 25 major schools in University Sains Malaysia main campus and engineering campus. The drop and pick technique method was used in distributing and collecting the questionnaires. The total of full time university academic staff working on main and engineering campus is 898. Therefore, by using the stratified proportionate sampling method a list of names of lecturers working in each school was obtained either from the university directory book or from USM website and once the population has been stratified into 25 major schools, 20% of the total number of academic staff working in each school was drawn. Two hundred questionnaires were distributed, target number of questionnaires (sample size) needed to be collected was 179, however, 175 were returned, 4 questionnaires were not returned and 5 were rejected due to incompleteness and were unusable. Hence 170 complete sets will be used for the data analysis in this study thereby giving a total response rate of 95%. Based on Hair et al., (2006) a sample size of 100 is considered sufficient to carry out the analysis (Table1 below illustrates the response rate).

Table 1. Response Rate

<table>
<thead>
<tr>
<th>Description</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questionnaires distributed</td>
<td>200</td>
</tr>
<tr>
<td>Target amount of questionnaires</td>
<td>179</td>
</tr>
<tr>
<td>Questionnaires returned</td>
<td>4</td>
</tr>
<tr>
<td>Questionnaires un returned</td>
<td>5</td>
</tr>
<tr>
<td>Usable Questionnaires</td>
<td>170</td>
</tr>
<tr>
<td>Response rate</td>
<td>95%</td>
</tr>
</tbody>
</table>
4.1 Profile of Respondents

In terms of gender, 39.4% of respondents were females and 60.6% were male respondents, this indicates that the majority of respondents were male lecturers. In terms of age, 1.2% of respondents were below the age of 29 years old, while the majority of respondents 41.2% aged between 40 to 49 years old, followed by 38.2% of respondents were between the age of 30 to 39 years old, and the remaining 19.4% of respondents were above 50 years old. From ethnic background perspective, 72.4% of respondents were Malay, 11.2% were Chinese, 8.2% were Indians and 8.2% were other races. In terms of professional status, the majority 48.2% were lecturers, followed by 33.5% were associate professors, 17.1% were senior lectures and 1.2% were professors. Therefore, from the analysis it is apparent that the majority of respondents are in the lecturer category which are young and potentially holding more funds for research in future. In terms of years of experience,31.8% of respondents had working experience lower than 5 years, 17.6% of respondents had working experience between 5 to 10 years, followed by 31.8% of respondents had working experience between 11 to 20 years, and 16.5% of respondents had working experience between 21 to 30 years. Lastly, 2.4% of respondents had working experience above 30 years. From this analysis, it appears that the majority of respondents had medium to high number of years of experience; this reflects that during respondents’ years of experience on the job they will be liable to a number of research grants which will enable them to purchase electronic products for research purposes. This is supported by the following analysis on lecturers’ number of research grants awarded to them during their years of experience. However, in terms of research grants, from the analysis it appears that 81% of respondents have a research grant ranging from 1 to 32. This means that lecturers tendency to use computers and other electronics is high, this can be shown from the number of research grants awarded to them, which enables them to purchase electronics equipment and add on peripherals such as; printer, modem, storage system, which works in conjunction with a computer.

4.2 Factor Analysis – Safety and Health Concerns

The construct of safety and health concerns was analyzed using confirmatory factor analysis and items were forced into one factor. All items were accepted for safety and health concerns and all items dropped on a single component, explaining 70.04% of the total variance in the variable. Hence, none of the items were dropped and the mean for safety and health concerns was 4.20 which indicate that respondent’s safety and health concerns are high. The Kaiser-Meyer-Olkin measure of sampling is .82 which is considered marvelous. The Bartlett’s test of sphericity is significant at p<0.01. Table 2 below illustrates the range of factor loadings for safety and Health concerns.

4.3 Factor Analysis – Self-Efficacy

The following analysis was to analyze the construct of self-efficacy, confirmatory factor analysis was conducted and items were forced into one factor. All items were accepted for self-efficacy and all items dropped on a single component, explaining 60.15% of the total variance in the variable. Hence, no item was dropped, and the mean for self-efficacy is 4.05 which indicate that respondent’s self-efficacy are high. The Kaiser-Meyer-Olkin measure of sampling is .75 which is considered meritorious, meaning excellent and the Bartlett’s test of sphericity is significant at p<0.01. Table 2 below illustrates the range of factor loadings.

4.4 Factor Analysis – Environmental Attitude

The measurement for environmental attitude was adapted and modified to the Malaysian context to establish the dimensions of the study. Hence, this study utilized exploratory factor analysis was run twice to analyze the construct of environmental attitude, which will help establish grouping of items based on respondents’ perceptions i.e. USM lecturers. After running the first
factor analysis two items were eliminated due to cross loading. In the second running of factor analysis another two items were eliminated. The remaining six items grouped under a single component, explaining the total variance of (30.64%) in the variable, the mean value for environmental attitude is of 3.67 which indicate that respondents’ environmental attitude is above average. The Kaiser-Meyer- Olkin measure of sampling is .77 which is considered meritorious, meaning excellent and the Bartlett’s test of sphericity is significant at \( p<0.01 \). Table 2 below illustrates the range of factor loadings.

Table 2

<table>
<thead>
<tr>
<th>Variables</th>
<th>Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety and Health Concerns</td>
<td>.81-.88</td>
</tr>
<tr>
<td>Self-Efficacy</td>
<td>.68-.86</td>
</tr>
<tr>
<td>Environmental Attitude</td>
<td>Factor 1 : .57-.66</td>
</tr>
<tr>
<td></td>
<td>Factor 2 : .68-.79</td>
</tr>
</tbody>
</table>

4.5 Reliability Analysis

The data obtained were tested for reliability using cronbach’s Alpha. The variables that were tested safety and health concerns, and environmental attitude. In this test, any item that was not significant will be deleted. According to Sekaran (2003) the closer Cronbach’s alpha is to 1, the higher the internal consistency reliability therefore, a reliability coefficient of 0.5 and higher is acceptable. The Cronbach’s alpha for safety and health concerns; is 85, For self-efficacy .77, and for environmental attitude; is 69. Hence, according to (Hair, Anderson, Tatham & Black, 1995) the generally agreed upon lower limit for Cronbach’s alpha is .70 although it may decrease to .60 in exploratory research. A summary of the reliability tests for the variables is shown in Table 3 below.

4.6 Descriptive Statistics

After carrying out the validity and reliability analyses, the items representing their respective factors were then averaged. The mean was applied as a measure of central tendency, which indicated that all variables were above their midpoint level as indicated in Table 3. Respondents safety and health concerns was the highest in rating (\( X = 4.19 \)), followed by respondents self-efficacy (\( X = 4.05 \)), followed by environmental attitude with a mean value of (\( X = 3.67 \)), which indicates that respondents attitude towards the environment was normal neither high nor low. A summary of Descriptive Statistics for the variables is shown in Table 3 below.
Table 3

Descriptive Statistics

<table>
<thead>
<tr>
<th>Type of variable</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety and Health Concerns</td>
<td>1.50</td>
<td>5.00</td>
<td>4.1971</td>
<td>.70354</td>
<td>.85</td>
</tr>
<tr>
<td>Self-efficacy</td>
<td>1.00</td>
<td>5.00</td>
<td>4.0544</td>
<td>.53741</td>
<td>.77</td>
</tr>
<tr>
<td>Environmental Attitude</td>
<td>2.00</td>
<td>5.00</td>
<td>3.6716</td>
<td>.53091</td>
<td>.69</td>
</tr>
</tbody>
</table>

Regression between safety and health concerns and environmental attitude

Table 4 illustrates the regression between safety and health concerns, self-efficacy and environmental attitude. Hence, safety and health concerns exhibited a significant positive influence on environmental attitude, at β = -1.198, t = 2.766, p < 0.00. Therefore H1 is supported. The output for self-efficacy indicated a significant positive impact on environmental attitude at β = -0.323, t = 4.513, p < 0.00. Therefore, H2 is supported. The variation for two independent variables explained 16% of environmental attitude. This indicates that the higher the safety and health concerns and self-efficacy among lecturers the higher their level of environmental attitude.

Table 4

Regression Analysis between Safety and health Concerns and Environmental Attitude

<table>
<thead>
<tr>
<th>Variables</th>
<th>Beta</th>
<th>t-values</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety &amp; Health Concerns</td>
<td>.198***</td>
<td>2.766</td>
<td>.006</td>
</tr>
<tr>
<td>Self-Efficacy</td>
<td>.323***</td>
<td>4.513</td>
<td>.000</td>
</tr>
<tr>
<td>R² = .16</td>
<td>F= 15.468***</td>
<td>Durbin-Watson Statistic =1.735</td>
<td></td>
</tr>
</tbody>
</table>

Note: *** p<0.01 and **p<0.05 and *p<.10

5. Discussion

The result of this study indicated that respondents’ safety and health concerns strongly influenced respondents’ environmental attitude, this indicates that lecturers safety and health concerns towards the environment is high. This means that the higher the concern about safety and health the higher their attitude towards the environment. This study is in line with the findings of Wall (1995) who found that safety and health concerns ranked as the strongest predictors of attitude, findings by Wall (1995) lend support to researchers who claim that increasing concerns with safety and health are becoming a prominent factor in shaping people’s attitudes towards the environment. Thus, according to Wall (1995) the diversity and intensity of
environmental problems, as experienced by the public, are themselves proposed as an explanation for the widespread nature of environmental concern. This finding is supported by Dunlap (1991); Dunlap and Scarce (1991) who argued that there is evidence that environmental condition are worsening. Accordingly, Dunlap (1991) argued that concerns for quality of life has given way, in many cases to concern about health issues, and life itself, for humans and non-human species. Rundmo (1999) carried out a study aiming to analyze how health attitudes, environmental concern and behavior are influenced by risk perception. Rundmo (1999) concluded that respondents felt most unsafe regarding polluted food, infected food, and industrial pollution. The findings of this study are in line with Rundmo (1999), lecturers were asked four questions to measure their safety and health concerns. The first question; our food is becoming unsafe because of environmental pollution, the mean score for question one is (4.0). The second question; our water is becoming unsafe because environmental pollution, the mean score for question two is (4.31). The third question; I feel unsafe from getting a health injury caused by environmental pollution, the mean score for question three is (3.98). Finally question four; I feel unsafe consuming polluted food, the mean score for question four is (4.41). Therefore, the findings indicate that lecturers felt most unsafe consuming polluted food, polluted water, and getting a health injury caused by environmental pollution. Hence, concerns with safety and health are becoming a prominent factor in shaping people’s attitudes towards the environment.

In addition, the result of this study indicated that respondents’ self-efficacy did influence environmental attitude. Lecturers’ self-efficacy is strongly related to levels of participation towards environmental concerns. The findings of this study are in line with Wall (1995) who reported a mean score of 4.30 and concluded that efficacy/interest affects the levels of participation in environmental activities and will increase advantages associated with greater participation. Self-efficacy refers to a person’s belief in his or her capability to perform a task as referred to by Bandura (1997) and Wood & Bandura (1989). Hence, the relationship between self-efficacy and individual performance is strong. Carvone and Peak (1986) has related self-efficacy to diverse outcomes such as problem solving, learning achievements (Campbell & Hackett, 1986), adaptability to new technology (Hill, Smith, & Mann, 1987), and training effectiveness (Earley, 1994; Gist, 1987). For example, Hill (1987) carried out a study on the role of efficacy in predicting the decision use of advanced technologies; the case of computer use. The results indicated that computer efficacy beliefs made a significant contribution to the prediction of behavioral intentions. This study is in line with (Tella et al., 2007) her study revealed that self-efficacy and use of electronic information jointly predict and contribute significantly to academic performance of students. This corroborates previous findings by Tella and Tella (2003) and Pajares and Johnson (1996) that self –efficacy is a better predictor of academic performance.

6. Conclusion
This study has shed some light on the problem of pollution, which is caused by the consumption of high-tech electronic products and the disposal of these products at the end of the products life cycle. Hence, this study investigates the influence of safety and health concerns and self-efficacy on environmental attitude amongst lecturers because lecturers are considered relatively heavy users of electronic products. Due to their profession and technological consumption their environmental attitude towards lead-free electronic products (green electronics) is the focus of the study. However, through a survey among lecturers working full time in USM main campus and USM engineering campus the study found some revealing insights.
In terms of theoretical contribution, the theory of planned behavior (TPB) Azjen (1985) supported the findings of this study for safety and health concerns and self-efficacy on environmental attitude, which is related to the behavioral beliefs, and perceived behavioral control part of the theory. A person’s beliefs that the behavior leads to a certain outcomes and his or her evaluations of these outcomes. Therefore, attitudes are determined by behavioral beliefs, for any given behavior at a given time we will have a set of salient beliefs, for each belief we have an outcome evaluation and we also have belief strength. As for the concept of perceived behavioral control, it is concerned with judgment of how well one can execute required actions to deal with specific situations.

In terms of practical contribution, the results of the study for safety and health concerns and self-efficacy had a significant positive influence on environmental attitude. Hence, from the findings of the study it is recommended that marketers should constantly monitor and evaluate the needs and concerns of university lecturers by taking into account lecturers safety and health concerns and self-efficacy factors that lead to their levels of performance and achievement.
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Effect of stress on sales person performance

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Abstract
We examined the relationships between sale employees’ felt job stress, organization commitment, job experience, and performance. Our results are reliable with the consideration view of stress. Employees with higher levels of emotional commitment and higher levels of job experience channeled felt stress more effectively into sales performance. Felt stress had neutral to negative effects on performance for employees with lower levels of commitment and job experience. Commitment, like stress, was more strongly related to performance when employees had more job experience. The results suggest that consideration of moderators of the stress-performance relationships important both theoretically and practically.

Keywords: Stress, Commitment, Job experience, Performance

Introduction
Stress at work place is a critical problem for employer employee and society. Problem at work are more strongly inter link with health complaints than are any other life stressor more so than even financial problems. Stress on individual generate strain on organization as whole and organization experiences stress as funding change s loss of programming, down sizing, mergers, and mostly strain individual coping skill. The national institute for health occupational safety and health (NIOSH) define job stress as the harmful physical and emotional responses that occur when requirement of job do not mach the capabilities, resources or need of worker. Katz and Kahn, 1966 and House and Litzman, 1970, represent stress theory when employees experience role of ambiguity and role of conflict are also refer to stressor.
Changes place worker unfamiliar job cause previously loyal worker to question their commitment to their employer and challenges worker to perform under stress. (Hunter, Bernhardt, Hughes, & Skurtowicz, 2001; Korczynski & Ott, 2005) Most research suggest that role ambiguity is needed negatively correlated with job satisfaction, job involvement performance tension propensity to leave the job and job performance variables.
The multidimensional approaches to the study of role ambiguity began with Bedeian and Armenakis (1981) and have continued with Sawyer (1992) and Singh, Verbeke, and Rhoads (1996). Based on their findings and the foundation provided by these works there are four (4) widely accepted dimensions to role ambiguity, which may be experienced by the role incumbents, and are based on the role incumbent’s perspective.

**Literature review**

Today’s Pakistani economy is facing a new challenges in marketing due to this global changes in big world managerial level employees is taking a competitive disadvantage but sales person employees is facing a stress. A theory of organizational role stress recommended that role stress may be dependent upon organizational structure and culture,(Schuler 1977).Organization culture is collected of values ,as well as sample of behavior, attitudes, supposition and artifact (Jackson,Schlacter,and Wolf,1995) Shared ethic between the sales force and organization give a out line or view of system for decision making and present a central theme to direct sales person ,behavior (Jackson,schlacter,and wolf 1995)

A study shown that sales people with low level shared ethic with their group may experience high level of tension and job nervousness (Posner, Kouzes, and Schmidt 1985).Main causes of organization stress are role of ambiguity, and role of conflict, between the most common researched construct in organizational behavior (Boles and Babin 1994: Sullivan and Bhagat 1992) and managing of sales force (Leigh, Pullin, and Comer 2001)

Role of ambiguity show when employees are ambiguous about their duties and proceeding required their jobs (Wallker, Chrchill, and Foed 1975) most important to feeling of attention (Onyemah 2008). Role of conflict show when employees distinguish that group opportunities and demands are mismatched and can not be all together satisfied (Walker, Churchill and Ford 1975).

It is occurs, for example when sales people suppose that their managers s hope and demand are not well- matched with their custumer hope and demands (Onyemah 2008)

One of study shown the stress negative influence an employee job satisfaction (e.g, Jaramillo and Solomon 2006).Extending of past research found the relationship between role conflict, ambiguity, and work family conflict with fact of job satisfaction related to gender .They establish that gender of the sales persons does effect the relationship of role conflict, role of ambiguity, and work family conflict on few of facets of job satisfaction. (Boles, Wood, and Johnson, 2003)

For example, as role ambiguity and role conflict harmfully affect satisfaction with recompense for male sales persons, female sales person’s satisfaction with pay not unfair by the role of ambiguity and role conflict. They also established work family conflict does not affect the male sales peoples satisfaction with coworkers, even it has negative relationship for female sales persons also while work family conflict is negative relationship with satisfaction with promotion and organization policy for male and female sales persons, no important relationship and was established for their female counterpart (Boles, Wood, and Johnson, 2003).

**Main Effect of stress**

Commonly, stress refers to an emotional experience related with anxiety, tension, and strain (cf. Cooke & Rousseau, 1984). A Study on stress features a mixture of approaches to its conceptualization, its background, and its belongings. Stressors can be understood as “stimuli that evoke the stress process” (LePine, Podsakoff, & LePine, 2005: 764). Workers subject to alike stressors may vary in the coverage to which they feel nervousness or tension as a result of personal experiences or accomplishments in their work setting (Parker & De-Cotiis, 1983). ). These types of feelings can be described as “strain” (Van Dyne, Jehn, & Cummings2002) or as
“felt job stress” (Motowidlo, Packard, & Manning, 1986; Parker & DeCotiis, 1983). Felt job stress refers to logic of time pressure, anxiety, and concern that is related with job tasks. The mere occurrence of stressors does not automatically lead to such felt stress. Individuals may suffer stressors or scatter their effects either cognitively or behaviorally, and thus felt job stress can be familiar both from stressors and from physiological symptoms. The attention theory of stress suggests that there should be a positive association between felt job stress and job performance. Extensive experimental research supports Easterbrook’s (1959) argument that although stress depletes an individual’s resources, it paradoxically has the effect of concentrating remaining resources on the task at hand (Huguet, Galvaing, Monteil, & Dumas, 1999).

Yet workplace-based evidence for a relationship between felt job stress and job performance is weak and conflicting (Beehr, 1995; Jex, 1998). In this section result of insufficient notice to the Sources of stress. LePine and his colleagues (2005) showed during meta-analysis that stressors that are hindrance-oriented (e.g., organizational politics, red tape, role ambiguity) are negatively related to job performance, but challenge-oriented stressors (e.g., high workload, time pressure, job scope). Encourage workers and can be positively associated to job performance even as they suggest other strains such as exhaustion and tiredness. There are likely to be restrictions to the range, even in reaction to challenges, within which improved stress results in the fruitful redirection of attention. Researchers have long recommended such limits: Yerkes and Dodson (1908) hypothesized an inverted U-shaped association between stresses and performance. Lepine et al. (2005) argued that countervailing negative sound effects of strains can accompany positive effects of felt stress consequential from challenges to achieve, even when hindrance stressors are not present. As persons devote growing awareness to symptoms of stress such as exhaustion, they may become less able to give the focused awareness to the task at hand that, attention theory suggests, will drive performance. The reason of the consideration approach implies not presently limits to the stress-performance association, but possible moderators of that association.

Attention theory distinguishes between jobs or task attributes that are to be responded to and attributes that are to be unnoticed. Individuals who feel stress organize their attention differentially, so that performance on attributes of the extent requiring an answer may increase even as responses to ignorable scope diminish sharply (Matthews & Margetts, 1991). The attention approach is complete significant when an assigned task has a high priority for an individual and when the task is familiar to the individual (Easterbrook, 1959; Matthews & Margetts, 1991). Organizational setting commitments and job experience are possible to moderate the stress performance relationship. Commitments (which leads individuals to struggle toward organizational goals) and experiences (which breeds task knowledge) each should guide individuals to focus more significantly on job performance under stress. We therefore turn next to discussions of these possible moderators and associated hypotheses concerning their effects on performance.

**Commitment as a Moderator of the Stress-Performance Relationship**

Commitment has been studied broadly and has been theoretically linked to work outcomes such as job performance and absenteeism. At least six meta-analyses address the relationship between Commitment and performance (Cohen, 1991; Jaramillo, Mulki, & Marshall, 2005; Mathieu & Zajac, 1990; Randall, 1990; Riketta, 2002; Wright & Bonett, 2002). Regardless of extensive research and strong theoretical reasons to expect that individuals with higher levels of organizational commitment will achieve better, verification of this relationship is, surprisingly, mixed (Mowday, Porter, & Steers, 1982; Wright & Bonett, 2002). Refinement
the commitments build helps to determine some of the incompatible results. For example, many studies of the commitment-performance association have used a commitment construct that encompasses both affective and calculative magnitude (Siders, George, & Dharwadkar, 2001). Studies straightening out these two magnitude specify that job performance should be unfair more heavily by affective commitment, “the relation strength of an individual’s recognition with and involvement in a particular organization” (Mowday, Porter, & Steers, 1982: 27) than by calculative commitment, which encompasses investments in continued employment and tends to control turnover (Meyer, Allen, & Smith, 1993). Subsequent this logic, we focus on affective commitment, which has been shown to be absolutely related to organizationally satisfied job performance (Siders et al., 2001).

Jex (1998), in work for more research on element that affect the stress-performance association, stable specifically to organizational commitment as a possible moderator of this relationship. The attention approach necessities the rationale for such an effect: according to attention theory, performance will be unfair by the extent to which workers under stress recognize key work tasks as attributes of a job that merit the expenditure of limited resources, relatively than as distractions to be ignored.

Commitment influences job performance during recognition and internalization. Affectively devoted individuals classify with an organization and so adopt attitudes and behaviors allowed by the organization in order to demonstrate a satisfying, self-defining association with it (Becker, Billings, Eveleth, & Gilbert, 1996). Further, they feebly accept the values and goals of the organization and exert effort toward these goals (Mayer & Schoorman, 1992; Porter et al., 1974). Workers who are highly dedicated to their organization are consequently more likely, when under stress, to direct their difficult task toward important work tasks and to reduce resources devoted to other activities.

Employees with low commitment, in contrast, may respond to felt stress by ignoring work tasks and with holding effort (Jamal, 1984, 1985). Several studies have provided indirect support for the idea that commitment influences the direction of attention under stress. Begley and Czajka (1993) showed that stress had negative effects on job satisfaction and a merged measure of job “displeasure” only when employees also had low organizational commitment. Similarly, Siu and Cooper (1998) establish that commitment moderated the effect of felt job stress on job satisfaction as well as on self-reported psychological suffering, such asstrain. And Jamal (1985).Previous reseches show the negative relationship between felt stress and supervisor assed job performance for individual with low commitments: Did not test with high commitment but he did not formerly test between two groups. No past researches have specially tested the effect of the stress-commitment interaction on job performance.

**Job Experience as a Moderator of the Stress-Performance Relationship**

Human capital theory (Becker, 1962) suggests that more experienced employees recognize better than employees new to a job, because they accrue skills in the job. Tenure in a job is positively connected with performance because “experience provides the medium for learning” (Schmidt, Hunter, & Outerbridge, 1986: 167). Schmidt and Hunter (2004) reviewed the general facts in support of the link connecting experience and performance. Experience has a bigger contact on performance when workers have relatively low tenure and still understand their jobs; the positive relationship between experience and performance typically declines as workers gain experience (Schmidt & Hunter, 2004)
The observe view suggests that experience and stress are likely to influence job performance jointly. Experience facilitate the cognitive simplification of job related routines and behaviors (Earley, Lee, & Hanson, 1990). Baron (1986) established that felt stress is more likely to facilitate aspects of performance that have been well learned, because individuals under stress are more likely to direct their notice to tasks that they understand. Usually, because job experience is linked with learning and increased capability, experienced employees under stress are more likely than inexperienced Employees to direct their attention to tasks that are middle to their job. Van Dyne and her colleagues (2002), for example, establish that hair stylists performed better under high job stress, theorize that the stylists focused on habitual actions. Van Dyne et al. did not, however, analyze the extent to which job experience moderated the stress-performance association, and the mean tenure of the workers they studied was quite high (six years). The attention view recognizes that less experienced employees could be less successful under stress. As Jex (1998) noted, less experienced employees are less able to direct their limited resources toward job tasks. Until employees have accumulated enough experience to understand how to do their jobs, stress may be negatively associated with performance. As competence grows with experience, the negative effects of felt stress on performance should diminish. Most of research examining the effects of experience has used job and organizational experience interchangeably, these two types of experience have differing theoretical implications with respect to our variables of interest and are thus not simple proxies for one another.

In difference to the limited empirical research into moderators of the effects of stress on workplace performance, the theoretical and empirical literature on the commitment-performance relationship and its moderators, including experience (Wright & Bonett, 2002), is general here we quit briefly from our focus on attention theory and felt stress to think the contact between job experience and commitment, for two reasons. First, even after many studies and several meta-analyses, evidence on the interactive effects of job experience and commitment on performance remains mixed. Our study sheds additional light on the argument. Second, we will return to attention theory in considering a three-way interaction between stress, commitment, and experience, and it is essential to include all lower terms (two-way interactions as well as main effects) in modeling such interactions (Aiken & West, 1991). Cohen (1991) theorized that the buildup of skills through experience positively moderates the effects of commitment on performance, screening that the commitment-performance relationship was stronger in late career than in mid career. Cohen’s meta-analysis did not differentiate affective commitment from other forms of commitment, but that of Ricotta (2002) specifically studied moderators of the relationship between affective commitment and job performance and, in contrast to Cohen’s, recognized no moderating effects of tenure. Wright and Bonnet’s (2002) meta-analysis, in contrast to both Ricotta’s and Cohen’s results, uncovered important, negative moderating effects of experience on the commitment-performance relationship. Per the logic of attention theory, higher job performance under stress results when individuals direct limited resources to tasks that are essential to job performance and ignore tasks that are not central to performing well on the job.

After the assessment of literature review present study has some questions for solve of those question we developed four hypotheses.
Hypothesis

Hypothesis 1.
High organizational commitment moderates the relationship between felt stress and job performance. Stress is positively associated with performance when commitment is relatively high and negatively associated with performance when commitment is relatively low.

Hypothesis 2.
Job experience moderates the relationship between felt stress and job performance. Stress is positively associated with performance when job experience is relatively high and negatively associated with performance when job experience is relatively low.

Hypothesis 3.
Job experience moderates the relationship between affective organizational commitment and job performance. The positive relationship between commitment and performance is of the greatest magnitude when job experience is high.

Hypothesis 4.
Job experience moderates the relationship between felt job stresses, high commitment, and job performance. The (expected) positive interaction between stress and commitment is of the greatest magnitude when job experience is high.

Research Methodology
We used qualitative technique for analysis of hypothesis. Quantitative and qualitative research methods can be distinguished. According to Merriam (1998) Quality or quantity methods researchers can control. Yin. (2003) both quantitative methods or statistics and numerical data based on where most results are truly felt as hard scientific data, distinguishes deal with research. quality social sciences where Jesus idea, and human behavior as in research with soft data is about.
The goal was not discover the relationship between stress and performances also check the commitment of sales person employees. For this purpose consequently individual semi structured interviews was chosen. The interview was conducted of all through face to face in the three manufacturing industries in Faisalabad. Interviews were conducted with in detail and outline the issues on the basis of fifteen questions were put through a comprehensive review of the literature, the interview questions that focus on three main areas: 1) Stress, (2) Performance (3) Commitment, job exper
Discussion and Practical Application

**Hypothesis 1.**

The sale employee’s behaviors show that 80% of sale employees feel organizational commitment create stress. This stress effect the sales person performance. Other 20% sales person’s sales employees do not agree those employees’s behavior. Sale person employees show behavior when employees have high loyalty within organization then they feel high stress. When employees have low loyalty within organization then they feel low stress. This stress always affect the performance. When employees show high loyalty within organization then they do hard work for organization. Basically they feel we are more loyal then other. When sales employees feel stress because they frustrated. When sales employees feel low loyalty within organization then balance their work. When they do not feel stress.

**Hypothesis 2.**

The result indicate the sale employees behavior 70% are behave job experience create a stress. This stress effect the sale person employees. Other 30% employees do not agree those employees behavior. Sale person employees show that high job experience employees feel high stress and low job experience employees have high performance with low stress.

The reason shows employees that high experience sale employees having high salary. He can not get this salary to other organization easily due to this he feels stress. When employees have low job experience then they feel stress because they can not get same job to other employer due to low experience. Due to this fear they feel stress.

**Hypothesis 3.**

Sale employees show their behaviors: job experience effect the employee’s commitment within organization and due to commitment effect the employee performance. Other they do not agree this behavior. When employees have more experience then show high commitment within organization. This high commitment improves the employee’s performance. Commitment and job experience have positive relationship.
Hypothesis 4.

The result indicates, job experience effects the high commitment and stress, and 70% employees act their behavior. When employee feel high job experience then he shows high commitment within the organization. Due to high commitment he can not balance at work then he feels stress. When employees have low job experience then they show low commitment within organization because they can do balance at work due to this they can perform better as compared to other.

Conclusion

This study examines the relationship between the stress and performance and also checks the moderating effect on both. Organizational commitment creates stress due to stress effect the sales person performance. When sales employees show high commitment then they feel more stress. Result also indicate high job create high stress. Job experience effect the employee’s commitment. High job experience employees have high commitment within the organization and low job experience employees have low commitments. Job experience effect the organizational commitment and job performance.
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Structural & Ideological features of an Islamic Society

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Abstract
This paper shall cover diverse aspects of Islamic Society and shall assist to prove on the basis of verifiable references that Islam is an integrated and a perfectly balanced religion. Its vision is not confined to daily issues of life but extends to explore ultimate problems of human life and destiny and thus working on high human ideals, considering morality to be the integrating factor joined to religion with a striking emphasis that economics, politics and law are related to religion through morality, thereby establishing spiritual, social, political and economic democracy. Islam being the only religion, presenting comprehensive outreach to solve issues ranging from an individual, family, rights, inheritance, status, economic welfare to the affairs of state using the rule and law of the administrative hierarchy prescribed by Quran.

Key Words: Religion, Society, Morality

Introduction

A Few Dimensions of Islamic Society

Islamic society is based on religion and morality contrary to the secular society which is based on materialism. Islamic society is therefore “Theocentric and ethico-religious, nourished by obedience and worshipping Allah. Its social philosophy is based on the belief to devote to the dictates of Almighty which in itself represents a comprehensive principle for the acquisition of
highest values and ideals. Such ideals tend the believer to the pursuit of truth, justice, love, austerity and selfless service to fellow-man.

Being an Ethico-Religious Society\(^1\) it is founded on Theo-centric ethical idealism, that rests upon (a) love for God, manifesting itself in the love for humanity, and (b) the fear of God manifested through the fear of Divine Judgment leading to the concept of life after death and ultimate destiny. It also assures the existence of an ideal example in the guise of the Holy Prophet Muhammad (peace be upon him) and the society that he established in Madina. Islamic society no doubt is a spiritually illuminated society where God is the Light of Heavens and earth, the Holy Prophet (peace be upon him) is the Light, Faith is the Light and the function of this Light is guidance by the virtue of which humanity is brought out of darkness into the light of faith and which shines from the dealings with the fellow-being. In the Heaven this Light shall be ahead of the faithful while they say: Our Lord! Perfect our Light for us\(^2\).

Regarding human dignity, Islam invites its members to noble actions because God, the Holy Quran, the messenger angel of Quran and the human race, all are noble. The norm governing Islamic conduct is also to behave nobly and it is the mission of Islam to lead its followers into the noble gate\(^3\) for the attainment of all the dimensions of human nobility. The Islamic society is thus a noble society\(^4\) An Islamic society lays emphasis on the family which is a unit of the society\(^5\) and which plays vital role in Islam’s social ethos\(^6\). It provides the first basic social environment to an individual where he or she could explore and exercise morality and which becomes significant in respect of an individual moral behaviour relating his community, country and humanity at large. Family is thus the foundation of Islamic Society which operates under certain ethical codes i.e. (a) marital piety (b) parental piety (c) filial piety namely uncompromising emphasis on: (a) chastity of the husband and wife (b) comprehensive parental benevolence, and (c) unflinching good will, devotion and respect of the children for their parents and all elders. Moreover, Islam admits chastity to be an absolute because without that no healthy society is possible. This fact accounts for: (a) the special rules of modesty which Islam has laid down for the women folk and which forbade promiscuous intermingling of sexes; (b) Islam allows conditional polygamy. On one hand it is in the acknowledgement of the women’s basic role as mother, wherein lies the fact that “the hand that rocks the cradle rules the world”. On the other hand it tells us that the spiritual and moral survival of a society may be a possibility as long as the women folk remain conscientious custodian of the community’s spiritual and moral values. The permission of polygamy is to avoid prostitution besides providing prop for the orphans by these additional women folk. It can therefore be said that Islamic society is a family based society.

Recognizing the unity of humanity and the ideal of human brotherhood\(^7\), Islam considers racialism, casteism, tribalism, class-ism, and dynasty-ism as nothing less than infidelity to God and treachery against humanity. All members of Islamic society irrespective of colour, language, race and dynasty are equal enjoying equal rights\(^8\). It is a society based on equality, non-racialism, strong feeling of brotherhood and a measure of harmony to be the building blocks of this society.

W. Montgomery rightly admits “One of the distinctive marks of Islam as compared with other religion is the variety of people and races who have embraced it and among whom there has grown up a strong feeling of brotherhood and a measure of harmony”\(^9\). Islam is ideologically an integralistic religion where the integrating factor is morality joined to religion whereas economics, politics, and law\(^10\) are related to religion through morality. Islamic society is therefore an integrated society. Apart from the principle of integration, its structural aspect is
also governed by the principle of “the balance”\textsuperscript{11}, implies the realization of different values in man’s life in a balanced manner. Similarly being Theocentric, ethico-religious, integrated and balanced, its vision is not confined day to day issues of life but extends to ultimate problems of human life and destiny and thus working on a high human ideals.

Moreover being the trustee of the mission of humanity for the realization of the vicegerency of God, it has to imitate God’s Attributes, among which is His attributes of creativity\textsuperscript{12} that leads us to the adoption of means for the improvement of human welfare in all aspects of life through the conquest of the celestial environment. Islamic society is thus an idealistic, dynamic and progressive society.

The Islamic society being egalitarian therefore establishes spiritual, social, political and economic democracy. It gives full spiritual freedom ignoring priesthood and spiritual feudalism. It also makes the acquisition of knowledge to be the prerogative and obligation of everyone including women without any distinction of family or caste. It also establishes political democracy by abolishing all secular views of government in which anyone may likely exercise tyranny and exploit the other. Similarly it establishes economic equality through the basic principle that “wealth should not be permitted to circulate among the wealthy only\textsuperscript{13}. This makes it imperative that economic system should be such as to provide equal opportunity to all members in order to secure decent means of earning. Likewise the disabled secure their livelihood honorably through the social welfare tax imposed by Islam. In Islamic social ethico, social justice has been referred in terms of absoluteness and comprehensiveness\textsuperscript{14} with special emphasis on moral, legal, economical and political justice.

The Islamic society is a merciful society which has been explicitly emphasized in Quran and the life of the holy prophet Muhammad (peace be upon him)\textsuperscript{15}. It shows that Quranic society is Altruistic as well because the very basis of the Quranic philosophy if life is the negation of all forms of selfishness and affirmation of love for humanity on the basis of love for God\textsuperscript{16}. God has imposed limitations endorsed by the holy Quran and has commanded the members of the Islamic society to adhere to them\textsuperscript{17}. It has thus organized human life under proper discipline and code of conduct.

Moreover the Quranic laws regarding international relations between Muslims and Nonmuslims and the Quranic ethics of war are based on absolute justice and regard for humanity. Similarly the holy Quran forbids the Muslims from compelling the non-muslims to change their religion thereby giving them freedom of conscience\textsuperscript{18}. Islamic society is humanitarian on the basis that they tend to do well to the non-muslims unless they are in a state of active warfare. The Quran condemns “Love of this world’s life”\textsuperscript{19} and forbids all vain spending and luxury and forbids from the luxuries of animal self thereby inviting to the love of values and the love of God which is the highest value and which manifest itself in the love for fellow beings.\textsuperscript{20} Thus the Islamic society is an austere society because the ideal of respect leads to austerity.

Moreover the Islamic society is a welfare society which the Quran refers to as “Falah”\textsuperscript{21} i.e. welfare both in the context of an individual and society at large as the collective welfare. The above mentioned are in brief features of the Islamic society founded by the Holy prophet (peace be upon him) which has not only preached by practiced and realized by the Prophet Muhammad (peace be upon him).

When this society assumes the form of the state, like in the first days in Madina, a Theocentric democratic welfare state comes into being which in a way may be called as
Government of God, through the rule of Divine Law, by the trustees of the mission of Islam, who function on the basis of their election by the persons of the character and wisdom among the Muslims and administer the state within the limits prescribed by God as servants of the people for their comprehensive welfare. Here Divine Law in the context refers to the existence of the fundamental political norms given by God and which are eternal and unchangeable that runs the Islamic state thereby ensures political stability in the total life of the community. Moreover it establishes the principle of the “Supremacy of Law” wherein no body, not even the head of the state is above the law.

Similarly “Governed by the Trustees of the mission of Islam” is another notion needs explanation that since the entire Ummah is under the obligation to promote what is good and eradicate what is bad and this is entrusted upon the state machinery of the Islamic regime to administer affairs not on political grounds but primarily closely in accordance to the dictates of Quran and Sunnah as an avowed mission.

The situation as how and who to decide the administrative hierarchy, Quran clearly states and pertain the matter to be decided in favour of those worthy of it through the will of people and not the hereditary monarchy. The Holy Prophet (peace be upon him) never exercised his absolute authority and wisdom for the sake of nomination among his descendents for becoming his successor after him but rather left the choice/office open, as a consequence of which Abu Baker (Radiallah) was elected through mutual consultation.

Regarding the condition of the electors, persons of Islamic character and pure wisdom are necessary who themselves are embodiment of good Islamic character and pure wisdom and those who elect them for the purpose must practically be devoted to Islam and must have the ability to understand the comparative merits of people, otherwise democracy is likely to change into mobocracy, as Walter Lippman remarks” Where mass opinion dominates the government, there is a morbid disintegration of the true functions of power”.22

Islam also recognizes the significance of the economic welfare of the people side by side the spiritual and moral aspects and in the light of the holy Quran it can be said that it is obligatory in an Islamic state that not only it shall ensure economic justice but economic welfare of every individual so that everyone may lead a life of dignity and honour. All human activities are organized in such a manner as to achieve the goal of dignified means of livelihood. It is this reason that Islamic society stresses not only upon the spiritual and moral reform of man but on the establishment of a healthy economic order. Islam does not allow wastefulness in any measure because bankrupt people and their families. A Muslim should therefore lead a life of spiritual grace, moral earnestness and material simplicity. Islam has established the institution of austerity and has rejected all wastefulness, luxuries and pagan ways of spending.

Islam rejects Capitalism where the prime motive always is to produce commodities for monetary benefits with selfish disregard for the interest of the fellow beings while Islam endorses the production of commodities to be utilized in the service of fellow beings through the supply of their basic needs. The former is against the will of God and anti-human while the later is according to the will of God and humanitarian and therefore becomes an obligation in the Islamic ethico-religious economic philosophy.

For healthy fulfillment of basic needs, Islam has provided a social welfare tax through Zakat for ensuring basic needs to those who are either disabled or un-employed. Another is voluntary economic welfare in the name of generosity to those in need to possible capacity
limits considering purely as the fulfillment ones right and not as the observance of a ritualistic charity.

Islam therefore ensures economic welfare for all, by adopting a methodical approach because economic sufferings emerge when wealth is concentrated in few hands as a result of the unquenchable lust for luxuries due to which weaker member of the society may be exploited. In case it continues unchecked in a society, it shall give rise to moral, economic and political corruption and may disrupt the moral and spiritual fabric of a community, finally leading to a great catastrophe. Quran dictates clear warning “And how many communities have we destroyed that became reckless in respect of (its way of livelihood).”
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Abstract

This paper investigates the impact of external debt burden on the growth of agricultural and manufacturing sectors of the Nigerian economy. The main objective of this study is to examine the impact of external debt burden on the growth of agricultural and manufacturing sectors of the Nigerian economy. The external debt of Nigeria is analyzed using error correction mechanism (ECM). The study used annual time series data from 1980 – 2009, the result of the econometric analysis revealed that external debt contributes inversely to the growth of agricultural and manufacturing sectors of the Nigerian economy up to a point after which its contribution becomes positive. The use of externally borrowed funds for government projects must be closely monitored in order to ensure that they are applied efficiently and effectively.

Keywords: Impact; External Debt Burden; Growth; Agricultural; Manufacturing Sectors; Nigerian Economy

INTRODUCTION

Over the past two decades, external debt and capital flight have come to symbolize the two faces of the same coin in the development debacle. In many developing countries, these two phenomena have grown unabated, with the cumulative stock of capital flight markedly exceeding the stock of external debt especially in Nigeria (Ndikumana and Boyce, 2008). While the dramatic increase in external debt is to a certain extent understandable, especially given the recurrence of balance of payments crisis and external disequilibrium in the majority of low-income countries, the sustained increases of capital flight – the voluntary exist of private residents’ owned capital either for safe haven or for investment made in foreign currency – is less obvious, in part because the majority of the countries confronted with massive outflows of resources are also highly capital scarce.

All countries regard economic growth and development as their primary objective, this objective embraces the need to raise the income, economic capabilities and the standards of living of their peoples. To attain this objective, there must be a rise in national or per-capita income and product, in other words a rise in the production of goods and services in a country (Itesede, 2005). The goods and services so produced must be channeled to satisfy the basic needs of the people, otherwise development would not occur. Nevertheless, since the scale of production can only be increased in the long run, economic growth is considered a long run phenomenon (Kibritcioglu and Dibooglu, 2001). External debt is the debt incurred by government through the borrowing from international finance to support low productivity and
investment and to support balance of payment deficits which cannot be repaid when it fall due
Obadan (1996) opines that the seed of external debt problem was sowed in 1978 when the first
loan of 1billion US dollars known as Jambo loan was obtained. Therefore, one of the objectives
of this paper is to examine the impact of agricultural and manufacturing output on the growth of
the Nigerian economy.

Therefore, this paper examines the impact of external debt burden on the growth of
Agricultural and manufacturing output in Nigeria. The paper is divided into five sections. The
next section discusses some relevant literatures. Section III dwells on theoretical frame work and
methods. Section IV is concerned on the empirical result and discussion, while section V is the
concluding remarks.

LITERATURE REVIEW

In this paper, the review of related literature is undertaken; the review is done under the
following headings: (i) The rationale for external borrowing. (ii)Causes of external indebtedness.

THE RATIONALE FOR EXTERNAL BORROWING

Economic literature abounds with view on the importance of external source of finance
for economic growth and development (Todaro and Smith, 2006). To support this view, it is
common knowledge that shortly after the Second World War, the economies of most Western
European countries experienced rapid growth and development due in part to the injection of
foreign finance under the Marshall plan.

By the time of the termination of this plan in 1951, some 12.5 billion dollars have been
invested in the reconstruction of Western Europe. Even West Germany owed 16 billion marks to
the United States, France and United Kingdom between 1945 and 1953 and this was also used
for the reconstruction of the country. Much earlier during the 19th century, foreign capital
inflows played a critical role in the construction of Siberian Eastern railroad in Russia. This was
made possible through loans from British, German and Japanese financial interests. Foreign
capital has also made incursions into the privatization programmes particularly in developing
countries and even in Eastern Europe after the fall of the Soviet Union in the 1990s. Much of this
capital has been in the form of equity based investment on financial securities and they have
helped to raise the necessary finances for the development of these countries.

In other words, external resources play a crucial role in supplementing domestic
resources to meet a country’s set objectives (Todaro, 2006). Apart from supplementing domestic
savings, external capital inflow provides a country with foreign exchange, which is needed to
import the necessary machinery and technical expertise for the promotion of economic growth
(Nowzad, 2003). Viewed from this perspective, external finance plays a critical role in the
creation of the possibilities for more jobs, more investment and higher standard of living
(Friedman, 1984). This view is shared by Anyanwu (1997) to the effect that external borrowing
enables a developing country, for instance, to increase its rate of real investment in order to
stimulate growth.

CAUSES OF EXTERNAL INDEBTEDNESS

Hunt (2007) opines that a number of factors contribute to the increased size of external
indebtedness. One of the domestic causes of indebtedness in developing countries has been the
over ambition of public authorities to speedily boost economic growth and development in the
face of inadequate domestic capital formation through the rapid acquisition of foreign loans. In
the process, most of their governments, particularly military ones in the 1970s and 1980s,
allowed both the private and public sectors to secure credits from international capital markets whose rate of interest were less than concessionary. The public sector borrowings were usually higher because military authorities at that time found it easier and more convenient to borrow than to raise taxes that could have made them unpopular. By the end of the 1980s most developing countries appeared to have over borrowed and their output and export earnings were insufficient to meet their debt obligations.

The external factors, which have given impetus to the debt problem include the oil price shocks of the 1970s and 1980s, deterioration in the terms of trade of the less developed countries (LDC) and rising foreign interest rates (Kurumm, 2005). As a result of the oil price increase of 1973, most oil importing LDC had large current account deficits. At the same time, oil – exporting countries had large current surpluses, which were used at first to accumulate short – term liquid claims in the major commercial banks in developed countries. This deficit and surplus scenario led to a simultaneous demand for and supply of loan able funds by the importers and exporters of oil in the developing world. Consequently, oil importing countries financed their current account deficits through borrowing from the commercial banks where the surpluses of oil exporters were lodged. However, while some of the borrowing countries used the loans in financing high-return investments in the production of tradable, others did not. With time, the former reduced their current account deficits, paid off their debts and resumed normal growth. The later, which utilized the loans in maintaining pre-existing patterns of consumption, experienced serious debt problems as they could not liquidate the debts in the latter part of the seventies and earlier eighties (Adepoju, 2007). Nigeria is not an exception in this debt debacle as the country’s external debts were contracted for various purposes such as the financing of trade, balance of payment support loans, project – tired loans and loans for socio-economic needs of the people including infrastructures, health and education (Uniamikogbo, 1994). Onah (2005) informs that the first plan of Nigeria, which spanned the period between 1962 and 1968 expected about 41 per cent of the public sector investment, which totaled N653 million, to be financed from outside. The second plan (1970 -1975) envisaged 19.4 per cent foreign financing for the public sector. The third plan (1975 to 1980) and the fourth plan (1981 to 1985) envisaged limited foreign financing for the public sector. It was hoped that Nigeria’s oil money would provide the required foreign exchange for the last two plans through the application of foreign receipts, should revenue projections fall short of expected domestic expenditures. Unfortunately, Nigeria miscalculated. An unexpected slump in the oil business began in 1977 and Nigeria was forced to look for external loans if the development plans were to be completed successfully.

THEORETICAL FRAMEWORK AND RESEARCH METHODS

There are several theories that explain the export of capital particularly from surplus to deficit countries and its consequences. In this paper, we briefly articulate the classical/neo-classical, two gap theory. We would, nevertheless, base our analysis on the two-gap theory by adopting Ayadi’s (2003) model.

THEORETICAL FRAMEWORK

The theoretical basis of this study is the Two-Gap Theory, there are linkages between external debt and domestic management of the economy as economic agents borrow to fill the savings – investment gap, the fiscal gap and the foreign – exchange gap. The application of this gap-filling approach was most evident from the 1960s, 1970s and even to the present time when
governments were encouraged by donors to prepare development plans that provide estimates of exogenous savings needed to achieve given rates of economic growth.

Kindleberger and Herrick (1977) put forward the “two gap” approach to economic growth and development. The idea is that “savings gap” and “foreign exchange gap” are two separate and independent constraints to the growth prospects of less developed countries. To determine the size of the gaps, a targeted growth rate of the economy is postulated along with a given capital-output ratio. A savings gap is said to arise when the domestic savings ratio is less than the investment that is required to achieve the targeted growth rate. The economy can achieve the targeted growth by filling the savings gap by foreign loans.

The two gap theory can be explained in terms of national income accounting identities.

\[ Y = C + I + (X - M) \] ......................................................... 1
\[ Y - C + M = I + X \] ......................................................... 2

Defining Savings (S) as abstention from expenditure of income on consumption, i.e. \( Y - C = S \), we generate equation 3 which highlights the two gaps

\[ S + M = I + X \] ......................................................... 3

From equation 3, we obtain

\[ M - X = I - S \] ......................................................... 4

From equation 4, we have foreign exchange gap (M-X) = domestic savings gap (I - S). However, it is not likely that the two gaps must be equal. This is because even if a savings gap is not a problem; a trade gap could exist, thereby creating obstacles for a developing country to readily transform its domestic savings into foreign exchange. In that event, foreign resources would still be necessary.

Increases in savings and investment in an economy lead to economic growth (Hunt, 2007). Sachs (2002) argues that growth will not take-off until capital stock has risen to a given threshold. As capital rises, and investment and output rise, in a virtuous circle, the savings level will also continue to rise. After a given level, the rise in both capital and savings will be sufficient to engender self-sustaining growth. The reason for opting for external finance, as a means of ensuring sustained development rather than utilizing only domestic resources, is provided by the ‘dual gap’ theory. The theory postulates that investment is a function of savings, and that in developing countries, the level of domestic savings is not sufficient to fund the needed investment to ensure economic development. Thus, it is logical to seek the use of complementary external goods and services. The acquisition of external funds, however, depends on the relationship between domestic savings, foreign funds, investment, and economic growth. The guiding principle on when to borrow is a simple one. Borrow abroad so far as the funds acquired generates a rate of return that is higher than the cost of borrowing the foreign funds (Ajayi and Khan, 2000). In essence, by following this guiding principle, a borrowing country is increasing its capacity and expanding output with the aid of foreign savings.

Therefore, debt becomes indispensable when developing countries are faced with low domestic savings and balance of payment deficits. As a matter of fact, this deplorable condition
often occurs when there is gap in investment and domestic savings are not sufficient enough to bridge the gap that has been so created.

METHOD OF DATA ANALYSIS

It is important to describe the data used for the estimation before presenting the result. Data relating to external debt, manufacturing output, agricultural output, debt service and government expenditure is sourced from National Bureau of Statistics and Statistical Bulletin of Central Bank of Nigeria. Annual data from 1980 to 2008 were collected, this is to enable us have a considerable degree of freedom.

The time series data on agricultural and manufacturing output are subjected to Augmented Dickey-Fuller (ADF) test of stationarity. The model and functional form are linear; the results of the estimation are reported in tabular form.

Estimation methodology is of standard time series technique with variables that are tested for unit root. The Johansen (1991) error correction mechanism (ECM) estimation technique in the vector auto-regressive model is employed. The ECM estimation technique incorporates time series analysis within a dynamic framework that enables us to discern short run relationship between the variables. In the case of a set of K variables, for example, we may have cointegration relationships denoted by r, such that \(0 \leq r \leq K\), where K is the number of variable and this gives a K dimensional vector auto-regressive model.

MODEL SPECIFICATIONS AND DESCRIPTION OF VARIABLES

According to Ayadi (2003), external debt burden has dramatically limited developing countries’ participation in the world economy and debt servicing obligations continue to manifest as an impediment to economic growth and development. Debt burden has led to a limited accumulation of capital (depletion of international reserves) and a limited application of flexible financing policies to consolidate small and medium-sized firms. This directly affects employment and the provision of social services. Ayadi’s model is stated as:

\[
Y_g = a_0 + a_1 \text{DEBGDP} + a_2 (\text{DEBGDP}) + a_3 \text{DSEREXP} + a_4 \text{TOT} + a_5 \text{GCAP} + U_t \]

Where

\[
Y_g = \text{rate of output growth}
\]

\[
\text{DEBGDP} = \text{external debt to RGDP ratio}
\]

\[
\text{DSEREXP} = \text{debt service to exports}
\]

\[
\text{TOT} = \text{external shock (measured as terms of trade variability)}
\]

\[
\text{GCAP} = \text{growth rate of investment stock}
\]

\[
U_t = \text{error term}
\]

\[
a_0 - a_5 = \text{parameters}
\]
The inclusion of agricultural output, manufacturing output and government expenditure in this work is an improvement over Ayadi’s (2003) model.

The equation of estimation in this study is specified as follows:

\[ \text{Manuf} = F (\text{EXTD, DTSP, GEXPD}) \] \hspace{1cm} 6

Where

\( \text{Manuf} \) = is the manufacturing output of Nigeria \\
\( f \) is a functional notation \\
\( \text{EXTD} \) is the external debt of Nigeria \\
\( \text{DTSP} \) is the debt service payment of Nigeria \\
\( \text{GEXPD} \) is the government expenditure of Nigeria

Equation 6 shows that the level of manufacturing output in Nigeria is a function of external debt (EXTD), debt service payment (DTSP) and government expenditure (GEXPD).

The equation (6) is transform to operational form.

\[ \text{Manuf} = \beta_0 + \beta_1 \text{EXTD} + \beta_2 \text{DTSP} + \beta_3 \text{GEXPD} + U_t \] \hspace{1cm} 7

Where

\( \beta_0 \) is the constant term \\
\( \beta_1, \beta_2, \beta_3 \) are the coefficients of the explanatory variables. \\
\( U_t \) is the stochastic error term.

Since the equation 7 have unit root, it can further be expressed in first difference form as:

\[ \Delta \text{Manuf} = \beta_0 + \beta_1 \Delta \text{EXTD} + \beta_2 \Delta \text{DTSP} + \beta_3 \Delta \text{GEXPD} + U_t \] \hspace{1cm} 8

Where \( \Delta \) before the variable represent the first difference of the variable.

Equation (8) did not address long–run decision making, the procedure of differencing when variables are not stationary result in loss of valuable long run information in the data.
The theory of co-integration addresses this issue by introducing an error correction (EC) term. The error correction methodology is appealing because of its ability to induce flexibility by combining the short run dynamics and long run equilibrium model in a unified system while at the same time ensuring theoretical rigor and data coherency and consistency (Iyoha, 2004). An ECM takes the following form:

$$\Delta \text{Manuf}_t = \beta_0 + \sum_{i=0}^{\beta_1} \Delta \text{EXTD}_{t-k} + \sum_{i=0}^{\beta_2} \Delta \text{DTSP}_{t-q} + \sum_{i=0}^{\beta_3} \Delta \text{GEXP}_{t-g} + \sum_{i=0}^{\beta_5} \Delta \text{EC}_{t-1} + U_t \ldots 9$$

The expected signs of the coefficients a priori are

$$\beta_1 < 0, \beta_2 < 0, \beta_3 > 0$$

We also hypothesize that agricultural output is a function of the explanatory variables in equation 6.

$$\text{Agric} = F (\text{EXTD}, \text{DTSP}, \text{GEXP}) \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots 10$$

Where

- Agric is the agricultural output of Nigeria
- EXTD is the external debt of Nigeria
- DTSP is the debt service payment of Nigeria
- GEXP is the government expenditure of Nigeria

Equation 10 shows that the level of agricultural output in Nigeria is a function of external debt (EXTD), debt service payment (GTSP) and government expenditure (GEXP).

Equation (10) can be stated in operational form.

$$\text{Agric}_t = \beta_0 + \beta_1 \text{EXTD} + \beta_2 \text{DTSP} + \beta_3 \text{GEXP} + U_t \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots 10$$
Equation 11 shows the first difference and the error correction term as earlier define

\[
\Delta \text{Agric}_t = \beta_0 + \sum_{j=0}^{k} \beta_1 \Delta \text{EXTD}_{t-k} + \sum_{j=0}^{q} \beta_2 \Delta \text{DTSP}_{t-q} + \sum_{j=0}^{g} \beta_3 \Delta \text{GEXP}_{t-g} + \sum_{j=0}^{1} \beta_4 \Delta \text{EC}_{t-1} + U_t \ldots 11
\]

The expected signs of the coefficients a priori are

\[\beta_1 < 0, \beta_2 < 0, \beta_3 > 0\]

In order to avoid spurious regression, we need to discern the stationarity of the series. Stationarity could be achieved by appropriate differencing and this appropriate number of differencing is called order of integration. We use Augmented Dickey-Fuller (Dickey and Fuller 1979) tests to check the stationarity of the variables. The order of integration assists in the determination of subsequent long run relationship among the variables.

**EMPIRICAL RESULTS AND DISCUSSION**

There are no rules to select the number of lags, one can use any of the information criterions; in this study we utilize the Akaike’s information criteria (AIC), Hanna-Quinn Information Criterion (HQIC) and Schwarz Bayesian criterion (SBIC). Our choice of lags for the ADF test is based on HQIC and SBIC which suggest 4 lags as shown on table 1.

**Table 1. Selection order criteria**

<table>
<thead>
<tr>
<th>Lag</th>
<th>AIC</th>
<th>HQIC</th>
<th>SBIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>30.7771</td>
<td>30.7901</td>
<td>30.8261</td>
</tr>
<tr>
<td>1</td>
<td>28.9564</td>
<td>28.9825</td>
<td>29.0546</td>
</tr>
<tr>
<td>2</td>
<td>29.0341</td>
<td>29.0731</td>
<td>29.1813</td>
</tr>
<tr>
<td>3</td>
<td>29.1017</td>
<td>29.1538</td>
<td>29.2981</td>
</tr>
<tr>
<td>4</td>
<td>28.7549</td>
<td>28.82*</td>
<td></td>
</tr>
<tr>
<td>29.0003*</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*indicate the number of lags to be use for the ADF test

The unit root test of stationarity for the variables is conducted using the Augmented Dickey Fuller (ADF) test.
DISCUSSION OF RESULTS

Table 2. Summary of Unit Root Output

<table>
<thead>
<tr>
<th>Variables</th>
<th>Level</th>
<th>1st Diff</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>GEXPD</td>
<td>2.4584</td>
<td>-3.9124*</td>
<td>I(1) Stationary at 1st difference</td>
</tr>
<tr>
<td>EXTD</td>
<td>-4.4100*</td>
<td>-4.0716*</td>
<td>I(1) Stationary at level</td>
</tr>
<tr>
<td>DTSP</td>
<td>-5.3370*</td>
<td>-6.2787*</td>
<td>I(1) Stationary at level</td>
</tr>
<tr>
<td>AGRIC</td>
<td>1.4841</td>
<td>-4.4283*</td>
<td>I(1) Stationary at 1st difference</td>
</tr>
<tr>
<td>MANUF</td>
<td>1.4115</td>
<td>-3.6432*</td>
<td>I(1) Stationary at 1st difference</td>
</tr>
<tr>
<td>C.V</td>
<td>-3.6119</td>
<td>-3.6219</td>
<td></td>
</tr>
</tbody>
</table>

In Table 2, all the variables are stationary at their first differences, however, only external debt and debt service payments are stationary in levels. Table 2 shows the results of the Augmented Dickey-Fuller unit root test of stationarity, using the Microfit 4.1 for windows. Since all the variables are found to be stationary in their first differences, we proceed further to carry out a cointegration test, using the method suggested by Johansen (1985). This test enables us to find, if the residuals of the preliminary linear spline regression are stationary and the test procedure provides options for specifying the type of deterministic trend present in the data, we have assumed linear deterministic trend in the data.

COINTEGRATION TEST

The Johansen cointegration test (Johansen, 1991) is used to test for the number of cointegrating relationship for the two estimates, these are shown in tables 3 and 5 (see appendix). The Johansen’s method detects the number of cointegrating vectors in a non-stationary time series and allows for hypothesis testing regarding the elements of cointegrating vectors. We used the maximum likelihood Eigen value Tests to determine the number of cointegrating vectors (cointegration relationship) amongst the variables in the two estimates. The Johansen’s technique is chosen because it is a vector autoregressive based and there are clear evidences that it performs better than the single equation and the alternative multivariate methods (Olusanyan et al, 2009).

Following Johansen Cointegration Test approach, we reject the null hypothesis of no cointegration relationship in the four estimates. Table 3 has 2 cointegrating equations at 5 per cent significant level. Table 4 has 2 cointegrating equations at 5 per cent significant level (see appendix). These indicate that at least one cointegrating vector (i.e. r = 1) exist in each of the equation of investment estimation. It implies that the variables used in this study have equilibrium condition that keeps them in proportion to each other in the long-run.

MODEL I

Table 5 (see appendix) provides data for the short-run error correction coefficient estimates in model I. In the short-run results, the value of R² which is 0.95053 indicates that over 95 per cent variation of the agricultural output is explained by error correction model, the goodness of fit is quite favourable. The coefficient of external debt is -0.097407. This shows that there is an inverse relationship between agricultural output and external debt. The implication of
this inverse relationship implies that a heavily indebted country like Nigeria could not improve the agricultural output and hence it has adverse effect on the growth of the Nigerian economy. It is significant at 1 per cent level and this shows that external debt is relevant in explaining inverse relationship of agricultural output in Nigeria. This relationship in the result is in line with the a priori expectation stated in chapter three. The coefficient of debt service payment in the current year is 0.96474. This signifies that there is a direct relationship between agricultural output and debt service payments. In the current year, the improvement in the debt service payments of the country enhanced agricultural output and hence it impacted positively on the growth of the Nigerian economy. The coefficient of debt service payments in the previous year which is -3.3169 shows that there is an inverse relationship between agricultural output and debt service payment. This is because a large proportion of the country’s GDP is spent on the debt service payments and hence it fails to improve the level of agricultural output in Nigeria. The negative implication of the debt service payments on agricultural sector impacted a negative economic growth on the economy. It is significant at 1 per cent level and this shows a strong inverse relationship between debt service payment and agricultural output. The coefficient of government expenditure which is -0.031684 in the current year indicates that there is an inverse relationship between agricultural output and government expenditure. This inverse relationship implies that government wasted the meager resources on unproductive investment and hence it impacted negatively on the growth of the economy. It is significant at 10 per cent level and this shows that there is a weak relationship between agricultural output and government expenditure. The coefficient of government expenditure in the previous year is -0.34774 and this implies that there is an inverse relationship between agricultural output and government expenditure. This inverse relationship bore down on the wreck less spending of the government on investment that are not of interest to the country. The wreck less spending did not increase the level of agricultural output and hence it impacted negatively on the growth of the economy. This implies that the loans obtained by government to revamp agricultural sector crowds out government activities in Nigeria.

MODEL 2

Table 6 (see appendix) provides data for the short-run error correction coefficient estimates in model II. From the short-run error correction results, the value of $R^2$ is 0.46891. This indicates that over 47 per cent variation of the manufacturing output is explained by the error correction model. The goodness of fit is not quite good because of the low percentage of manufacturing output in Nigeria.

The coefficient of external debt, is 0.020208 indicates that there is a direct relationship between manufacturing output and external debt. This direct relationship means that improvement in the management of the external debt of Nigeria increases the level of manufacturing output, which impact positively on the growth of the economy. The coefficient of debt service payment is -0.012961. This shows that there is an inverse relationship between manufacturing output and debt service payments. The negative relationship equally impacts negatively on the growth of the economy. The coefficient of government expenditure which is 0.041175 implies that there is a direct relationship between manufacturing output and government expenditure. This direct relationship shows that an improvement on government expenditure improves the level of manufacturing output in Nigeria, which impacts positively on the growth of the economy. It is not significant at any level. This shows that there is a weak relationship between manufacturing output and government expenditure.
The production sector representing agricultural and manufacturing output do not generally perform well as indicated by coefficients expected signs. This is because external debt does make agricultural and manufacturing output to perform below expectation.

**POLICY IMPLICATION OF RESULTS**

The major policy implications of the results of this study is that since foreign debt has an insignificant direct effect on economic growth, money borrowed externally must be productively invested in growth generating ventures that could repay the debt on schedule. When foreign loans are spent on unviable projects, their effects on macroeconomic performance are low. The results also confirm the debt overhang hypothesis, such that high debt burdens have depressing effect on investments. However, sustained medium term growth of Nigeria’s economy would demand moderate increases in import of capital goods and other inputs. In order to sustain economic growth, investment must grow rapidly and directed towards tradable production and export especially in the agricultural and manufacturing sectors of the economy.

Both agricultural and manufacturing sectors can be stimulated by increasing the productive capacity of the economy through foreign loans. In this regard, there is the need to cushion government’s spending in the face of unpredictable and frequent oil price shocks.

**CONCLUDING REMARKS**

The results obtained from econometric investigation of the Nigerian debt problems undertaken in this paper can now be summarized with some concluding remarks and recommendations. The results obtained confirm and support the existence of the debt overhang hypothesis in Nigeria. Similarly, increases in resources outflow due to servicing of external debts result in serious depression of domestic economic activities in Nigeria in terms of contraction of agricultural and manufacturing output.

There is an inverse relationship between changes in agricultural and manufacturing output, but as a result of the external debt incurred in Nigeria. This indicates that the key to reducing foreign indebtedness is increased agricultural and manufacturing output.

Indeed, the study showed that the country’s agricultural and manufacturing output of the Nigerian economy has been depressed. The study also showed a crowded out effect on both public and private investments in the economy. Social services could not be provided in the country as a result of mismanagement of the externally borrowed funds. Undoubtedly, externally borrowed funds has created a problem of debt overhang hypothesis and puzzled the realization of economic growth and development of the country. It is interesting to note that externally borrowed funds though has a direct contribution to the growth of the economy, the contribution is very insignificant.

**RECOMMENDATIONS**

i. The use of externally borrowed funds for government projects must be closely monitored in order to ensure that they are applied efficiently and effectively.

ii. Investigations must be carried out periodically to ensure that the optimal debt ratio is not exceeded. That is, the debtor nations should not exceed the opportunity granted them to borrow more funds from the creditor nations.

iii. All the tiers of governments should ensure that there is general consistency of policies as they relate to the development of productive investment on agricultural and manufacturing output in Nigeria.
APPENDIX

Table 3 Johansen’s Cointegration Test: Agricultural output estimates

<table>
<thead>
<tr>
<th>Eigenvalue Ratio (Statistic)</th>
<th>Likelihood Value</th>
<th>5% critical Value</th>
<th>10% critical Value</th>
<th>hypothesized No of CE(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.89625</td>
<td>61.1769</td>
<td>28.2700</td>
<td>25.8000</td>
<td>None*</td>
</tr>
<tr>
<td>0.77852</td>
<td>40.7000</td>
<td>22.0400</td>
<td>19.8600</td>
<td>at most 1*</td>
</tr>
<tr>
<td>0.46296</td>
<td>16.7852</td>
<td>15.8700</td>
<td>13.8100</td>
<td>at most 2*</td>
</tr>
<tr>
<td>0.97193</td>
<td>2.7607</td>
<td>9.1600</td>
<td>7.5300</td>
<td>at most 3</td>
</tr>
</tbody>
</table>

* Significant at 5 per cent level
** Significant at 10 per cent level

L.R co-integrating estimation indicates that there exist 2 co-integrating equations in the model at 5 per cent significant level.

Table 4 Johansen’s Cointegration Test: Manufacturing output estimates

<table>
<thead>
<tr>
<th>Eigen value Ratio (Statistic)</th>
<th>Likelihood Value</th>
<th>5% critical Value</th>
<th>10% critical Value</th>
<th>hypothesized No of CE(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.86078</td>
<td>53.2367</td>
<td>28.2700</td>
<td>25.8000</td>
<td>None*</td>
</tr>
<tr>
<td>0.67489</td>
<td>30.3372</td>
<td>22.0400</td>
<td>19.8600</td>
<td>at most 1*</td>
</tr>
<tr>
<td>0.45311</td>
<td>16.2946</td>
<td>15.8700</td>
<td>13.8100</td>
<td>at most 2*</td>
</tr>
<tr>
<td>0.10318</td>
<td>2.9402</td>
<td>9.1600</td>
<td>7.5300</td>
<td>at most 3</td>
</tr>
</tbody>
</table>

* Significant at 5 per cent level
** Significant at 10 per cent level

L.R co-integrating estimation indicates that there exist 2 co-integrating equations in the model at 5 per cent significant level.
MODEL I

Short-Run Error Correction Estimates

TABLE 5 Summary of output for agricultural output

Dependent variable is $\delta D1AGRIC$

<table>
<thead>
<tr>
<th>(Explanatory variables)</th>
<th>Coefficient</th>
<th>T-Ratio</th>
<th>(Pro-value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\delta D1EXTD$</td>
<td>-0.097407</td>
<td>-2.3320</td>
<td>(0.097)</td>
</tr>
<tr>
<td>$\delta D1DSTP$</td>
<td>0.96474</td>
<td>-5.7056</td>
<td>(0.180)</td>
</tr>
<tr>
<td>$\delta D1DSTP1$</td>
<td>-3.3169</td>
<td>7.46291</td>
<td>(0.000)</td>
</tr>
<tr>
<td>$\delta D1GEXPD$</td>
<td>-0.031684</td>
<td>7.46291</td>
<td>(0.747)</td>
</tr>
<tr>
<td>$\delta D1GEXPD1$</td>
<td>-0.34774</td>
<td>-5.5969</td>
<td>(0.003)</td>
</tr>
<tr>
<td>$\delta CONST$</td>
<td>14208.7</td>
<td>-10.2792</td>
<td>(0.690)</td>
</tr>
<tr>
<td>ecm(-1)</td>
<td>-0.18197</td>
<td>-0.51550</td>
<td>(0.110)</td>
</tr>
</tbody>
</table>

$R^2 = 0.95053$  
$F(6,19) = 51.2341$ (0.000)  
$DW Statistic = 2.6480$

MODEL II

Short-Run Error Correction Estimates

TABLE 6 Summary of output for manufacturing output

Dependent variable is $\delta D1MANUF$

<table>
<thead>
<tr>
<th>(Explanatory variables)</th>
<th>Coefficient</th>
<th>T-Ratio</th>
<th>(Pro-value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\delta D1EXTD$</td>
<td>0.020208</td>
<td>1.7224</td>
<td>(0.100)</td>
</tr>
<tr>
<td>$\delta D1DSTP$</td>
<td>-0.012961</td>
<td>-0.10202</td>
<td>(0.920)</td>
</tr>
<tr>
<td>$\delta D1GEXPD$</td>
<td>0.041175</td>
<td>2.3090</td>
<td>(0.031)</td>
</tr>
<tr>
<td>$\delta CONST$</td>
<td>10438.7</td>
<td>1.4136</td>
<td>(0.172)</td>
</tr>
<tr>
<td>ecm(-1)</td>
<td>-1.0000</td>
<td><em>None</em></td>
<td></td>
</tr>
</tbody>
</table>

$R^2 = 0.46891$  
$F(4,21) = 4.6353$ (0.008)  
$DW Statistic = 2.0345$
References


How Demographic Characteristics affect the Perception of Investors about Financial Risk Tolerance

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*Initially this study was presented at an International Conference. It is a refined version of the previous idea presented at the conference, submitted to IJCRB for publication.

Abstract
This study examines the affect of different demographic factors i.e. age, gender, marital status, education and monthly income on financial risk tolerance of investors. It shows how investors perceive return for risk taking. Data is collected from 150 respondents residing in Rawalpindi/Islamabad to analyze the association of financial risk tolerance scores (RTS) with demographic information. The results of the study reveal that demographic factors are significantly related to the RTS where RTS is an increasing function of education and income level and decreasing function of age, not being single and being a female. The study shows that education and gender are the most important factors that have strong impact on RTS.

Keywords: Financial risk tolerance, demographic factors, investor’s perception, financial risk tolerance scores (RTS)

Introduction
This study is conducted to find out how demographic characteristics of investors affect investors’ financial risk tolerance in Pakistan. There are several studies at international level to find out investors’ risk tolerance in reference to certain demographic and socioeconomic variables. However, in Pakistan, little attention has been paid to this concept. In this study risk tolerance as taken as dependent variable that reflects investors’ score on the risk assessment measure. However, independent variables are investors’ gender, age, marital status, income, education, and income. These variables were used as predictor variables in the analysis because they encompass the characteristics that practitioners and researchers have identified as suitable for assessment of financial risk tolerance. No past studies are available in Pakistan in context with
investor’s risk tolerance and Investors in Pakistan are not properly aware about the concept of risk tolerance. This study examines how a set of demographic variables could be used to measure investors’ attitude towards risk tolerance. Financial risk tolerance indicates the investor’s willingness to accept the variation while taking financial decisions. Whether in the realms of education, professional practice, or empirical research, risk tolerance is acknowledged as an important factor in savings and investments choices for retirement or other household goals. Risk tolerance evaluation is a key input in the formulation of individualized portfolios; academics and practitioners have not yet paid much attention to this variable. It is found that demographic characteristics could be used to forecast financial risk tolerance (Grable & Lytton, 1999).

Hallahan et al. (2004) conducted a research by using database to develop financial risk tolerance scores (RTS) through ProQuest questionnaire. They found a significant relationship between different demographic characteristics and RTS. Demographic characteristics have multidimensional affect on individuals’ routine life and specific impact while taking decisions especially which are concerned about financial resources. This study is conducted to address the problem of how demographic characteristics affect the perception of investors about financial risk tolerance.

Literature Review

Pakistan is a developing country with 180 million people. The changing global scenario created multiple challenges for public to improve the quality of life. Economic activities in the shape of investment decision are one of the essential elements of an individual in the recent age. Investor’s perception about financial tolerance could be linked with demographic features to have a clear understanding. Investors with different social class, education, gender and other demographic features reflect a varied behavior regarding financial decisions. Similarly, investment opportunities and financial regulation of a specific country could influence the risk tolerance behavior of the investors. This study examines the influence of demographic attributes and risk tolerance. A number of studies regarding investor’s perception of risk tolerance were undertaken across the globe. The degree of risk about which someone shows willingness to accept is known as individual risk tolerance (Young & O’Neill, 1992).

Baker & Haslem, (1974) investigated the impact of investors’ educational level on risk tolerance. It is also found that risk tolerance could be decreased with age (Morin & Suarez, 1983). In another study, it is found that there is a positive relationship between educational attainment and financial risk tolerance (Sung & Hanna, 1996). In addition, it is evident from the previous research that there is inverse relationship between risk tolerance and age (Palsson, 1996). While a negative relationship exists when testing the association between age and risk tolerance (Wang & Hanna, 1997). Similarly, it is reported that females were less risk tolerant as compared to male investors (Grable, 2000).

Carducci & Wong (1998) investigated the pattern how demographic, socioeconomic and attitudinal characteristics affect the financial risk tolerance in “everyday money matters”. Education is a third important factor which affects investors’ risk tolerance (Sung & Hanna, 1996). Similarly, income level could influence the investor’s risk preference (Grable & Lytton,
1999). Risk tolerance was linked with different personality attributes like gender, age, marital status, income and educational level, as well as more financial knowledge and expectations (John, 2000). The relationship between marital status and investors’ risk preferences is investigated towards investment decisions. People invest in money and capital market in order to earn some return on their investment (Bernasek & Shwiff, 2001).

Method
This study investigates the investors’ behavior towards “determinants” of risk tolerance. The respondents of the study consist of individuals who have invested their money in capital and money market. The study took the sample of 150 respondents. A structured questionnaire that contains a set of thirteen questions was used to measure each respondent’s risk tolerance. The questionnaire for this study consists of five demographic factors like investors’ income, marital status, gender, year of birth and education. Along with demographic questions the research instrument comprises of 13 questions to develop Risk Tolerance Score (RTS). The researcher used a modified version of research instrument applied by Hallahan et al. (2004).

Regression analysis is carried out to investigate the relationship among selected variables. RTS is dependent variable and independent variable includes individual demographic characteristics. In order to analyze the data, this study used the similar regression model as used by Hallahan et al. (2004). The model assumes that the RTS for individual \( i \) is a function of each of these demographic characteristics, i.e.

\[
RT_{oli} = \alpha_0 + \alpha_1 D_G + \alpha_2 D_{AGE} + \alpha_3 D_{MARRIED} + \sum \alpha_g D_{EDU} + \sum \alpha_h D_{INC} + \epsilon_i
\]

Where
- \( D_G \) is the gender of the respondent
- \( D_{AGE} \) is the age of the respondent
- \( D_{MARRIED} \) is a dummy variable that takes a value of unity if the respondent is married
- \( D_{EDU} \) captures the completed level of education of the respondent
- \( D_{INC} \) shows the respondent’s income

Results and Discussion
In this study Multiple Regression model is used to examine the relationship between different demographic characteristics and investor’s risk tolerance score. The results show strong relationship between independent variables and the risk tolerance score. The magnitude of the relationship between independent and dependent variables is manifested from the value of \( R^2 \) which is 0.934 i.e. 93.4% of the variance in risk tolerance score has been significantly explained by the five demographic factors. As \( F \) value is significant at the .0001 level, hence the independent variables accounts for significant variation in the dependent variable. The regression coefficients are presented in table 1.

{Insert Table 1}

In order to explore the relative importance of each independent variable t-statistics is used. The results of t-statistics reveal that education is the most important factor that makes significant difference in investor’s risk tolerance followed by gender, age, marital status and monthly income. Furthermore, an anomalous result of the study is that investor’s monthly income is least
important among all variables with respect to risk tolerance. The coefficient attached with income of investors is positive but weakly significant as compare to other variables.

These results are consistent to the previous studies that risk tolerance decreases with age (Morin & Suarez, 1983; Grable & Lytton, 1999). An important finding of the study is that both education and salary level of investors have positive impact on risk tolerance level. With higher level of education, investor’s had the higher potential to analyze the investment opportunity and can bear more financial risk. These results are steady with (Haliassos & Bertaut, 1995; Sung & Hanna, 1996; Carducci & Wong, 1998). Similarly, risk tolerance was linked with different personality attributes like gender, age, marital status, income and educational level, as well as more financial knowledge and expectations (John, 2000).

**Conclusion**

This study incorporates the affect of gender, age, education, marital status and monthly income on investor’s risk tolerance. This study provides evidence that various demographic factors have diverse affect on investor’s risk tolerance. It has been found that education and investor’s monthly income are directly proportional to risk tolerance score whereas age, gender and martial status have inverse relationship with it. Investor’s risk tolerance decreases as their age increase while other variables are held constant. These results are consistent to Morin & Suarez (1983) finding that risk tolerance declines with age.

An important finding of the study is that both education and salary level of investors have positive impact on risk tolerance level. With higher level of education, investor’s had the higher potential to analyze the investment opportunity and can bear more financial risk. Same is the case with investor’s salary level, as as their income increases they can broaden their investment horizon. With regard to marital status of investor, this study founds that married individuals are more risk averse as compare to singles. The underlying reason is that married individuals have greater family responsibilities that decrease their relative risk tolerance. Finally women are more risk averse as compare to men with respect to financial decision-making.
References


Annexure

Table 1
Multiple Regression Coefficients, Std. Error in Brackets, t–Values in Parentheses, F–Value & P–Values in Italic

<table>
<thead>
<tr>
<th>Constant</th>
<th>Gender</th>
<th>Age</th>
<th>Marital Status</th>
<th>Education</th>
<th>Monthly Income</th>
<th>R^2</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>-0.376</td>
<td>-0.459</td>
<td>-0.360</td>
<td>0.441</td>
<td>0.344</td>
<td>0.934</td>
<td></td>
<td>405.781</td>
</tr>
<tr>
<td>{0.270}</td>
<td>{0.112}</td>
<td>{0.062}</td>
<td>{0.089}</td>
<td>{0.064}</td>
<td>{0.07}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(145.531)</td>
<td>(-16.591)</td>
<td>(-16.158)</td>
<td>(-14.023)</td>
<td>(17.676)</td>
<td>(12.137)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td></td>
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</tr>
</tbody>
</table>
Corporate Social Responsibility in Pakistan: Case of Service Sector

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Abstract
This study aims to explore the concept of corporate social responsibility in the services sector of Pakistan. The government and corporate sector should work together to build the relationship between business and society. The concept of corporate social responsibility in Pakistan is at a very beginning stage. It needs awareness and change in the behavior of corporations and government. A structured questionnaire was used to explore the five dimensions of CSR in three sectors of the services industry i.e. Telecom, Education and Banking organizations. The data was entered into SPSS 16.0 for analysis. The results indicate that employees’ agreement reflects the highest scores as compared to other dimensions of CSR. Findings reveal a moderate response from the employees regarding selected dimensions of CSR in services sector in Pakistan. This study enables the different stakeholders to enhance their understanding by providing a direction for more research regarding CSR in developing countries like Pakistan.

Key words: Corporate Social Responsibility, Services Sector, Pakistan.

1.0 Introduction
Service sector plays a major role for economic growth and social well-being in the country. Service sector in Pakistan also experience an expansion due to changing global scenario. Corporate social responsibility (CSR) effects services sector due to direct link to the society. It requires that the company should focus on other values than profit and it is great responsibility of societal and environmental activities within and outside the company. The companies incorporated corporate social responsibility initiatives in response of government intervention,
demand from investor and consumer activism. It is reported that the services sector is more practical than the other sector in the country (Clarkson, 1988).

In Pakistan, the practices of social responsibility are very confusing because corporate sector blames to government for poor governance, political and economic instability in the country. It necessitates exploring the contribution of CSR for the well being of society and the employees of corporate entities. This study investigates the CSR practices in Pakistan especially considering the services sector. Because most of the companies in Pakistan don’t have the clear policies regarding corporate social responsibility. Services sector included corporate social responsibility as the part of their core values, vision and mission (Gillis, 2001).

This study aims to explore the concept of corporate social responsibility in the services sector of Pakistan. The government and corporate sector should work together to build the relationship between business and society. The concept of corporate social responsibility in Pakistan is at very beginning stage. It needs awareness and change in the behavior of corporations and government. Corporate social responsibility is getting more importance in different organizations. Companies start making CSR departments to implement CSR policies and guidelines from UNO and EU.

2.0 Literature Review

The study examines the CSR practices in service sector of Pakistan. It has experienced several crises due to inconsistent policies, unstable political environment and constant foreign intervention since its creation. The inception of 21st century came with multiple opportunities for the corporate sector to explore new markets throughout the world. The expansion in organizational size and scope poses a number of challenges in the recent age of high competition. Similarly, social pressure and globalization requires social responsibility from the corporate sector to ensure the interests of different stakeholders. It needs to monitor the corporate social responsibility from the corporate sector to meet the prevailing parameters. There a number of studies those investigate the CSR in the different parts of the globe.

Friedman (1970) argued that it is the social responsibility of business to practice the free competition without deception or fraud. Similarly, it is reported that management of the business organizations is required to honor the economic, legal, ethical and discretionary responsibilities (Carroll, 1979). Employees’ rights could be costly for the organizations but they should not ignore it to realize the greater profits (Jardins & McCall, 1985). It is found that factors of corporate social responsibility are important to enhance the organizational effectiveness (Zahra & LaTour, 1987). In addition, it is concluded that employer gave the financial compensation and benefits to employees with better work performance (Schiemann, 1987).

Bowen (1988) suggested that corporate sector should facilitate the employees and their families. The study reveals that the private and public organizations should develop the policies to support the family of the employees and involve them in decision making. Similarly, the relationship between CSR and organizational effectiveness was investigated (Kraft, 1991). In addition, the top management’s attitude towards CSR is examined and findings show that basic skills
employed took the corporate social responsibility but requires the consideration of economic and legal issues (Anderson, 1993). In addition, it is reported that positive reaction from external stakeholders could create positive effect on employee’s behavior (Riordan & Bill, 1997). Lankau (1997) found that flexible working hours could create the high level of organizational commitments and high level of job satisfactions. It is reported that there is a positive relation between corporate social performance and high level of job choice. Higher level of corporate social performance could attract the highly qualified employees for organizations (Albinger & Freeman, 2000). Similarly, employees’ rights as employee freedom, employee safety, and employee participation in decision making and employee privacy at workplace could be the foundation (Rowan, 2000).

Mujtaba & Sims (2006) reported that store managers were formally trained for ethical issues but there is no formally training for employees. It is documented that employee perception about organization is positive toward the job security, satisfaction behavior of citizenship because of corporate social responsibility. Employees not only react on wrong things but react on positive behavior of their organization in the presence of CSR (Rupp et al., 2006). Corporate social responsibility is beneficial for the corporate sector and employees. It is found that many business responses to demand of corporate social responsibility not in business operation but in management, staff and stakeholders (Fuentes-Garcia & Veroz-Herrado, 2007). Similarly, it is reported that internally and externally behaviors of CSR are almost the same thing. Internal behavior means legal and ethical compliance of employee checked by compliance officer and externally checked by CSR (Houghton et. 2009).

3.0 Methodology
This study examines the corporate social responsibility in the service sector of Pakistan. The population of the study is the employees of selected organizations from the services sector of Pakistan. The responses were collected from three sectors of the services industry i.e. Telecom, Education and Financial organizations. A sample of 500 respondents was selected for this study. A structured questionnaire was developed to record the response of the employee about the corporate social responsibility. Service sector was easy to approach and get data by using personal sources because the country like Pakistan have no trend to fill the questionnaires as a responsibility and send back to the researcher. Therefore data was collected through personally contact approach from the employees randomly.

Primary data was collected with the help of questionnaires from service sector of Pakistan. The questionnaires almost cover all the banks, educational institutions and the telecom companies. The questionnaire contains five main factors explaining the corporate social responsibility regarding employees. The factors of CSR include company information, physical working environment, employee’s agreement, flow of information and ethics. The responses were recorded on five point likert scale ranging from 1 to 5 (i.e. 1 stands for strongly disagree, 2 represents disagree, 3 for neutral, 4 is used for agree and 5 represents strongly agree. Data was organized and entered into SPSS 16.0 version to analyze the responses of the employees regarding CSR in Pakistan.
4.0 Result and Discussion

This study investigates the CSR practices in Pakistan especially in services sector. A total of 500 questionnaires were distributed among the employees of the service sector organizations. There were 250 completed questionnaires processed for the data analysis and the response rate was 50% that is reasonable to perform statistical analysis by using SPSS. Corporate social responsibility cover five important aspects which are related to company information, physical working environment, employee agreement, flow of information and ethics.

Respondents have the different experiences toward their jobs in the different organizational background. The results indicate that 50% of the respondents have an experience of 1 to 3 years, 32% with 4-6 years experience, 13% with 7-10 years experience and only 5% employees are working at their current organizations with more than 10 years experience. Similarly, 62.8% male respondents participated in the survey and 37.2% of the total respondents are represented by female segment. In addition, 42% respondents have MBA degree, 21% with MSc degree, 17% respondents have M.A. qualification, 14% of respondents are graduates with 4 years degree program and 4% respondents have M. Phil qualification.

The respondents represent the different organizations of the services sectors like education, financial and telecom. 70 respondents belong to the education sector which is 28% of the total respondents. 134 respondents represent the financial sectors as the 53.6% of the total respondents and only 46 respondents were from the telecom sector that is 18.4% of the total respondents. Size of the organizations is an important indicator. The results indicate that only 24 respondents which is 9.6% of the total respondents were belonged to the organizations with less than 100 employees and 226 respondents that is 90.4% of the total employees represents large organizations with more then 500 employees in the organizations. Descriptive statistics is used to explore the relative importance of different dimensions of corporate social responsibility in services sector of Pakistan.

Table 1 presents a snapshot of the kurtosis and skewness for the five dimensions of CSR (company information, Physical working environment, employee agreement, flow of information and ethics). The descriptive statistics for the selected dimensions of CSR are shown in table 2.

Table 2 reveals the results for the five dimensions of corporate social responsibility in the service sector of Pakistan. It depicts the descriptive statistics to reflect the relative importance of each dimension of CSR. The results show the perception of employees of services sector regarding different dimensions of CSR. It is found that employees are more comfortable to have company information. It is evident that more informed employees motivated and perceive better feelings regarding CSR; the mean for the company information is 2.81 with a standard deviation of 0.6 that is above average. Similarly, physical working environment is another aspect of the corporate social responsibility with reference to the employees. The results indicate that most of the employees are not happy with the physical working environment as it reveals an average of 2.6 with fairly greater dispersion. It is a responsibility of organization to provide safe working environment. It is reported that good physical environment could create positive effect on employees’ performance and better indication of CSR (Gist & Mitchell, 1992).
Employees’ agreement is also considered as an important indicator of CSR. The results indicate the perception of employees’ agreement as an average of 2.92 that reflects the importance of CSR at work place. Similarly, flow of information is another important aspect of corporate social responsibility for the employees. Fair flow of information could create positive feelings among employees to address the CSR. The results indicate a moderate feelings regarding flow of information among employees of service sector. Similarly, the fifth aspect of corporate social responsibility with reference to employees is ethics. The results show an average of 2.70 for the ethics to represent the CSR among employees of services sector. It is suggested that proper flow of information could enable the employees for participation in organizational decision making process (Dahl, 1985).

5.0 Conclusion
This study aims to explore the concept of corporate social responsibility in the services sector of Pakistan. The government and corporate sector should work together to build the relationship between business and society. The concept of corporate social responsibility in Pakistan is at very beginning stage. It needs awareness and change in the behavior of corporations and government. A structured questionnaire was used to explore the five dimensions of CSR in three sectors of the services industry i.e. Telecom, Education and Banking organizations. The data was entered into SPSS 16.0 for analysis. The results indicate that employees’ agreement reflects the highest scores as compared to other dimensions of CSR. Findings reveal a moderate response from the employees regarding selected dimensions of CSR in services sector in Pakistan. The study enables the different stakeholders to enhance their understanding by providing a direction for more research regarding CSR in developing countries like Pakistan.
References


Annexure

Table 1

<table>
<thead>
<tr>
<th>Dimensions of CSR</th>
<th>Skewness Statistic</th>
<th>Skewness Std. Error</th>
<th>Kurtosis Statistic</th>
<th>Kurtosis Std. Error</th>
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<tr>
<td>Company information</td>
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<td>.154</td>
<td>.284</td>
<td>.307</td>
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<tr>
<td>Physical Working Environment</td>
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<td>.154</td>
<td>-.231</td>
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<td>Employee Agreement</td>
<td>-.364</td>
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<td>-.172</td>
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<tr>
<td>Flow of information</td>
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<td>.307</td>
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<td>Ethics</td>
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<td>.154</td>
<td>-.114</td>
<td>.307</td>
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<td>Corporate Social Responsibility</td>
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Table 2

<table>
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<th>Sum</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Variance</th>
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<td>3.44</td>
<td>674.35</td>
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<td>.33569</td>
<td>.113</td>
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Problem of Unequal Distribution of Wealth and Role of Infaq (Donation) in its Solution

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Abstract
Unequal distribution of wealth is a common and the oldest economic problem. Concrete evidence of its existence in the early age of civilization is available. Still this issue subsists in all the economies of the world. Infaq (donation in the way of God) is one of the important tools provided by Islam to solve this problem. Qur’an has given special emphasis on it, and in many verses invitation of this wholly spending is given. Different examples in the life of wholly Prophet are available, with which this pious act can be institutionalized. It is the need of time to eliminate the poverty in Pakistan and other Muslim countries with the help of available Islamic economic tools.

Key Words: Infaq, Quran, Wealth.

1. Introduction
Since the early age of human civilization the problem of unequal distribution of wealth is exists in all parts of the world. From that time till today it can be found in almost all the economies of the world, regardless, of time and place. Its intensity may be different but its presence is an indispensable fact. This fact can be proved from the holly Qur’an. Qur’an has presented the
nation of Prophet Noah (S.A.W) as the initial stage of civilization, but at this stage also, society was divided in two classes. One class which has and the other which does not has, Qur’an has used the term *al-ma* (11:27) for the former. *Al-ama* means those people who have sufficient food and are almost self-sufficient, or the rich and elite class of the society. *Arzohna* (11:27) is the term used by Qur’an for those who have nothing, the people who are poor in appearance or lowborn. It means at that time, society was divided in two classes i.e. rich and poor.

This situation was not restricted to just the nation of prophet Nooh (S.A.W) only but remains same in almost all the nations described in Qur’an. Even Qur’an has formulated it as a universal truth, by saying that:

*And We sent not unto any township a warmer, but its pampered ones declared: LO! we are disbelievers in that which ye bring unto us. (34:34)*

It means that, problem of unequal distribution of wealth was common in all nations of the history and it is still present in almost all the nations of the world. This is the reason that, Qur’an has categorically ordered to the Muslims that:

*that it become not a commodity between the rich among you. (59:7)*

Qur’an on one side gives this clear cut order and on the other hand provides some meaningful techniques for the solution of this problem. Waqf, wasiyyah, Sadaqas, Qard Hassan and *Infaq* etc., are those instruments which Qur’an and Sunnah suggest to improve the unequal distribution of wealth. These are non-obligatory methods depending upon the willingness of general public. The basic objective of this paper is to highlight the role of Infaq in this regard.

### 2. Role of Infaq

Infaq is basically alternate name of pious spending (Siddiqui 1996) Whereas the importance of *Infaq* is concerned it is quite interesting that, order of *Infaq* is not just given to Muslims only, but this order is for all human being regardless of time, place, religion or any other thing. This fact can be clear from the following verse of Qur’an.

*And covet not the thing in which Allah hath made some of you excel others. Unto men a fortune from that which they have earned and unto women a fortune from that which they have earned (4:32).*

The first and the most important point is that Qur’an is addressing to the whole mankind in this verse, and the second point is that, only partial ownership of income and wealth is recognized by Qur’an. It means that, the mankind cannot claim the right of ownership on their total income and wealth. They can keep only that part of their income and wealth which is necessary for the necessities of life, as it is said at another place.

*These people ask you how much will be spend in the way of Allah? said everything beyond your requirements. (2:219)*

The basic objective of this pious spending is to uplift the poor segments of society. This is the reason that Qur’an has counted all needy people of the society as the most deserving people for this honorable spending. In this way each Muslim becomes the supporters of the other. It is quite interesting that Qur’an has counted it as the right of deserving people.
So give to the kinsman his right, and to the needy, and to the wayfarer. That is best for those who seek Allah's countenance. And such are they who are successful. (30:38)

In this way Muslims help each other without hurting the self respect of the others. It is an important fact that, both in Qur'an & Hadith the amount and heads of Infaq is not given. This fact gives extraordinary expansion to infaq for its application. it means that any amount to any needy person at anytime and anywhere can be given for any purpose. With that Qur’an has also imposed some conditions in this regard.

3. Conditions of Infaq

Qur’an has imposed certain conditions in this regard, these are as follows:

3.1 It should be for the pleasure of Allah and not for any showiness (92:20)

3.2 It should be for the goodness and without any expectations of reward and just for the consent of Allah (92:18-20) If the purpose of this act is something else then it will not produce any good results.

3.3 No aim of publicity should be there (4:37-38)

3.4 Hidden Infaq is much better than the open donations (2:271) because the self respect of receiving person keeps intact in farmer case, which is most important.

3.5 It should be before death (63:10), definitely after death there is no chance of doing this act.

3.6 It should be out of pure and scared income (2:267) that infaq does not have any importance which is done through illegal or haram income.

At here one important point should be kept in mind that, the aim of measures adopted by Qur’an and Hadith for this purpose is not to provide equal amount of facilities or bring them to the same level. Definitely it is impossible, on the other hand, basic aim is equitable distribution of wealth Ahmed (1955) it means that existence of inequality is a natural phenomenon, but it is not a chosen fact Moududi (1994)

4. Infaq Should be Develop as an Institution

Infaq can be develop as an institution in the light of teachings and practice of wholly prophet (P.B.U.H) different examples from his life can be given in this regard.

4.1 In one case prophet has assigned a job to some persons who have presented their services voluntarily, as in the case of slaves, who deserted enemy camp at Ta’if, he nominated a certain person or group of persons to look-after the physical or monetary cost of these people.

4.2 In another case prophet has made a general appeal on volunteering basis to do a certain job, as he did in the case of financing the destitute of the tribe of Mudar and in case of purchasing a well at a certain time.

4.3 It may be possible that, it will be made compulsory for the people that, they will provide maximum physical and monetary contribution to fulfill the requirements of any particular job. As it was did in the case of gazwa-e-tabuk. Hassan-uz-Zaman (1993).
These examples clearly mentioned that the scope of Infaq is expanded from micro to macro level and it may be on volunteer or compulsion basis. It is the need of time to follow these examples of wholly prophet to eliminate the poverty in Pakistan.

**Conclusion:**

Unequal distribution of wealth is a particular phenomenon of almost each economy Infaq can play a vital role to eliminate it. When all the people of state will help each, other just on brotherhood basis and keeping this fact in mind that they are following the orders of Allah for his consonant. Poor and backward people of society will get help and they will stand on their own feet. In this context government will play her role by institutionalized it. In this case poverty will be eliminated from the society up to a large extent.

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Abstract

Modem economics presents a concept of economic man on the other hand Islam gives the idea of an Islamic man. The former is based on a materialistic approach in which the basic objective of life remains just to get maximum satisfaction and maximum profit or any other form of utility. Man lives only for these objective, which is completely less human level. On the other hand latter is based on believe of Allah and high moral values and present a much better way of life as compare to the former.

Key Words: Economic Man, Islamic Man, Qur’an

1. Introduction

The term economic man was first used by Joseph Pseky (1995). Although it is a new concept in economics, but it is often associated with ideas of 18th century thinkers like Adam Smith and David Recordo etc. No doubt this concept in the raw form can easily be found in the writings of these thinkers, for example in the following quotation of Adam Smith, reflection of this modern concept can easily be found. He writes “It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner but from their regard to their own interest”, Adam Smith (1986). It means that in a more or less form it was exist, but recently it has taken a concrete form. This concept was developing to show the rational behavior of individual decision making units i.e. a consumer, a firm and an industry. On the same line the concept of an Islamic man can also be drawn from the teachings of Islam. At many places in Qur’an and Hadith characteristics of
momineen are given, with the help of these qualities a concept of Islamic man can be derived. The basic objective of this paper is to analyze and compare these two concepts. For this purpose first the characteristics of an economic and Islamic man are discussed and then a comparison is made between these two.

2. An Economics Man

The concept of economic man is one of the basic notions of modern economics. It is assumed that each individual in a capitalistic society, whether he / she are a consumer, investor, worker or businessman is motivated by economic forces, hence will always act to obtain the maximum satisfaction for the least sacrifice or cost. This maximum satisfaction take different forms e.g. it may be maximum profit for a businessman, leisure hours for a worker and maximum utility from the consumption of goods for a consumer etc.

A consumer, a firm and an industry are the basic individual decision making units in a capitalist economy. Under this concept it is assumed that behavior of these units will be rational. Rational behavior means that, each of this unit wants to maximize his advantage. In the other words, when a consumer decides to purchase something he / she will spent all available resources in such a way that he / she will get maximum satisfaction from these items. If he / she dose the same then their behavior will be rational, and consumer will said to be in equilibrium position. In the other words achievement of maximum satisfaction is the primary goal of a consumer or economic man. In the same way when a firm decides to produce something in response of demand from consumers, then main objective of the firm will be to get maximum profit. For this purpose firm will made all efforts to maximize the difference between cost and selling price, so that she can get maximum profit. It will be rational behavior of firm / man. The same situation is with industry, which is the collective name of all firms. In the same line a worker wants to maximize his / her leisure and so on.

In this whole process there is no concept of God or moral values or the Day of Judgment or benefits of the others. The whole story is just based on me and my interest only, and no room is left for any moral values. Due to this situation an economic man is self—centered and self interested personality and never thinks beyond his self interest, Abdul Karim (2006). The approach of economic man is completely materialistic and he/she is always busy in calculation of his / her profit / loss in monetary terms. To get maximum advantage of this worldly life, becomes his / her ultimate aim and do not have any concept of life after this life. This type of thinking naturally restricted his/her life just for today and there is no concept of long term benefits.

3. An Islamic Man

The characteristics of an Islamic man can be derived from the qualities of momineen given in Qur’an and Hadith. At least in Qur’an more then sixty qualities are given in this regard. The term amale – saleha is used for those activities which are required by Qur’an and Hadith from momineen. An Amle - Saleh is any activity which results on the benefits of others or it creates equilibrium in the society or results on elimination of disequilibrium (Fasad) in the society. Since the limited scope of a paper cannot considerate the narration of all these characteristics, hence only the main qualities of momineen are discussed in following lines.

3.1 Iman (Believe)

The first and the most important demand of Islam from momineen is that, they should have believe on Allah, His books, His prophets, angles and the Day of Judgment.
It is not the righteousness that ye turn your faces to the east and the west; but the righteous is he who believeth in Allah and the Last Day and the angles and the scripture and the prophets. (2:1 77)

This believes create a significant change in his behavior and character, and changed the whole concept of life, and expands the scope of life. Man with iman lives with high moral values. Concept of life hereafter and accountability keeps him away from all bad activities. The activities which are harmful not for the society but also for that person who performs them.

3.2 Consent of Allah
According to Qur’an, the basic objective of the life of momineen is to get the consent of Allah.
Thou (0 Muhammad) seest them bowing and falling prostrate (in worship), seeking bounty from Allah and (His) acceptance. (48:29)
For this purpose they follow all the orders of Qur’an and Hadith.

3.3 Fear of the Day of Judgment
Another quality of momineen counted in Qur’an and Hadith is that, momineen keep hard believe on the Day of Judgment and accountability of that Day. This concept put them further away from each and every type of tyranny.

3.4 Living for the Others
According to Qur’an momineen live for the others. They are always ready to sacrifice their current benefits for the betterment of others. Even they are personally needy people but in this condition also they sacrifice for the others.
And find in their breasts no need for that which hath been given them but prefer (the refugees) above themselves though poverty become their lot. (59:9)

3.5 No Concept of Reward
Qur’an said, the momineen never have any desire of reward or thanks, they all do it only for the consent of Allah.
(Saying) we feed you for the sake of Allah only. We wish for no reward nor thanks from you (76:9.)
No materialistic reward is required by them.

3.5 Prohibition of Riba (Interest)
Since riba (Interest) is strictly prohibited by Qur’an & Hadith and momineen completely avoid the same, and do not involve in any such type of activity.

3.6 Infaq (Donation)
One of the most important quality of momineen is that, they donate all of their income in the way of Allah which is beyond their requirements.
And they ask thee what they ought to spend say: that which is beyond your requirement. (2:219)

3.7 Concept of Halal & Haram
Qur’an & Hadith have restricted momineen from particular type of activities which are termed as haram. Momineen strictly avoid themselves from these actions.
3.8 Care of Poor People of Society
In accordance with the orders of Qur’an & Hadith momineen take care of poor people of society. And feed with food the needy wretch the orphan and the prisoner, for consent of Allah. (76:8).
These are just a few characteristics of momineen described in Qur’an and Hadith which are specially mentioned because these are the base of comparison between these two concepts.

4. Comparison Between Economic Man & Islamic Man
In the light of above discussion it can be said that there is a wide difference between these two concepts. The main points in this regard are as follows.

4.1 Limited & Wide Concept
The concept of economic man is quite limited, which restricts the man just up-to this materialistic world, whereas an Islamic man has a quite wide horizon. He does not see the life just for this world but hereafter also, which will be a real and long lasting life.

4.2 Animal & Human Level
Economic man concept presents a just animal level of life, which is restricted to maximum satisfaction, profit or leisure etc., without any moral values. On the other hand Islamic man is a better concept which is based on high moral values and represents a human level of life.

4.3 Selfish and Opulent Way of Life
Self benefit is the limit of economic man thinking, he cannot go beyond this boundary. On the other hand the objective of life of an Islamic man is to serve the others for the consent of Allah.

4.4 An Open & Restrict Way of Life
The economic man is completely free to do anything under the rules of state. No other bindings can be imposed on him. But an Islamic man is under the Devine rules as well as the regulations of state.

4.5 Preference of Today or Tomorrow
The former man just believes on benefits of today and he is not ready to sacrifice his today for tomorrow. On the contrast Islamic man is always prefer the advantages of tomorrow by giving up the benefits of today. This is the reason that, a Muslim can easily sacrifice his life in Jehad (Fight in the way of Allah) whereas it is quite difficult for a Non-Muslim.

Conclusion
On the basis of above discussion it can be said that, the concept of Islamic man is much more superior then economic man. The latter is just a materialistic approach and completely barefoot from moral values. Negation of moral values put the human being on just animal level. This is the reason that, an economic man lives on animal level and just alive to get maximum satisfaction or profit or other advantages. No doubt he gets all these things in this world but in the life hereafter his share will be nil.

On the other hand an Islamic man lives with the believe on Allah and high moral values. He lives on human level, he also gets the advantages of this life but with that, he will be in a much better position in the second life.
References


SAUD MAND TAHEREEK
(A MOVEMENT AGAINST THE PREVAILING CONCEPTS OF INTEREST IN THE SUB-CONTINENT)

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Abstract
Saud Mand Tahreek (Movement) was established in 1925 in Badyoun (India) for the improvement of standard of living of Muslims of India at that time. This movement specially focused on the definition and nature of *riba* (interest) and tries to redefine this term. This movement become a separate school of thought and presented some basic points about the *riba*. According to them each and every type of increment is not *riba*, but it is a particular type of increase. Only that transaction will be a *riba* transaction which is based on exploitation of poor people. Otherwise the rest of transactions are not *riba*, particularly if it is based on mutual consent. Moreover the objective of this movement was to improve the economic condition of Muslims in the Sub-Continent at that time, for this purpose different measures were adopted by this movement. The objective of this paper is to analyses the efforts of movement and its results.

Key Words: Interest (*Riba/Saud*), Exploitation, *Hadith*, *Riba-al-Fadal*, *Riba-al-Nasia*.

1. Introduction

Sir Syed Ahmed Khan in his writings has refused to accept the traditional concept of *riba* (interest), and accepted the bank interest as lawful. It was the first revolt from the traditional school of thought in economic context. This point of view was further promoted on the plate-form of *Saud Mand Tahreek* (Movement). This movement was initiated by Mulana Iqbal Ahmed, Molvi Ikram, Syed Tufail Ahmed and some others in 1925 in Badayoun (India). They started a monthly publication under the name of “Saudmand” from the plate-form of this
movement. At the sometime some other publications were also issued, for example *Masla-e-Saud Aur Muslamanou Ka Mustaqbil, Jawaz-e-Saud Ma Fatawa & Masla-e-Riba Aur Tejarati Saud Ki Bahus*, etc.

2. **Contribution of This Movement:**

The basic objective of this movement was to improve the overall economic and social status of Muslim community of India, Molvi Muhammad Ikram (1927). This movement was mainly focused on improvement of economic conditions of Muslims in the Sub-Continent. It was a very crucial time for Indian Muslims. Their share in the commerce and trade was rapidly decreasing. In Indian civil service the share of Muslims was much less than their size of population. The overall conditions for them were very poor. One of the big reasons of this economic backwardness was that Muslims as a community were disgust from new economic set up established by British Government, due to the presence of interest in it.

Since *riba* (interest) is completely prohibited in Islam, hence they were quite wavering from it. It was the time when thinkers of this movement decided to bring Muslims close to new economic system. Definitely presence of interest was the main barrier in this regard. This is the reason that they started a campaign against traditional concept of *riba* (interest). For this purpose they put some basic questions about the nature, background and prohibition of *riba* (interest), e.g.

i. What is the definition of *riba*?
ii. Are the limits of *riba* can be determined?
iii. Due to which reason *riba* (interest) was prohibited and what is the demand of this reason now a day?
iv. Is *riba* (interest) completely banned or there may be some exceptions in it?, Molvi Muhammad Ikram (1927).

Since these questions were raised from the platform of this movement, hence it was indispensable for them that, they provide the answers of these questions. They have done the same, and in the regard they had created a separate school of thought, which is still alive and in many discussions the resumption of their arguments is still present. Hence it can be said that, this movement is alive in the form of their arguments, about *riba*. Mulana Iqbal Ahmed has answered these questions in such a manner, the Quranic term *riba* (interest) is a particular type of increment and there is not any explanation of this increment in Qur’an and Sunnah both. Moreover in the early period of Islam there was not any consonance on this term, even upto the time of *uima* situation was quite same. On this basis he concluded that, there is not any hard & fast rule in this regard. Due to this reason it is advised to Muslims that, they will leave anything about which they are doubtful about *riba* (interest), and take rest of the items, Mulana Iqbal Ahmed (1927).

In his opinion *Riba-al-Fadal* is just applicable in barter system and cannot be used in cash or credit transactions. Moreover exchange of money transactions also does not have any chance of *riba* (interest). Hence according to him concept of *riba* (interest) is just applicable on a particular type of credit transaction which is called as deferred sales. Except for this rest of the transactions are free from *riba* (interest). The nature of this transaction is that, buyer made a down payment to seller for the future delivery of goods or crops. If the seller provided the same within specified time, this transaction was completed and no extra charge was paid by the seller. But on the other
hand if he failed to do so, then he has to pay some extra amount to buyer. This additional amount was termed as *riba* (interest), it is just a form of exploitation. At here it should be remember that, this increment was not the part of agreement, but in case of failure of seller it was up-to the choice of buyer. Only this type of *riba* (interest) is prohibited by Qur'an. On the basis of analysis of different Hadith, he has pointed out that; *riba* (interest) is an increment which is like deferred sales transactions not more than that. According to him same type of *riba* (interest) was also prohibited in Turah. This type of increment is lawful only in Dar-ul-Harb but not in Dar-ul-Islam. Mulana Iqbal Ahmed (1927).

Syed Tufail Ahmed has raised some different points from the platform of this movement. His points were based on economic conditions of Muslims at that time, and on the bases of his analysis he recommended the Muslims to adopt new economic setup which was based on interest. These points were as follows;

i. Interest is the trading profit which is separate from *riba*, hence each and every increment cannot be termed as *riba*.

ii. Currency can be used in both productive and non productive ways, in the old days men did not know the productive use of money and consider it as medium of exchange only. But now a day currency is used for more productive way, hence it will be better to use it in more fruitful purposes.

iii. Analysis of different Hadith also bring them the conclusion that, only one type of increment is unlawful, which is based on exploitation of poor people. It is the reason that Qur'an has condemned the *riba* and appreciates *Sadaqas*.

iv. Credit for trading purpose and payment of interest on it are quite different matters from *riba* (Interest). It is lawful because it is based on mutual consent.

v. Since Muslims do not take interest hence they are getting double loss. They are losing interest on it, if they grant their money as loan to others, on the other hand they do not take loan on interest. Due to which, their share in trade is reducing rapidly.

vi. The one reason of collapse of big Muslim states is that, they did not take loan on interest from Muslims and ultimately by compulsion they had taken loan from other states and due to heavy interest gradually lose their sovereignty.

vii. On micro level same is happening with small Muslim trading class.

viii. Due to same reasons Muslims are coming out from industry and education, Syed Tufail Ahmed (1929).

No doubt there are some other scholars who have almost identical point of view about *riba* (interest) e.g. Mulana Abdul Hai Farngi Mehli, Allama Syed Abu-Ishaq Hanafi, Mulana Syed Nasir Hussain and Syed Najum-ul-Hassan etc. This movement on one side put the pressure on Muslims to involve in the *riba* (interest) transactions, and also suggest some other measures for the betterment of Muslim community. These suggestions were as follows;

i. It was advised to them that Muslims formed more and more cooperative associations for economic stability.

ii. Muslims were counseled by this movement that, they put their deposits in commercial banks and try to establish their own banks.

iii. Rich Muslims provide loans to poor so that they can stand on their own feet.

iv. It was recommended that, Muslims were purchased more & more life insurance policies so that, they can prevent them and their family from any unexpected emergency. Moreover
efforts were also made to reform Muslim cultural values and induced them to improve their working capacity, Mulana Tufail Ahmed (1926).

CONCLUSION

Saud Mand Tahreek which was established to improve the standard of living of Indian Muslims had given a new definition or concept of *riba*. According to them riba is an exceptional case and applicable to only those transactions which are result on exploitation of poor people. Only this type of increment is prohibited in Qur’an. But it is also an abstract concept because exploitation and poor both are relative terms and no concrete definition of these terms are possible. Hence the concept of *riba* of this movement is also baseless.

References

Abstract
In Qur’an the term *riba* is used for interest which is strictly prohibited by this wholly book. Muslim thinkers normally claim that “*riba* is that pre-decided excess amount which creditor receives from the debtor on his/her principal amount at maturity of loan. It is a well accepted definition of the term *riba*, but this definition restricts the concept of *riba* to debt transactions only, whereas the rent of all other assets except cash is considered as valid. It means that, reward of cash (one form of asset) is unlawful and rent of all other assets is legitimate. Muslim thinkers provide some justifications for this special treatment to cash. According to then if an item is depreciated with the passage of time then its rent becomes lawful. Moreover if during the transaction ownership of the asset will not change, nature of rented item will remains same then their rent is justified. In addition they said that, presence of element of risk and concept of *badal* (exchange), provide a legal base to rent. But the critical analysis of all of those reasons shows that none of them have any logical and religious base and the same situation is with this definition of interest, which can qualify any standard of reasoning.

Key words: *Riba* (interest), Depreciation, Rent

1. Introduction
*Riba* (interest) is an important Qur’anic term from economic point of view. A huge literature is available on the interpretation of this term. Instead of that, it is open fact that, still a lot of confusion exists about the nature & meaning of this term. Different scholars have different point of views in this regard. But it may be said that there is a concept on which almost a consensus
A prominent Muslim scholar has defined it in these words: "riba is the loan given for a specified period on condition that, on expiry of the period the borrower will pay it with some excess amount." Al-Jasses Abu Baker (1935) p. 470. It means that riba is possible only in debt transactions with that this addition should be part of agreement and received on redemption of loan, S. Abul A’ la Maududi (1997) p. 20. It doesn’t matter how small or large this excess amount may be and what is the purpose of loan and where this transaction has taken place PLD (1992) p.1.

According to this school of thought just excess amount on any debt transaction is termed as riba, whereas the reward of all other assets like houses, machines, offices and shops etc., is considered as lawful in the form of rent, M.N. Siddiqui (1968) pp.126-130. This situation gives a special status to cash and bifurcate it from other assets, because according to this concept rent of cash (which is one form of asset) is considered as unlawful and rent of rest of the assets is assumed to be lawful. This situation certainly raises questions about this special treatment. The supporters of this concept produce five reasons, for its justification. These arguments are as follows:

1.1 Depreciation

It is said that, depreciation is the main cause of rent. It is claimed that, due to depreciation rent of all assets, becomes lawful. All those items which lose their value due to use can be given on rent, whereas the consumable things cannot be given on rent, M.N. Siddiqui (1968) p.p. 178-181.

1.2 Changes in Ownership

It is assumed that rent of all those items is lawful whose ownership is not changed during transaction, e.g. ownership of all assets like houses, machines and offices etc., is not changed during the transaction hence these assets can be given on rent. Whereas in case of cash when it is given to others as loan then its ownership is changed hence its rent cannot be justified A.R. Killani (1991) p. 96.

1.3 Changes in Nature

Third arguments in this regard is that, rent of all those items is lawful which kept intact their nature during period of rent, e.g. machines, houses and offices, etc., remains in the same condition before and after letting, hence their rent is lawful. On the other hand if the situation is reverse then the rent of such items is prohibited, M. Taqi Usmani (1999)p.47.

1.4 Concept of Badal (Exchange)

A big argument in the favour of rent is badal. Under this concept it is agreed that since in case of letting any asset e.g. machines, houses, building, etc, the person who let these items receives rent in the form of cash and in exchange the person who hired these items get the temporary possession of these things. In this way they exchange the items or there is badal in the transaction. On the other hands in case of debt there is not any badal creditor pays a certain amount to debtor in the form of debt and did not receive anything in exchange, it means badal (exchange) is not completed hence this transaction is unlawful.
1.5 Presence of Risk

Propriety in this context is presence of risk. Since the owner of asset bears the risk of damage and destruction of his/her asset, hence he/she deserves the reward of it which is rent. Moreover, in perspective of Islamic law profit is subject to risk, M. Taqi Usmani (1999) P. 47.

2. Critical Analysis of Prevailing Concept of Riba.

Whereas this prevailing concept of riba is concerned, neither it has any logical base nor fulfill any standard of reasoning. The basic reason of groundless is that artificial bifurcation by which cash is separated from other assets. No solid reason can be given for this meaningless division. In all subjects e.g. economics, accounting and commerce cash is considered as compulsory part of assets. The most authentic reason is that Qur’an does not accept this meaningless bifurcation. The simple proof is that, Qur’an has used the term mal for all assets including cash. Qur’an has used this term at almost 86 places in the sense of assets including cash. Some examples from this wholly book is as follow:

(i) Chapter 2 verse 171: for all those items which are liked by human being.
(ii) Chapter 10 verse 88: for each and every asset including luxuries.
(iii) Chapter 26 verse 88: for all those items which are beneficial for mankind.
(iv) Chapter 104 verse 2: for the items which are countable and collectable.
(v) Chapter 90 verse 6: for the things which have a chance of wastage and destruction.
(vi) Chapter 27 verse 36, and chapter 17 verse: for the items which can provide help of any kind.
(vii) Chapter 68 verse 14: for the items used for affection.
(viii) Chapter 18 verse 34 & 39: in the sense of farms & gardens.
(ix) Chapter 4 verses 10 & 161: in the meaning of general assets.

Moreover, in the same sense it is used in chapter 19 verse 77, chapter 74 verse 13, chapter 111, verse 2 and chapter 2, verse 155.

Not only in these verses but in this context many references of other verses can also be presented where this term is used in Qur’an for assets including cash. However, at any place Qur’an is not ready to draw any boundary line between cash and other assets, and gives them same treatment. The same situation is with Hadith, any single Hadith cannot be presented in which this artificial bifurcation is recognized. This is the simple proof that basic assumption of prevailing and traditional thought is completely wrong, and do not have any logical base. Moreover, all reasons which are presented in justification of this artificial bifurcation are unable to validate this concept. The critical analysis of all these reasons is as follows.

3. Critical Analysis of Reasons

3.1 Depreciation: First Base of Rent

Whereas this most important argument is concerned its rebuttle is as follow.

3.1.1 In this context first and the most important concern it that, this argument cannot be proved from any verse of Qur’an or Hadith. In the other words depreciation as the base of rent can be justified neither from Qur’an nor from Hadith. Without any justification how it can be
said that it is the base of rent? This situation is not with just depreciation but with all other arguments which are presented in this regard.

3.1.2 The reason that, due to depreciation rent becomes lawful is completely died when it is observed that paper money or currency is also depreciated. It is an open fact and no one can deny it. Since it is argued that on the basis of depreciation rent becomes lawful then on this basis rent of currency i.e. *riba* should also be recognized. Hence it can be said that, this concept or claim is self-contradictory.

3.1.3 In the second chapter verse 27 (2:27) Qur’an has allowed trade and prohibited *riba*. For any trade transaction presence of a buyer, a seller and a commodity is must which is exchanged between buyer & seller. But in case of rent none of this condition is being fulfilled, on the other hand it has an extraordinary resemblance with *riba*. Hence, on this basis it cannot be acceptable.

3.1.4 Another objection on this concept is that, any correct method of calculation of depreciation is not yet discovered. Throughout the world its calculation is based on estimation. Simple question is that, when exact calculation of depreciation is not possible then how rent can be charged on it?

3.1.5 It is an open fact that with passage of time assets are depreciated and the amount of depreciation continuously decline. On this basis amount of rent should also be declined because according to this approach basis of rent is depreciation, but it is our common observation that, rent increases with passage of time which is quite opposite to this concept. Hence it can be concluded that rent is not charged on the basis of depreciation.

3.1.6 According to the theory, rent is charged due to depreciation, and then on this basis charged rent should be in the proportion of depreciation. But in real life it is not so, rent is always charged on market and never on the basis of depreciation. This open contradiction invalids the whole concept.

3.1.7 Another conflict between theory and practice is that, owner of the building receive separate amount of rent different parts of the building depending upon many factors. Whereas the whole building is depreciates at the same rate. Hence from theoretical point of view rent of each part of the building should be same because all parts are depreciating at the same rate. It means that rent is never charged on depreciation, and no reconciliation is possible between theory & practice, Farooq Aziz (2007) p.72.

3.2 Changes in Ownership: Second Proof of Rent

Just like first argument, this reason is also based on delusion. Under this point it is said that, in case of rent ownership is not changed in case of letting an asset whereas is case of debt it is changed. The real fact is, it is not so, in both cases situation is quite same both creditor and
owner of asset temporarily lose the ownership of their assets and sooner or latter it will return to
the owner. Hence there is no difference between these two transactions.

3.3 Change in Nature: Third Justification of Rent

It is just a baseless reason, because if it is accepted then on this basis bank interest will
automatically become lawful which is considered as unlawful under prevailing concept. The
reason is that, customers of the bank deposits money in the bank and bank returned them their
principal amount and interest in the same form. During this whole transaction nature of item
(currency) is not changed. Hence on this basis bank interest should be considered as lawful.

3.4 Concept of Badal (Exchange): Fourth reason of rent.

Like the other arguments it is also depends on fallacy. Actual fact is that, in case of
letting badal does not took place in its original sense because when any asset e.g. machine,
house, or building is letting out by the owner, he / she receives the amount of rent and his right of
ownership remains intact. Whereas the person who takes it on rent just get a temporary right of
use, and did not get the right of ownership. In real sense of badal (exchange) right of ownership
should be transferred which is not taken place hence this transaction is not qualifying the real
sense of badal (exchange). On the other hand in case of debt, it is claimed in this case no badal
(exchange) is taken place, because when creditor pays his cash to a debtor, he / she doesn’t get
anything against it, hence this transaction is unlawful. It is again a misconception that creditor
gives loan to a debtor he / she at the some time creates which is an asset. It means that creditor
has exchanged the form of his / her asset i.e. from cash to Account Receivable and debtor got
noting. Hence the basic claim is not right.

3.4 The Factor of Risk: Fifth Argument of Rent.

It is said that due to element of risk rent becomes lawful. It is not true, because Qur’an
has strictly prohibited gambling. Hence factor of risk cannot justify rent in any case.

4. Conclusion

On the basis of above discussion it can be concluded that prevailing concept of riba is quite
baseless and doesn’t have any logical base. The basic argument under which it is said that rent of
cash is unlawful and rent of other non-perishable assets is lawful don’t recognized by Qur’an and
all reasons which are given in this regard don’t fulfill any standard of reasoning.
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The Prevalence of Post Traumatic Stress Disorder (PTSD) among Flood Affected School Children in Pakistan

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Abstract

The present study was designed to determine the prevalence of Post traumatic stress disorder (PTSD) among flood affected school children in Pakistan. The sample of the study was comprised of 522 randomly selected students aged 10-16 years from five flood affected districts of Khyber Pukhtunkhwa. The instrument used in the study was The Impact of Event Scale-Revised (IES-R) to measure Post traumatic stress disorder (PTSD) among flood affected school children in Pakistan. The main findings of the study were; secondary school students were highly affected by Post traumatic stress disorder (PTSD); Female secondary school students were highly affected by Post traumatic stress disorder (PTSD); Displaced secondary school students were highly affected by Post traumatic stress disorder (PTSD); female students developed more PTSD as compared to male students; and displaced students developed more PTSD as compared to non-displaced students.

Key words: Post traumatic stress disorder (PTSD), Flood, The Impact of Event Scale-Revised (IES-R)

INTRODUCTION

Natural disaster affected the lives of many people all over the world. The affectess of such disasters faces different calamities in term of deaths, physical injuries, property lose and psychological injuries. Post traumatic stress disorder (PTSD) is one of the most common psychological injuries that the victims of natural disasters faced. Post traumatic stress disorder (PTSD) may be described as characteristic set of symptoms resulting from exposure to traumatic stressors. DSM-IV described Post traumatic stress disorder (PTSD) as exposure to a traumatic event in which person has responded with intense fear, helplessness or horror. (Clark, 1999)

Walsh (1994) observed that “Post traumatic stress disorder (PTSD) is usually provoked by a traumatic events that is outside the rang of usual human experiences such as bereavement, chronic illness, business losses or marital conflicts.”

The events that caused Post traumatic stress disorder (PTSD) are war, see or experience physical violence and natural disaster like earth quick, hurricane and flood. Smith (2003)
observed that Post traumatic stress disorder (PTSD) may develop immediately after the trauma or it may be brought on by a minor stress experience week, month or even year later.

Flood is one of the most severe natural disasters and it “can result in direct economic and property lose, physical injuries, death and psychological injuries” (Huang, 2010). Post traumatic stress disorder (PTSD) is one of the most common psychological injuries that the flood survivors faced. Green (1992) examined the survivors of Buffalo creek dam collapse in 1972 and found that 63% of the survivors were suffering from Post traumatic stress disorder (PTSD).

Natural disasters also caused Post traumatic stress disorder (PTSD) among school students as ziaddini (2009) observed that the prevalence of Post traumatic stress disorder (PTSD) was 66.7% among high school students after the earthquake disaster in the city of Bam, Iran.

The people of Pakistan faced a devastating flood in late July 2010 following by monsoon rain in Punjab, Sindh, Khyber Pukhtunkhwa and Balochistan regions. It destroyed the property and infrastructure and affected about 20 million people, with a death toll close to 2000. The people had horrifying experiences accompanying death of families and property loses resulted in severe traumatic responses in surviving people including school children.

The present study was designed to determine the prevalence of Post traumatic stress disorder (PTSD) among flood affected school children in Pakistan.

METHOD

The sample of the study was comprised of 522 randomly selected students aged 10-16 years from five flood affected districts of Khyber Pakhtunkhwa. These districts include Charassada, Lower Dir, Upper Dir, Noshehra and Swat. The instrument used in the study was The Impact of Event Scale-Revised (IES-R) to measure Post traumatic stress disorder (PTSD) among flood affected school children in Pakistan.

The Impact of Event Scale (IES) is a short set of 15 questions evaluating experiences of avoidance and intrusion which attempts to reflect the intensity of the post traumatic phenomena. Developed in 1979 by Mardi Horowitz, Nancy Wilner, and William Alvarez Daniel S. Weiss and Charles R. Marmar (1997) chose to revise the scale by adding seven additional questions to measure another dimension of intense stress events. Both versions have been found to be valid and reliable. The revised version of the Impact of Event Scale (IES-r) has seven additional questions and a scoring range of 0 to 88.

On this test, scores that exceed 24 can be quite meaningful. High scores have the following associations.

<table>
<thead>
<tr>
<th>Score</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>24 or more</td>
<td>Those with scores this high have partial PTSD or at least some of the symptoms.</td>
</tr>
<tr>
<td>33 and above</td>
<td>This represents a probable diagnosis of PTSD.</td>
</tr>
<tr>
<td>37 or more</td>
<td>This is high enough to suppress your immune system's functioning.</td>
</tr>
</tbody>
</table>
The data was collected four month after the event.

RESULTS
Table 1
Descriptive statistics

<table>
<thead>
<tr>
<th>Variables</th>
<th>N</th>
<th>Mean</th>
<th>S.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>522</td>
<td>12.87</td>
<td>1.79</td>
</tr>
<tr>
<td>PTSD</td>
<td>522</td>
<td>42.48</td>
<td>9.35</td>
</tr>
</tbody>
</table>

Table 1 shows that the numbers of respondents are 522. The mean and standard deviation of age are 12.87 and 1.79 respectively. The mean and standard deviation on PTSD scale are 42.48 and 9.35.

Table 2
Total number and percentage (%) of secondary school students on the measure of the Impact of Event Scale (IES-r)

<table>
<thead>
<tr>
<th>Scoring rang of IES-r</th>
<th>No. of students</th>
<th>percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 24</td>
<td>16</td>
<td>3.06</td>
</tr>
<tr>
<td>24 or more</td>
<td>74</td>
<td>14.17</td>
</tr>
<tr>
<td>33 or more</td>
<td>46</td>
<td>8.81</td>
</tr>
<tr>
<td>37 or more</td>
<td>386</td>
<td>73.94</td>
</tr>
<tr>
<td>Total</td>
<td>522</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 2 shows that the total no. of respondents is 522. Out of which (16) 3.06% did not have Post traumatic stress disorder (PTSD), (74) 14.17% had partial Post traumatic stress disorder (PTSD), (46) 8.81% had a probable diagnosis of PTSD and (386) 73% had high PTSD. This shows that secondary school students were highly affected by Post traumatic stress disorder (PTSD).
Table 3  
*Total number and percentage (%) of male secondary school students on the measure of the Impact of Event Scale (IES-r)*

<table>
<thead>
<tr>
<th>Scoring range of IES-r</th>
<th>No. of students</th>
<th>percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 24</td>
<td>16</td>
<td>5.84</td>
</tr>
<tr>
<td>24 or more</td>
<td>62</td>
<td>22.63</td>
</tr>
<tr>
<td>33 or more</td>
<td>42</td>
<td>15.33</td>
</tr>
<tr>
<td>37 or more</td>
<td>154</td>
<td>56.20</td>
</tr>
<tr>
<td>Total</td>
<td>274</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 3 shows that the total no. of male respondents is 274. Out of which (16) 5.84 % did not have Post traumatic stress disorder (PTSD), (62) 22.63% had partial Post traumatic stress disorder (PTSD), (42) 15.33 % had a probable diagnosis of PTSD and (154) 56.20 had high PTSD. This shows that male secondary school students were affected by Post traumatic stress disorder (PTSD).

Table 4  
*Total number and percentage (%) of female secondary school students on the measure of the Impact of Event Scale (IES-r)*

<table>
<thead>
<tr>
<th>Scoring range of IES-r</th>
<th>No. of students</th>
<th>percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 24</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>24 or more</td>
<td>12</td>
<td>4.83</td>
</tr>
<tr>
<td>33 or more</td>
<td>4</td>
<td>1.61</td>
</tr>
<tr>
<td>37 or more</td>
<td>232</td>
<td>93.54</td>
</tr>
<tr>
<td>Total</td>
<td>248</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 4 shows that the total no. of female respondents is 248. Out of which (12) 4.83% had partial Post traumatic stress disorder (PTSD), (4) 1.61 % had a probable diagnosis of PTSD and (232) 93.54% had high PTSD. This shows that female secondary school students were highly affected by Post traumatic stress disorder (PTSD).

Table 5  
*Total number and percentage (%) of displaced secondary school students on the measure of the Impact of Event Scale (IES-r)*

<table>
<thead>
<tr>
<th>Scoring range of IES-r</th>
<th>No. of students</th>
<th>percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 24</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>24 or more</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>33 or more</td>
<td>20</td>
<td>6.13</td>
</tr>
<tr>
<td>37 or more</td>
<td>306</td>
<td>93.87</td>
</tr>
<tr>
<td>Total</td>
<td>326</td>
<td>100</td>
</tr>
</tbody>
</table>
Table 5 shows that the total no. of displaced respondents is 326. Out of which (20) 6.13 % had a probable diagnosis of PTSD and (306) 93.87% had high PTSD. This shows that displaced secondary school students were highly affected by Post traumatic stress disorder (PTSD).

Table 6
Total number and percentage (%) of non-displaced secondary school students on the measure of the Impact of Event Scale (IES-r)

<table>
<thead>
<tr>
<th>Scoring range of IES-r</th>
<th>No. of students</th>
<th>percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 24</td>
<td>16</td>
<td>8.16</td>
</tr>
<tr>
<td>24 or more</td>
<td>66</td>
<td>33.61</td>
</tr>
<tr>
<td>33 or more</td>
<td>30</td>
<td>15.31</td>
</tr>
<tr>
<td>37 or more</td>
<td>84</td>
<td>42.86</td>
</tr>
<tr>
<td>Total</td>
<td>196</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 6 shows that the total no. of non-displaced respondents is 196. Out of which (16) 8.16 % did not have Post traumatic stress disorder (PTSD), (66) 33.61% had partial Post traumatic stress disorder (PTSD), (30) 15.31 % had a probable diagnosis of PTSD and (84) 42.86% had high PTSD. This shows that non-displaced secondary school students were also affected by Post traumatic stress disorder (PTSD).

TABLE 7
Mean, S.D, t and p value of flood affected female and male students on the measure of PTSD.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Female N=248</th>
<th>Male N=274</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M</td>
<td>S.D</td>
</tr>
<tr>
<td>PTSD</td>
<td>49.02</td>
<td>6.61</td>
</tr>
</tbody>
</table>

df=520

Table 7 reflects the numbers of female and male students are 248 and 274 respectively. The mean and standard deviation of female students on the measure of PTSD scale are 49.02 and 6.61 and the mean and standard deviation of the male on the measure of PTSD scale are 36.56 and 7.32 respectively. The t and p value of both groups are 20.32 and .007.

This indicates that the difference between the means of the two groups is significant at .01 levels. Inspection of means suggests that female students developed more PTSD as compared to male students.
TABLE 8
Mean, S.D, t and p value of flood affected displaced and Non-displaced students on the measure of PTSD.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Displaced N=326</th>
<th>Non-displaced N=196</th>
<th>t</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M</td>
<td>S.D</td>
<td>M</td>
<td>S.D</td>
</tr>
<tr>
<td>PTSD</td>
<td>46.78</td>
<td>6.86</td>
<td>35.32</td>
<td>8.53</td>
</tr>
</tbody>
</table>

df=520

Table 8 reflects the numbers of displaced and non-displaced students are 326 and 196 respectively. The mean and standard deviation of displaced students on the measure of PTSD scale are 46.78 and 6.86. The mean and standard deviation of non-displaced students on the measure of PTSD scale are 35.32 and 8.53 respectively. The t and p value of both groups are 16.83 and .000.

This indicates that the difference between the means of the two groups is significant at .01 levels. Inspection of means suggests that displaced students developed more PTSD as compared to non-displaced students.

DISCUSSION
The present study was designed to determine the prevalence of Post traumatic stress disorder (PTSD) among flood affected school children in Pakistan. The main findings of the study were; secondary school students were highly affected by Post traumatic stress disorder (PTSD); Female secondary school students were highly affected by Post traumatic stress disorder (PTSD); Displaced secondary school students were highly affected by Post traumatic stress disorder (PTSD); Female students developed more PTSD as compared to male students; and displaced students developed more PTSD as compared to non-displaced students.

The main findings of the study that secondary school students were highly affected by Post traumatic stress disorder (PTSD) was supported by Piyasil et-al (2007) study on Post traumatic stress disorder (PTSD) in children after Tsunami disaster in Thailand: 2 years follow-up. They found that 57.3% students were suffered from Post traumatic stress disorder (PTSD) among affected children.

The finding of the study that female secondary school students were highly affected by Post traumatic stress disorder (PTSD) was supported by Stallard et-al (1998). They observed that there is 19% risk of Post traumatic stress disorder (PTSD) in boys and 55% in girls in children involved in road traffic accidents. This finding was also supported by Breslau (1997) on his study on Sex Differences in Posttraumatic Stress Disorder observed that Post traumatic stress disorder (PTSD) is more likely to develop in female than in male after exposure to traumatic events.
References


Survey Social Capital situation in Iranian Hospital

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Abstract
Much of the literature on business development has focused on the role of community resources, especially financial and human capital, in organizational success and survival. Several studies also have examined the contributions of small and large businesses to the social and economic well-being of communities. There has been much less research on the relationships between social resources in communities and business development. This paper examines the importance of social capital in Iranian hospital. For this aims were selected 90 people from three hospitals. The results of this research indicated the level of structural and relational social capital is high, but the level of cognitive social capital is below of average.

Key words:
Social capital, relational capital, cognitive capital, structural capital

Introduction
Scholars such as Coleman (1990) and Putnam (1995) in an attempt to explain non-economic factors in explaining success of certain economic processes drew on the concept of social capital. That is why at present, besides human, financial, and economical capitals, a new reality as social capital is being extensively utilized in the literature of social and organization realms. Fukuyama (1999) believes that a number of definitions had been given with respect to social capital but they refer to its manifestation rather than to social capital itself. He says “social capital is an instantiated informal norm that promotes co-operation between two or more individuals” (Fukuyama, 1999). Putnam (1995) also defines social capital as “The characteristics of the social organization such as networks, norms and social trust that facilitate coordination and cooperation for mutual benefit”. Social capital as a theory view has been considered by behavioral science, economy, management and social science experts in recent two decades. Social capital is sometimes viewed as the peoples' property, so it is related to widespread social networks and accessible resources. Therefore social capital is considered as the group property. Social capital has been the subject of many surveys in recent years and its relation to political and economical development and personal effectiveness has been considered. Studies show that without social capital, it is hard to reach economical development by the means of other resources like financial, physical and natural resources.
Literature review

In recent years researchers concerned with understanding why some organizations perform better than others frequently have looked to the resource based view of the firm as a model for explaining the sustained competitive advantage some organizations possess (Barney, 1986, 1991). According to the resource-based perspective, successful organizations have unique capabilities or resources that give them an advantage over their competitors. Such resources are particularly valuable when they are rare, inimitable, and no substitutable (Barney 1986, 1991). Consistent with the resource-based view, Nahapiet and Ghoshal (1998) maintain that the development of social capital within an organization is likely to be a source of competitive advantage for a firm. In other words, they assert that networks of strong interpersonal relationships within an organization ultimately facilitate its success. As mentioned earlier, Nahapiet and Ghoshal's (1998) framework integrates previous research in the area and offers three specific aspects or dimensions of social capital: a structural dimension, a relational dimension, and a cognitive dimension.

Structural Social Capital

Nahapiet and Ghoshal (1998) conceptualize the structural dimension of social capital as encompassing network ties, network configuration, and network appropriability. Network ties are connections between members of an organization. Previous research using network analysis indicates that these connections can have a significant influence on information transfer (Krackhardt & Hanson, 1993), organizational learning (Fisher & White, 2000), and the execution of organizational activities (Shah, 2000).

Although formal and informal networks can both play a significant role in the overall configuration of interpersonal linkages (Ibarra, 1992), the important factors to consider in understanding a network configuration revolve around such characteristics as structural holes, centralization, and density. These characteristics are often a key determinant of the extent of movement of information, knowledge, and assistance within an organization, beyond what is attributable to simply the individual linkages (Krackhardt & Hanson, 1993; Seibert et al., 2001; Walker et al., 1997).

Finally, network appropriability can significantly affect the flow of information and assistance within a network (Nahapiet & Ghoshal, 1998). Network appropriability relates to the ease with which different types of relationships can be transferred within a network. Similarly, connections established between individuals in informal (e.g., social) contexts also may be relevant in more formal (e.g., work) contexts. Thus, networks created for one purpose may often be useful for other purposes (Fukuyama, 1995; Putnam, 1993).

Relational Social Capital

According to Nahapiet and Ghoshal (1998), the relational dimension of social capital is characterized by high levels of trust, shared norms and perceived obligations, and a sense of mutual identification. Their conceptualization of relational capital, then, is quite similar to Granovetter's (1973) notion of strong ties, which he describes as connections between individuals that are characterized by trust, reciprocity, and emotional intensity. Researchers have not been entirely consistent in their definition of the relational aspects of social capital, but it is clear that what are being described are interpersonal connections that are inherently affective in nature (Krackhardt, 1992).
Interpersonal trust arises from a belief in the good intentions, openness, competence, and reliability of another party (Mishira, 1996). In addition, high levels of trust result in a willingness to be vulnerable to the actions of the other party (Mayer, Davis, & Schoorman, 1995). Prior research suggests that trust facilitates social and resource exchange, increases communication, and enhances cooperation between individuals (Jones & George, 1998; Misztal, 1996; Putnam, 1993; Tsai & Ghoshal, 1998). Thus, high levels of trust ultimately may increase innovation, enhance teamwork, and improve organizational functioning (Bouty, 2000; Jones & George, 1998).

**Cognitive Social Capital**

According to Nahapiet and Ghoshal (1998), mutual understanding among employees is achieved through the existence of a shared language and from the exchange of shared narratives. Where shared language and shared narratives both exist, employees can more easily discuss problems, transfer ideas, share knowledge, and offer more effective assistance to one another (Klimoski & Mohammed, 1994; Nahapiet & Ghoshal, 1998). Shared language provides organizational members with the ability to communicate more effectively (Boisot, 1995). High levels of cognitive social capital give employees a common perspective that enables them to perceive and interpret events in similar ways (Boland & Tenkasi, 1995; Nohria, 1992). Shared narratives are the myths, stories, and metaphors that organizational members communicate to one another (Nahapiet & Ghoshal, 1998). These narratives also assist or generational members in interpreting and understanding their experiences in a common way (Morgan, 1986). Both shared language and shared narratives, therefore, serve to increase the level of understanding among organizational members. These assets also increase the ability of employees to anticipate and predict the actions of other coworkers, thereby facilitating the utilization of various members' inputs, successful coordination of activities, and adaptation to changing conditions (Klimoski & Mohammed, 1994; Krackhardt, 1992).

**Research hypothesis**

1. The level of Structural Social Capital in hospitals is high.
2. The level of Relational Social Capital in hospitals is high.
3. The level of Cognitive Social Capital in hospitals is high.

**Methodology**

The present research is an applied study in which the data have been gathered through a questionnaire and they have been analyzed by utilizing statistical methods. The society comprises first grade hospitals in Tehran among which three hospitals had been chosen as samples in which the possibility of gathering data through questionnaires have been achieved. Questionnaires have been administrated in hospitals’ three different working shifts (morning, afternoon, and night shifts). Due to the limited number of personnel in these hospitals, thereby all have been invited to complete the questionnaires. Related literature had been accumulated through a library research and for the compilation of questionnaire a throughout research in internet have been performed in which standards questionnaires have been considered and the viewpoints of professionals were taken into consideration, as well. The questionnaires covered questions which were capable in measuring social capitals in individuals. Twenty questionnaires in three hospitals have been preliminary administrated and then through Cronbach Alpha analysis the most valid questionnaire had been chosen. The reliability of the chosen questionnaire equaled 0.875 which guarantees the appropriateness of all questions. Statistical Package for the Social Science (SPSS) has been utilized for test of hypotheses and data analysis.
7. Results of research

Hypothesis 1
To evolution situation of structural social capital is used of Chi-Square Tests. The results of this test are showed in Table 1.

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>6,600(a)</td>
<td>4</td>
<td>0.006</td>
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<td>Likelihood Ratio</td>
<td>8,490</td>
<td>4</td>
<td>0.037</td>
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<tr>
<td>Linear-by-Linear Association</td>
<td>0.745</td>
<td>1</td>
<td>0.388</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>381</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 cells (5.0%) have expected count less than 5. The minimum expected count is 91.

As seen in the above table and diagram the Chi-square distribution shows that there is a significance level less than \( \alpha = 5\% \) (\( p \)-value < \( \alpha = 5\% \)). Considering the result of the conducted test, it can be said with a 95% certainty that level of structural social capital in Iranian hospital is high.

Hypothesis 2
To evolution situation of relational social capital is used of Chi-Square Tests. The results of this test are showed in Table 2.

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>7,380(a)</td>
<td>4</td>
<td>0.010</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>9,110</td>
<td>4</td>
<td>0.052</td>
</tr>
<tr>
<td>Linear-by-Linear Association</td>
<td>0.827</td>
<td>1</td>
<td>0.437</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>381</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 cells (5.0%) have expected count less than 5. The minimum expected count is 91.
As seen in the above table and diagram the Chi-square distribution shows that there is a significance level less than \( a=5\% \) (\( p-v<a=5\% \)). Considering the result of the conducted test, it can be said with a 95\% certainty level of relational social capital in Iranian hospital is high.

**Hypothesis 3.**
To evolution situation of cognitive social capital is used of Chi-Square Tests. The results of this test are showed in table 3.

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
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<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>7,380(a)</td>
<td>4</td>
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<tr>
<td>Likelihood Ratio</td>
<td>9,110</td>
<td>4</td>
<td>0,052</td>
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<tr>
<td>Linear-by-Linear Association</td>
<td>0,827</td>
<td>1</td>
<td>0,437</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>381</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

A 1 cells (5,0\%) have expected count less than 5. The minimum expected count is, 91.

As seen in the above table and diagram the Chi-square distribution shows that there is a significance level more than \( a=5\% \) (\( p-v>a=5\% \)). Considering the result of the conducted test, it can be said with a 95\% certainty level of cognitive social capital in Iranian hospital is not high.

**8. Conclusion**
The present research deals topically with the examining of level of social capital and its dimension in the Iranian hospital. Hence, three determinants entitled structural, relational and cognitive social capital. The result of research is shown that existence of social capital is very important for service organization such as hospitals. In this research results indicated that level of structural and relational capital in hospitals is high but the cognitive capital is low. So the manager of hospital should enhance this dimension of social capital in their hospital.
References


Survey relationship between personality and motivation as well as job satisfaction in Inspection Organization in Iran

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Abstract
The purpose of this study is study of relationship between personality and motivation as well as job satisfaction in Inspection Organization in Iran. For achievement of this aims were selected 150 people of inspection as sample. For measuring of personality was used of big five theory and for motivation, Herzberg theory as well as for job satisfaction Warr, Cook theory. The results of this research indicated that personality and demographic variables can be significantly related to both Job satisfaction and Motivation as defined by Herzberg et al’s (1959) two-factor theory. These results further validate the contention that work attitudes are not the product of situational factors alone, and that both literature and organisations should further investigate the variables that contribute to these values with the intention of increasing job satisfaction and performance, through effective selection methods and pervasive job interventions.

Key words: Personality, job satisfaction, motivation

Introduction and review of research literature
It has long been an aim of work psychology to uncover the reasons why individuals vary in their motivation to work, as well as how individual differences interact with organizational /situational factors to influence individual satisfaction and motivation (Furnham, 2002). Motivation can be defined as “an internal state…giving rise to a desire or pressure to act” (Westwood, 1992, p.288). Job satisfaction, on the other hand, is defined as “the extent to which people are satisfied with their work” (Warr, 2002, p.1). It is often the case that the two concepts are discussed side by side, as it is arguable that the extent to which an individual is satisfied at work is dictated by the presence of factors and circumstances that motivates him or her (Furnham, 1992). Indeed, early psychological approaches to motivation conceptualized the desire to act as an intention to “maximize positive results and minimize negative results” (Stress & Porter, 1991, p. 8). The rationale behind contemporary theories of motivation and job satisfaction is to provide a framework through which organizations can better influence their employees’ drive to work and increase their enthusiasm with their roles. Herzberg et al ‘s (1959) seminal two-factor theory of motivation postulated that satisfaction and dissatisfaction were not two opposite extremes of the same continuum, but two separate entities caused by quite different facets of work – these were labeled as ‘hygiene factors’ and ‘motivators’. Hygiene factors are characterized as extrinsic components of job design that contribute to employee dissatisfaction if they are not met. Examples include: supervision, working conditions, company policies, salary, and relations with co-workers. Motivators, however, are intrinsic to the job itself and include aspects such as achievement, development, responsibility and recognition. On the other hand intrinsic factors
have long been acknowledged as important determinants of motivation. There is a longstanding debate as to whether hygiene factors really contribute to job satisfaction (Furnham, Forde & Ferrari, 1999; Kerr, Harlan & Stogdill, 1974; Warr, 1987). Most job satisfaction and motivation research literature is concerned with organizational or situational predictors (such as pay and supervision) (Locke, 1976) while neglecting individual differences (Staw & Ross, 1985). O’Reilly, Parlette and Bloom (1980) discovered that individuals’ significantly differ in the way they perceive their jobs, even if the job description and the tasks they had to perform remained constant, thus suggesting that some individual differences must have an effect on work attitudes. It would be misleading to suggest a dichotomy between individual difference and situational factors in the determinants of job motivation and satisfaction. People select organizations that select and shape them. Some attitudes and behaviors are encouraged while others are suppressed. There is a rich theoretical tradition surrounding the concept of “psycho structure” that supports this fundamental point (Carr, 1999; La Bier, 1986; Maccoby, 2003). In this sense it is always advisable to do longitudinal research, however difficult and expensive, to see causal patterns in how people change work environments and they change those working in them. This paper however is a correlation study in the psychometric tradition seeking to explore the relationship between attitudes, traits and motivation.

Differential psychologists have long stressed individual difference predictor of work performance. Job redesign programs often have mixed success, despite changing extrinsic circumstances as recommended by motivational theories (Steers & Porter, 1991). Organizational interventions may be mediated both by dispositional factors and individual differences. This contention is supported by a longitudinal study by Staw and Ross’ (1985), in which employee attitudes (including job satisfaction and work values) were shown to be stable across a five-year period despite changes in both occupations and employers. Indeed, prior attitudes were a stronger predictor of job satisfaction than changes in pay and promotions. Similarly, research carried out on twins separated at birth have demonstrated that on average, 40% of variance in observed work values, was accounted for by genetic factors, whilst 60% was associated with environmental factors and error variance (Keller, Bouchard, Arvey, Segal & Dawis, 1992).

Researchers have given comparatively more attention to the dispositional traits that contribute to job satisfaction partly because on no clear theoretical account of how the process works (Kanfer, 1990). To illustrate, Arvey, Bouchard, Segal and Abraham (1989) showed that in addition to the well-documented contribution of environmental factors, genetic influences account for 30% of variance in job satisfaction. Taken with the fact that most studies regarding the heritability of personality report an average of .5 (Goldsmith, 1983; Loehlin & Nichols, 1976), it would therefore be reasonable to assume that personality accounts for at least a part of this contribution (Arvey et al, 1989; Davidson, 1983). Thus, in an often quoted meta-analysis by Judge, Heller and Mount (2002) utilised 334 correlations from over 100 independent samples. The Big Five personality traits showed a multiple correlation of .41 with job satisfaction. Particularly strong associations were found between job satisfaction and Neuroticism (-.29), Extraversion (.25), and Conscientiousness (.26). A meta-analysis carried out by Judge and Ilies (2002) investigated the relationship between the ‘Big Five’ and three models of motivation: Goal Setting Theory, Expectancy Theory and Self-Efficacy motivation based on 150 correlations. Results demonstrated that Conscientiousness and Neuroticism were the strongest and most consistent associates of performance motivation across the three theories, with correlations of .24 and -.31 respectively. Based upon an average multiple correlation of .49 with motivation
criteria, it was concluded that the Big Five are an important source of performance motivation. The authors also concluded that in light of the results presented in the meta-analysis, it would be beneficial to investigate the effects of the Big Five on other models of motivation such as the two-factor theory, which thus far has only received minimal attention from researchers. Staw, Bell and Clausen (1986) argued that individual disposition may have a profound influence over how the working world is perceived (i.e. what is important to the individual), and this is likely to affect the type of jobs that are sought. Furnham (1997) speculated that extraverts may be highly motivated by intrinsic factors such as recognition and positive feedback; as such rewards comply with their sociable nature. Theoretical support for the aforementioned speculation is provided by Gray’s (1975) theory, which also stipulated that extraverts would respond more readily to reward (motivator factors) than introverts, who he believed were motivated to avoid punishment. Additional speculative examples of how personality may affect work attitudes, include individuals’ high in Openness being more satisfied with jobs which allow them to learn new skills and be innovative (Furnham, Petrides, Tsaoasis, Pappas & Garrod, 2005). However, research has demonstrated that “attempts to empirically link personality characteristics to motivational variables have produced inconsistent results” (Gellatly, 1996, p. 474). An example of a recent study investigating the contribution of personality to Herzberg et al’s (1959) theory of work motivation is that of Furnham, Forde and Ferrari (1999). Results demonstrated that Extraverts (identified by the Eysenck Personality Profiler) regarded motivator factors as more important than Introverts, thus confirming the contentions made by Furnham (1997) and Gray (1975). These findings mirror those of Gupta (1976) who found that in a sample of individuals performing a linguistic task, Extraverts responded more to reinforcement and Introverts more to punishment. Results also showed that neurotics placed more importance upon hygiene factors than non-neurotics. Taken with the marginally significant relationship between Psychoticism and hygiene factors, it appeared that Personality factors had a sizeable impact on work motivation, accounting for 20-30% of variance, and provided the basis for future study. A part replication of Furnham et al (1999), by Furnham, Petrides, Jackson and Cotter (2002) not only attempted to illustrate the impact of personality on work values but also on job satisfaction. Findings were not replicated, with the personality super factors from the Eysenck Personality Profiler only accounting for 5% of the variance in the sample. However, when a Big Five measure was used, it was observed that between 8% and 13% of the variance in job satisfaction was explained by personality factors. The influence of Conscientiousness is mirrored in previous findings in job satisfaction literature (e.g. Salgado, 1997; Judge, Higgins, Thoresen & Barrick, 1999), and thus suggests that this trait is a relatively consistent predictor of job satisfaction (Furnham et al, 2002). A potential explanation for its influence is that conscientious individuals are likely to receive higher intrinsic and extrinsic rewards due to their efficient nature, thus consequently increasing job satisfaction. Additionally, the significant influence of age is supported by previous literature, which suggests that as individuals get older they tend to be more satisfied in their jobs, potentially because they are more capable of aligning their work values to their choice of vocation (Davies, Mathews & Wong, 1991). A more recent study by Furnham et al (2005) sought to find the associations between personality and work values for samples in Great Britain and Greece. Factor scores demonstrated that responses from both samples could be classified according to intrinsic/extrinsic categories, thus demonstrating a cross-cultural relevance for Herzberg’s et al’s (1959) theory. Regression analyses revealed that personality variables, age and gender accounted for between 5% and 13% of the variance for
each factor. In this instance, Motivator concerns were associated positively with Extraversion and negatively with Openness, whilst high scores in the hygiene-related factor were negatively associated with both Extraversion and Openness. Therefore, the purpose of this investigation is to further assess the extent to which individual differences have an effect upon motivation and job satisfaction. Following the statistical advice of Schmidt, Hunter and Urry (1976) this study will use a sample consisting of more than 170 individuals (N > 170). As suggested by Furnham et al (2005) a wider range of participant demographics will be investigated, these are: years in full time employment, job tenure, and job status.

Research hypothesis:
Based on previous research and speculative observations, the following predictions can be made:
Hypothesis 1: The factorial structure of the Work Values Questionnaire (Mantech, 1983) will reflect between 2 and 4 components that are grouped according to Herzberg et al’s (1959) two-factor theory.
Hypothesis 2: It is believed that when a measure of the Big Five is regressed on satisfaction/motivation factor scores, personality variables will account for a significant proportion of the variance (Staw & Ross, 1985; Furnham et al, 1999; Furnham et al, 2002; Furnham et al, 2005).
Hypothesis 3: Based on findings in the literature (e.g. Davies, Mathews & Wong, 1991; Furnham et al, 2002), there will be a significant relationship between age and job satisfaction. Due to the likely association between age and job tenure/overall years in full time employment it is believed that these variables will also have a positive association with job satisfaction.
Hypothesis 4: Based upon previous findings in the literature (Furnham et al, 2002; Salgado, 1997; Judge, Higgins) Conscientiousness will be positively, and Neuroticism negatively, associated with intrinsic motivation.
Hypothesis 5: An increased job status according to Herzberg et al (1959) provides individuals with both increased hygiene (e.g. pay, bonus, perks) and Motivator factors (e.g. power, recognition etc) it is believed that this variable will be positively associated with job satisfaction responses.

Methodology
Samples:
In this study 150 people of in Inspection Organization in Iran participant as samples.

Research tools
The Ten Item Personality Inventory (Gosling, Rentfrow & Swann, 2003): The ten items of this measure are scored using a seven-point scale, with two statements (one reversed) used to measure each personality variable. The authors report extensive data showing good reliability and validity of this instrument.
The Work Values Questionnaire (WVQ; Furnham et al, 2005): This inventory consists of 37 items and requires individuals to report the extent to which intrinsic (e.g. responsibility and personal growth) and extrinsic (e.g. pay and benefits) components are important to them on a 6-point scale. The WVQ is a revised version of Mantech’s (1983) questionnaire. Previous studies have indicated that between two and four factors tend to be extracted, and that these often correspond to Herzberg et al’s (1959) hygiene and motivator factors.
The Job Satisfaction Scale (Warr, Cook & Wall, 1979): This scale consists of 15 items, seven of which measure intrinsic satisfaction, whilst the remaining eight measure extrinsic job
satisfaction. Responses are given on a 7-point scale and can be summed to create and overall satisfaction score as well as an intrinsic and extrinsic value.

Results

1. Co relational Analyses

The below table illustrates the correlations between the personality and demographic variables and job satisfaction scores. Both overall and intrinsic job satisfaction were positively correlated with Job Status (all $p < .01$), whilst extrinsic job satisfaction was negatively correlated with Job Status ($p < .05$). All three job satisfaction scores were positively correlated with Conscientiousness (all $p < .05$). In addition, it was noted that Age, Years in Full Time Employment, Job Tenure and Job Status were positively associated with each other (all $p < .01$).


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<td>-.088</td>
<td>-</td>
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<td>5</td>
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<td>-.088</td>
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<td>.769</td>
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<td>7</td>
<td>.128</td>
<td>-.769</td>
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<td>-.465</td>
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<td>.343</td>
<td>.038</td>
<td>.088</td>
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<td>.010</td>
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<tr>
<td>9</td>
<td>.165</td>
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<td>.015</td>
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<tr>
<td>11</td>
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<td>.015</td>
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<td>13</td>
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<td>.061</td>
<td>.061</td>
<td>.061</td>
<td>.015</td>
<td>.015</td>
</tr>
</tbody>
</table>

2. Factor analysis on the WVQ

The 37 items in the WVQ was treated to a Principal Components Analyses. An initial factor analysis was run to check for multi co linearity and revealed that no SMC was approaching 0.9. A varimax rotation was then run and the scree plot indicated that three clear factors emerged.

Table 2: Factor Pattern Matrix for the Work Values Questionnaire

<table>
<thead>
<tr>
<th>Item and classification</th>
<th>1</th>
<th>Factor 2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>security and conditions (factor 1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Safety (H)</td>
<td>.741</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regularity (H)</td>
<td>.713</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tranquility (H)</td>
<td>.708</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Condition (H)</td>
<td>.695</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Simplicity (M)</td>
<td>.680</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comfort (H)</td>
<td>.665</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Security (H)</td>
<td>.576</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effortlessness (M)</td>
<td>.565</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clarity (M)</td>
<td>.562</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Items that did not sufficiently load onto the extracted factors were removed, and the three factors were given the following names; factor 1: Security and Conditions (accounting for 19.6% of the variance as revealed by the rotated sums of squares loadings), factor 2: Status and Rewards (accounting for 14.4% of the variance), and factor 3: Personal development and stimulation (accounting for 11.7% of the variance). Hygiene items largely defined the first factor and motivators predominantly defined the remaining two factors.

3. Regression analyses on WVQ factor Scores

In order to investigate the impact of individual differences upon motivation/work values, three regressions were performed, with the three factor scores regressed onto the Big Five, Age, Gender, Total Years Working Full-time, Job Tenure and Job Status. All three regressions were shown to be significant (all \( p < .05 \)), and the output is illustrated in Table 4 in compact form. Results demonstrated that the variables accounted for 15.2% of the variance for the security and conditions factor (\( F(10, 191) = 3.42, p < .01 \)). Both Job Status and Total Years Working Full-time were significant negative predictors in the equation (\( p < .05 \)), whilst Age and Agreeableness were positive significant predictors (\( p < .05 \)). In addition, it should be noted that Current Employment Length was approaching significance as positive predictors in the equation (both \( p = .054 \)).

The second regression revealed that, the predictor variables accounted for 11.1% of the variance in the Status and Rewards factor (\( F(10, 191) = 2.37, p < .05 \)). The variance accounted for by the five personality factors was not significant (all \( p > .05 \)). Both gender and years in Full Time Employment were revealed as negative predictors in the equation (with women more likely to
favour this factor). Additionally, Job Status appeared as a significant positive predictor of the factor \((p < .01)\).

Table 3: Regressions of Work Value factors onto Gender, Age, Employment Years, Job Tenure, Job Status and Personality

<table>
<thead>
<tr>
<th>Security &amp; Conditions (factor 1)</th>
<th>Status &amp; Rewards (factor 2)</th>
<th>Personal Development &amp; Stimulation (factor 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(F(10, 191) = 3.42)**</td>
<td>(F(10, 191) = 2.37)*</td>
<td>(F(10, 191) = 2.206)*</td>
</tr>
<tr>
<td>(R^2 = .152)</td>
<td>(R^2 = .111)</td>
<td>(R^2 = .090)</td>
</tr>
<tr>
<td>(\beta) (t)</td>
<td>(\beta) (t)</td>
<td>(\beta) (t)</td>
</tr>
<tr>
<td>Neuroticism -.069 -.99</td>
<td>.026 .36</td>
<td>.066 .91</td>
</tr>
<tr>
<td>Extraversion .015 .21</td>
<td>.055 .76</td>
<td>.075 1.01</td>
</tr>
<tr>
<td>Openness -.040 -.55</td>
<td>.051 .69</td>
<td>.147 1.94</td>
</tr>
<tr>
<td>Agreeableness .150 2.00*</td>
<td>-.017 -.23</td>
<td>.050 .64</td>
</tr>
<tr>
<td>Conscientiousness .102 1.44</td>
<td>.015 .21</td>
<td>.185 2.52*</td>
</tr>
<tr>
<td>Age .242 2.22*</td>
<td>-.006 -.06</td>
<td>-.090 -.80</td>
</tr>
<tr>
<td>Gender .054 .77</td>
<td>-.163 -.25*</td>
<td>.025 .35</td>
</tr>
<tr>
<td>Years in full-time employment -.203 -2.54*</td>
<td>-.272 -2.28*</td>
<td>-.128 -1.06</td>
</tr>
<tr>
<td>Job Tenure .160 1.92</td>
<td>-.051 -.60</td>
<td>.038 .45</td>
</tr>
<tr>
<td>Job Status -.203 -2.54*</td>
<td>.235 2.87**</td>
<td>.030 .37</td>
</tr>
</tbody>
</table>

Note. \(N = 150\); \(*p < .05\). **\(p < .01\)

The third regression demonstrated that the ten variables accounted for 9% of the variance in the Personal development and stimulation factor \((F(10, 191) = 2.21, p < .05)\). Of the personality variables, Conscientiousness was a statistically significant predictor of the factor \((both p < .05)\), whilst Openness was near significant \((p = .054)\). The output revealed that no demographic variable significantly contributed to the equation \((all p > .05)\).

4. Regression Analyses on job satisfaction scores

Regression analyses were also used to assess the extent to which the Big Five and demographic variables influenced job satisfaction scores (intrinsic, extrinsic and overall job satisfaction). Table 4 illustrates the results in compact form and reveals that all three regressions were statistically significant \((all p < .05)\). The regression carried out upon the overall job satisfaction scores revealed that the ten variables collectively accounted for 12.1% of the variance \((F(10, 191) = 2.639), p < .01\). Further examination of the coefficients table revealed that both Conscientiousness and Job Status were significant positive predictors of the variable \((both p < .01)\). Results of the regression with intrinsic job satisfaction scores revealed that 12.7% of the variance could be accounted for by the personality and demographic variables \((F(10, 191) = 2.774, p < .01)\). As with overall job satisfaction, both Conscientiousness and Job Status were positive predictors in the equation \((both p < .05)\).
Table 4. Regressions of job satisfaction (overall, intrinsic and extrinsic) onto Gender, Age, Employment Years, Job Tenure, Job Status and Personality

<table>
<thead>
<tr>
<th></th>
<th>overall job satisfaction</th>
<th>intrinsic job satisfaction</th>
<th>extrinsic job satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$F_{(10, 191)} = 2.64^{**}$</td>
<td>$F_{(10, 191)} = 2.77^{**}$</td>
<td>$F_{(10, 191)} = 2.24^{*}$</td>
</tr>
<tr>
<td>$R^2 = .121$</td>
<td>$R^2 = .127$</td>
<td>$R^2 = .105$</td>
<td></td>
</tr>
<tr>
<td>βt</td>
<td>βt</td>
<td>βt</td>
<td></td>
</tr>
<tr>
<td>Neuroticism</td>
<td>.075</td>
<td>-0.057</td>
<td>.085</td>
</tr>
<tr>
<td>Extraversion</td>
<td>.033</td>
<td>.048</td>
<td>.014</td>
</tr>
<tr>
<td>Openness</td>
<td>-.088</td>
<td>-.075</td>
<td>-.091</td>
</tr>
<tr>
<td>Agreeableness</td>
<td>.122</td>
<td>.101</td>
<td>.129</td>
</tr>
<tr>
<td>Conscientiousness</td>
<td>.186</td>
<td>.175</td>
<td>.177</td>
</tr>
<tr>
<td>Age</td>
<td>-.137</td>
<td>-.064</td>
<td>-.198</td>
</tr>
<tr>
<td>Gender</td>
<td>.050</td>
<td>.008</td>
<td>.088</td>
</tr>
<tr>
<td>Years in full-time employment</td>
<td>-.047</td>
<td>-.127</td>
<td>.039</td>
</tr>
<tr>
<td>Job Tenure</td>
<td>-.002</td>
<td>-.001</td>
<td>-.003</td>
</tr>
<tr>
<td>Job Status</td>
<td>.306</td>
<td>.353</td>
<td>.226</td>
</tr>
</tbody>
</table>

Note. *$p < .05$. **$p < .01$. 

As Table 4 illustrates, the ten variables collectively account for 10.5% of the variance in the extrinsic job satisfaction scores ($F_{(10, 191)} = 2.240$, $p < .05$). As with the previous regressions Conscientiousness and Job Status were significant predictors of the variable ($p > .05$). Whilst the remaining variables were not significant contributors to the equation, (all $p > .05$), it should be noted that both Agreeableness and Age were both approaching statistical significance (both $p < .10$).

Conclusion:

This study set out to investigate the extent to which personality and demographic factors explain variance in motivation and job satisfaction as defined by Herzberg et al’s (1959) two-factor theory. In line with previous research (Furnham et al 2002; Furnham et al, 2005), three factors were extracted from the WVQ, and these essentially corresponded to the Motivator/Hygiene factor categorization. As predicted, personality and demographic variables were significant correlates of the extracted factors, accounting for between 9 and 15.2% of the variance. Similarly, personality and demographic variables were also significantly related to all three job satisfaction scores and accounted for between 10.5 and 12.7% of the variance. As expected, Conscientiousness was a significant correlate of job satisfaction scores in both correlational and regression analyses. Contrary to expectations, age, job tenure and years working full time were not significantly related to job satisfaction scores; however, in line with predictions and the two-factor theory, job status was significantly associated with these scores. The Security and conditions factor extracted from participants’ responses to the WVQ was largely characterized by Hygiene issues regarding physical conditions of the workplace and the extent to which work is stable and clearly defined. This factor was positively associated with Agreeableness which Furnham et al (2005) agreed is a robust correlate of Work Values. Negative relationships were observed between the Security and conditions factor and job status, as well as years in full-time employment. These results suggest that individuals with low job status (e.g. graduate positions...
and non-managerial roles) are more concerned with working conditions and clarity in their work than those of a higher status and individuals who have been working for longer periods. A potential reason for this is that those in high status positions may take the safety, quality of conditions and regularity of work for granted (Warr, 1987). Similarly, as individuals gain more experience in full-time work they may become accustomed to the regularity associated with work. While a positive relationship between scores in this factor and age was found, it is somewhat contradictory owing to the fact that age is strongly associated with both years in working full-time and job status. Items associated with the status and rewards factor were largely Motivator orientated in origin. This category was concerned with the extent to which work provides intrinsic rewards (such as promotion/development prospects and power) and to a lesser degree extrinsic rewards (such as pay, perks and bonuses). High scores were positively associated with job status and were negatively associated with the number of years participants had worked full time. A potential explanation for the former observation is that those who are lower in job status (as revealed by significant correlations) may be more orientated towards the hygiene aspects of a job as demonstrated in the results for the security and conditions regression. However, as individuals move up in the company hierarchy it may be the case that Hygiene factors are no longer as salient as they have been achieved/taken for granted, and are instead motivated by the prospect of more power and status (i.e. motivators). This is in line with Maslow’s (1954) seminal theory of motivation, which ascertained that once lower order needs have been achieved (e.g. physiological needs and security), individuals shift their focus to higher order needs, culminating in self-actualisation. Whilst Hygiene components are present in this factor (bonuses, perks and pay), they can be interpreted as associates of increased power, status and recognition. The negative association between this factor and years in full-time employment is somewhat contradictory given the latter’s positive correlation with job status. However, it is important to remember that job status is not always synonymous of experience, and should thus be further investigated before any firm evaluations can be made. Results also demonstrated that women rated this factor as more important than men, thus suggesting they are more motivated by the prospect of power and status than their male counterparts.

The Development and stimulation factor was concerned with the extent to which work allows for intellectual stimulation, recognition, personal growth and responsibility, and was positively associated with Conscientiousness. Conscientious individuals may place higher value on the opportunity to apply themselves and be responsible, as a consequence of their achievement-orientated nature. A near significant relationship was found between scores in this factor and individuals’ high in Openness to Experience. Because such individuals are flexible and creative, it may be the case that they place more importance on the prospect of increased stimulation and personal growth than others. With regards to job satisfaction, all three categories (overall, intrinsic and extrinsic) were significantly associated with Conscientiousness. This observation is in line with previous research investigating the personality correlates of job satisfaction, such as Judge et al’s (2002) meta-analysis, which demonstrated an average correlation of .26 between Conscientiousness and job satisfaction. This maybe because of their attention to detail, individuals’ high in Conscientiousness are likely to be rewarded both extrinsically (in the form of bonuses and other perks) and intrinsically (in the form of more responsibility and expanded job roles). In accordance to Herzberg et al’s (1959) this would fulfil both the Hygiene and Motivator pre-requisites for job satisfaction, thus accounting for its significance.
Scores for all three job satisfaction categories were also positively associated with Job Status, which is also logical when interpreted in relation to Herzberg’s two-factor theory. Individuals of a high job status are more likely to have both Hygiene and Motivator factors fulfilled by their positions as such roles are likely to involve more variety, recognition, and power as well as satisfactory pay/bonuses and better quality physical working conditions (e.g. a personal office). However, age, job tenure and years working full-time were not significantly related to job satisfaction. However, the near-significant contribution of age (as well as Agreeableness) for intrinsic job satisfaction suggests that a larger sample may have produced different results that would be more in line with previous literature (e.g. Davies, Matthews & Wong, 1991; Furnham et al, 2002). As a whole, the results of the current study are in line with previous findings and further validates the contentions proposed by Keller et al (1992) – i.e. work reorganization strategies focused on the alteration of extrinsic factors alone are unlikely to be successful in their intentions to increase job satisfaction/employee motivation without considering the impact of individual differences. There is theoretical support in Lawler’s (1973) Expectancy theory, which ascertains that different employees are likely to place different value on certain rewards, and therefore some incentives will motivate them more than others. In practice, this line of thought is adopted in cafeteria-style rewards systems introduced by large organisations (Furnham, 2002). For example, PriceWaterhouseCoopers runs a benefits scheme named ‘Choices’ (source: www.pwc.com), which offers incentives including discounts on flight tickets, childcare vouchers and sabbatical programmes. Such schemes seem to appreciate the role of individual differences in the value placed upon certain rewards (e.g. the priorities of parents’ are likely to differ from those of graduates), and illustrates that some organizations are acknowledging motivation research and applying aspects to the design of reward systems. The results of the current study have demonstrated that the influence of demographic variables should not be underestimated. Whilst age has not consistently shown to contribute to work attitudes (Furnham et al, 2002), the current study suggests that aspects such as job tenure and number of years working full-time can be influential. Future avenues of research could involve the further investigation of demographic variables and their impact upon motivation and satisfaction; these could include education level and socio-economic status. Through the exploration of such variables, organizations may be in a better position to understand what variables impact upon motivation and job satisfaction, which could in turn inform businesses’ how to be more successful in their attempts to influence work attitudes through selection processes and interventions. However it is important to note that this was a correlational study and that causality cannot be inferred. Though it is unlikely that jobs change people’s temperaments they may well change their attitudes and beliefs. Only longitudinal behavioural studies can really answer questions of causality. One obvious issue in this study and those related to it (Furnham et al. 1999, 2002, 2005) is how relatively little variance personality factors account for when examining both motivation and satisfaction. As tables 4 and 5 illustrate personality, demographic and work factors only accounted for 9 – 15% of the variance. This begs the obvious and important question as to what accounts for the remaining 80 – 90% of the variance in these two very important factors at work. This investigation may have benefited from a more representative sample of the workforce. While there was a wide range of ages, the majority of participants were below 40, and thus it would be of interest to see whether similar results would be gained from a quota sample consisting of a set number of participants for each age/job status/job tenure bracket. It should be noted that the use of an Internet survey allowed a large number of participants to be acquired.
with ease, however a lack of familiarity with the internet may have prevented some individuals’ from participating in the study – indeed, only individuals with email access were able to receive the request to take part. Another methodological concern of the current study is that of common method variance that arises from the use of self-report questionnaires. Future studies could tackle this issue by administering personality inventories at different time periods or perhaps use a behaviour rated scale.

To conclude, this study demonstrates that personality and demographic variables can be significantly related to both Job satisfaction and Motivation as defined by Herzberg et al’s (1959) two-factor theory. These results further validate the contention that work attitudes are not the product of situational factors alone, and that both literature and organisations should further investigate the variables that contribute to these values with the intention of increasing job satisfaction and performance, through effective selection methods and pervasive job interventions.
References


Study of relationship between personality and organizational citizenship behavior (OCB) in public organizations in Iran

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Abstract

The goal of this research is to test relationship between personality and organizational citizenship behavior (OCB) in public organizations in Iran. The research integrates the use of eight dimensions for OCB and five dimensions for identify personality. A survey is conducted by using questionnaires from the previous research. The questionnaires were sent to 90 people in public organizations in Iran. Validity and reliability tests were used to evaluate the questionnaire contents. The Structural Equation Modeling (SEM) was employed to test the relationship among the variables. The result of the research showed that all the five dimensions (i.e. Emotional Stability, Extraversion, Openness to Experience, conscientiousness and Agreeableness) and personality itself have a possible and significant effect on the organizational citizenship behavior.

Keywords: Organizational citizenship behavior, personality, Emotional Stability, Extraversion, Openness to Experience, conscientiousness and Agreeableness

1. Introduction

Organizational Citizenship Behaviors (OCB) are discretionary behaviors on the part of the worker, which are neither expected nor required, and therefore cannot be formally rewarded or punished for the presence of lack of, by the organization. In recent years, there has been increasing interest among the researchers to explore the contextual and dispositional factors responsible for eliciting “Organization Citizenship Behavior” (OCB). Researchers have started to pay more attention to understand the dynamics of and to develop normative theories of extra-role employee behavior that are thought to contribute positively to overall organizational performance (Erturk, Yilmaz & Ceylan, 2004). Organizations could not survive or prosper without their members behaving as good citizens by engaging in all sorts of positive organization-relevant behavior. OCBs are thought to have an important impact on the effectiveness and efficiency of work teams and organizations, therefore contributing to the overall productivity of the organization. Because of the importance of good citizenship for organizations, understanding the nature and sources of (OCB) has long been a high priority for organizational scholars (Bateman and Organ, 1983; Organ, 1988) and remains to be so. Paine and organ (2000), pointed out that OCB is an important construct in organization behavior and in current westernized business literature.

Although there has been augmented research in the field of OCB, but all these studies have been done in western countries and explored its relationship with other variables rather than personality constructs. As such, the application of the ‘Big Five’ model may provide much
needed integration in this literature. However, to date, we are not aware of any studies that have investigated the relationship between the ‘Big Five’ and OCB in Iranian context. Therefore, the Purpose of this study is to fill this research gap and assess the relationship between these constructs to better understand the dispositional basis of Organizational Citizenship Behaviors (OCB).

2. Literature review

2.1. Organizational citizenship behavior (OCB)

Organizational citizenship behavior (OCB) is a unique aspect of individual activity at work; that was first mentioned in the early 1980s. According to Organ (1988), it represents individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and in the aggregate promotes the efficient and effective functioning of the organization. This special behavior has become a lively research field investigated by organizational researchers and industrial psychologists. However, whereas most of the studies appear to deal with the phenomenon from a behavioral/functional perspective, the natural orientation of organizational citizenship behavior to psychology is often overlooked.

The classical approach to thinking about a job is in terms of the tasks that make up the job. In fact, one purpose of job analysis is to establish or identify these tasks. In turn, performance appraisal is concerned with assessing how well employees perform the tasks that make up their jobs. However, organizational Researchers have discovered that some employees contributed to the welfare or effectiveness of their organization by going beyond the duties prescribed in their jobs. That is, they give extra discretionary contributions that are neither required nor expected. The most frequently used term for this phenomenon is organizational citizenship behavior. It is also referred to as pro-social organizational behavior and extra role behavior. The study of organizational citizenship behavior has emerged as an extremely popular topic in organizational psychology, human resource management, and organizational behavior. The roots of the construct could be traced back to Barnard (1938), and Katz (1964). Barnard (1938) underscored the theoretical and practical importance of the willingness of persons to contribute efforts to the cooperative system. He described this willingness as a posture tendency to produce various constructive gestures. Katz (1964) distinguished between dependable role performance (that is, in – role performance) and what he further described as spontaneous behavior, which includes cooperative gestures, actions protective of the system, and behavior all of which enhance the external image of the organization. Katz noted that much of the patterned activity that comprises organizations goes beyond formal role prescriptions in the extent to which it is intrinsically cooperative. Furthermore, the incentives (for example merit and pay) for excellence of in-role performance do not inhere in formal role obligations. The presumption is that many of these contributions aggregated over time and person enhances organizational effectiveness. Organ (1988) suggested that organizational citizenship behavior, in effect, places more resources at the disposal of the organization and obviates the need for costly formal mechanism to provide functions otherwise rendered informally by organizational citizenship behavior. The basic significance of organizational citizenship behavior lies in the observation that it cannot be accounted for by incentives that sustain in-role behaviors. Barnard (1938) further stated that the willingness of individuals to contribute cooperative efforts to the organization was indispensable to effective attainment of organizational goals. He elaborated that efforts must be exerted not only to perform the functions that contribute to the goals of the organization, but also to maintain the organization itself. Researchers have identified many different “types” of OCB, but in this
research eight type of OCB is used. Altruism, courtesy, conscientiousness, sportsmanship, civic virtue, interpersonal harmony, protecting company resources and organizational loyalty.

2.2 Personality
The ‘Big Five’ model implies that personality consists of five relatively independent dimensions that altogether provide a meaningful taxonomy for the study of individual differences. These five dimensions are Openness to Experience, Conscientiousness, Extraversion, Agreeableness and Neuroticism. Each of the Big Five dimensions is like a bucket that holds a set of traits that tend to occur together. Our interpretation of the Big Five directly corresponds to our measurement of the five-factor model of personality. **Openness to experience** refers to the number of interests to which one is attracted and the depth to which those interests are pursued. The behavioral tendencies typically associated with Openness to Experience include being imaginative, cultured, curious, original, broad-minded, intelligent (Digman, 1990), and having a need for variety, aesthetic sensitivity, and unconventional values (McCrae & John, 1992). **Conscientiousness** refers to the number of goals on which one is focused. It is related to dependability and volition and the typical behaviors associated with it include being hard working, achievement-oriented, persevering, careful, and responsible (Barrick & Mount, 1991). **Extraversion** refers to the level of sensory stimulation with which one is comfortable. The behavioral tendencies used to measure this factor include being sociable, gregarious, assertive, talkative, and active (Barrick & Mount, 1991). **Agreeableness** refers to the number of sources from which one takes one's norms for right behavior. The behavioral tendencies typically associated with this factor include being courteous, flexible, trusting, good-natured, cooperative, forgiving, soft-hearted, and tolerant (Barrick & Mount, 1991). **Neuroticism** refers to the number and strength of stimuli required to elicit negative emotions in a person. Typical behaviors associated with this factor include being anxious, depressed, angry, embarrassed, emotional, worried, and insecure (Barrick & Mount, 1991).

2.3 Personality traits and OCB
Personality plays a role in behaviors that are discretionary or performed in weak situations with limited external constraints. Given that personalities reflect enduring tendencies to think, feel, and behave in certain ways and that organizational citizenship behavior are discretionary, there is a strong relationship between organizational citizenship behavior and personality characteristics (Podsakoff, Mackenzie, Paine, and Bachrach, 2000). Also, personality can potentially yield organizational citizenship behaviors in the workplace through several simultaneous and interrelated processes. First, differences in personality may influence how individuals are motivated. Thus, motivation may be a mechanism by which personality yields organizational citizenship behavior. Also, personality characteristics may affect how individuals interpret situations that arise and the likelihood that they react in an interpersonally facilitative manner. Individuals low in emotional stability tend to view situations in a negative light (Costa & McCrae, 1992). Such individuals may interpret coworker’s organizational citizenship behaviors as or threatening to status hierarchies, and may withhold helpful responses. Commonly associated with efficiency, organizational, reliability, and thoroughness, personality is a dimension of human behavior that may both organize and direct behaviors. However, personality comes in different dimensions such as extraversion, and introversion. Individuals high in extraversion are described by adjectives such as active, assertive, energetic, enthusiastic, and
outgoing (McCrae & John, 1992). Though, there is some evidence that extraversion is characterized by urgency to a greater degree than sociability, individuals high in extraversion tend to be highly social, talkative, and affectionate and commonly have numerous friendships and good social skills. Extraversion has been found to relate positively to training proficiency (Costa & McCrae, 1992). Nevertheless; many other factors apart from personality characteristics also affect organizational citizenship behavior. Among these factors include gender. Work-related behaviors are often influenced by gender.

3. Conceptual framework

Based on mention in literature conceptual framework of this study is shown in below diagram

4. Research hypothesis

1. There are positive and significant relationship between personality and the organizational citizenship behavior
2. There are positive and significant relationship between emotional stability and the organizational citizenship behavior
3. There are positive and significant relationship between Extraversion and the organizational citizenship behavior
4. There are positive and significant relationship between Openness to Experience and the organizational citizenship behavior
5. There are positive and significant relationship between Agreeableness and the organizational citizenship behavior
6. There are positive and significant relationship between conscientiousness and the organizational citizenship behavior
5. The Methodology of the Research

5.1 The Method of the Research
In terms of the practical objective and the data collection method, the present research is
descriptive and in terms of the relation between the variables it is of the Casual type. The method
of conducting the research is "Survey research" and the foremost advantage of it is possibility of
generalizing the results. The variables of the research are: personality and its 5-way components
as the independent variable and the organizational citizenship behavior (OCB) as the dependent
variable.

5.2 Data Collection
In order to analyze the relationship between personality and the organizational citizenship
behavior, the required data and findings were collected through two types of 60-question NEO
questionnaires to test the personality traits and the 30-question Liva Markozi and Catharine Zane
questionnaire from the California University. The personality traits of people have been tested in
5 categories and the five-point Likert scale.

5.3 The validity and the reliability of the research
The validity of the personality questionnaire was determined and approved by the relevant
professors who specialize in related subjects and research and as it was mentioned before
construct validity was also measured in the factor analysis which indicated that all questions
have high correlation with their latent variable (the factor loading has been higher than 0.7 in all
cases). In relation to reliability of the questionnaire the Cronbach's alpha was calculated for the
30 early questions at 0.901 which shows that the questionnaire enjoyed sufficient and very good
reliability. The reliability for the whole statistical community is 0.904. Also, the Cronbach's
alpha of the dimensions of emotional stability, extraversion, openness to experience,
agreeableness and conscientiousness are 0.92, 0.85, 0.89, 0.93, 0.90 and 0.93 respectively. As it
is evident in the Cronbach's alpha all the dimensions have had high reliability.
The validity of the organizational citizenship behavior questionnaire was determined and
approved by the relevant professors who specialize in related subjects and research and as it was
mentioned before construct validity was also measured in the factor analysis which indicated that
all questions have high correlation with their latent variable (the factor loading has been higher
than 0.6 in all cases). In relation to reliability of the organizational citizenship behavior
questionnaire the Cronbach's alpha was calculated for the 30 early questions at 0.899 which
shows that the questionnaire enjoyed sufficient and very good reliability. The reliability for the
whole statistical community is 0.901. Also, the Cronbach's alpha of the dimensions of civic
virtues, altruism, conscientiousness, interpersonal harmony, protecting company resources,
sportsmanship, courtesy, organizational loyalty are 0.89, 0.92, 0.91, 0.88, 0.95, 0.96, 0.87 and
0.93 respectively. As it is evident in the Cronbach's alpha all the dimensions have had high
reliability.

5.4 The Statistical Community
The statistical community of the present research is comprised of the employees of one of the
Tehran's governmental organizations. Both measurements instruments were firstly distributed
amongst 30 employees and then among the whole statistical community. In the present research
and due to the easy access to all the community, all the members of the community were
analyzed (census data was used). Out of the 110 distributed questionnaires, 95 were returned to the researcher. Out of these 95 questionnaires, 90 were chosen and then analyzed.

5.5. The Data Collection Method
The structural equation modeling has been used in the research i.e. the causal personality relations and the organizational citizenship behavior were tested through standard Quotient and significant number with LISREL software according to which the hypotheses were either confirmed or rejected. All in all, the first and second factor analysis (measurement models) and also the path factor (structural model) have been used. First the first and second factor analysis for the concept of personality and the concept of organizational citizenship behavior were done for the validity of the questions and then through path analysis the causal relationship between personality and organizational citizenship behavior were tested. In general, LISREL has three basic functions: 1- Confirmatory factor analysis 2- path analysis 3- fit of the model. In the present research all three functions have been used.

6. The Findings of the Research
6.1 Description of statistical community
There were 90 participants in the research out of whom 65 were men and 23 women. 75 of them held bachelor's degree and 19 master’s degree and the remaining held PHD. Out of them, 23 were below 35 years of age, 45 were aged between 35 and 45 and 18 others were above 50.

6.2 Structural model
After making sure of the veracity of the measurement models (confirmatory factor analysis of the concepts of personality and organizational citizenship behavior), the secondary hypotheses of the research were put to the test. In other words the relationship between the dimensions of personality and citizenship behavior was tested. The model is discussed below in a diagram as standard estimation (standard coefficient) and coefficient of significance (significant numbers).

Diagram 2: The structural equation modeling (estimation of standard)
In table No. 1 Equivalents of the abbreviations used in the models are presented:

<table>
<thead>
<tr>
<th>Unabbreviated</th>
<th>Abbreviation</th>
<th>Z</th>
<th>Unabbreviated</th>
<th>Abbreviation</th>
<th>Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>conscientiousness</td>
<td>CONS</td>
<td>1</td>
<td>Emotional Stability</td>
<td>E.S</td>
<td>8</td>
</tr>
<tr>
<td>sportsmanship</td>
<td>S</td>
<td>2</td>
<td>Extraversion</td>
<td>E</td>
<td>9</td>
</tr>
<tr>
<td>courtesy</td>
<td>COU</td>
<td>3</td>
<td>Openness to Experience</td>
<td>O</td>
<td>10</td>
</tr>
<tr>
<td>interpersonal harmony</td>
<td>LH</td>
<td>4</td>
<td>Agreeableness</td>
<td>A</td>
<td>11</td>
</tr>
<tr>
<td>Protecting company resource</td>
<td>P.C.R</td>
<td>5</td>
<td>Conscientioness</td>
<td>C</td>
<td>12</td>
</tr>
<tr>
<td>organizational loyalty</td>
<td>O.L</td>
<td>6</td>
<td>Civic Virtues</td>
<td>C.V</td>
<td>13</td>
</tr>
<tr>
<td>Organizational Citizenship Behavior</td>
<td>OCB</td>
<td>7</td>
<td>Altruism</td>
<td>A</td>
<td>14</td>
</tr>
</tbody>
</table>

Table 1: Equivalents of the abbreviations used in the models

Diagram 3: The structural equation modeling (significant numbers)

Considering the results obtained and since the absolute value of all the significant numbers is bigger than 2, the model under consideration is hence a significant model. Regarding the main hypothesis, the structural models are as follows for coefficient standards and significant ones:
3.6. Analyzing the relationship between variables

In order to analyze the relationship between the variables of the model (personality and its dimensions; organizational citizenship behavior and its dimensions) multiple regression has been used. In this line, the structural equation modeling and specifically the structural models (path analysis) have been used. It needs to be mentioned that for confirming or refusing the hypotheses standard coefficient $^8$ and significant numbers $^9$ (refer to the footnotes where they have been

---

$^8$ - What is meant by standard coefficient is the amount of bi-correlations (between two variables). It is used for comparing the effect of the components of the model. The more the coefficient the more the independent variable influences the dependent one.
defined). Also the confidence coefficient for all paths is 95% and the rate of error is 5%. As shown in table 2, the effect of the dimensions of personality on the organizational citizenship behavior is significant and direct. In other words, in case any of the personality traits of the people in the organization is improved, the organizational citizenship behaviors will improve on the average.

<table>
<thead>
<tr>
<th>Significant?</th>
<th>Level of significance</th>
<th>T number</th>
<th>The standardized Number</th>
<th>The direct relations of variables in the model</th>
</tr>
</thead>
<tbody>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>8.51</td>
<td>0.8</td>
<td>Emotional stability</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>6.8</td>
<td>0.65</td>
<td>Extraversion</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>7.21</td>
<td>0.67</td>
<td>Openness to Experience</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>7.81</td>
<td>0.72</td>
<td>Agreeableness</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>8.13</td>
<td>0.78</td>
<td>Conscientioneess</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>5.13</td>
<td>0.51</td>
<td>Civic Virtues</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>5.97</td>
<td>0.55</td>
<td>Altruism</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>7.65</td>
<td>0.77</td>
<td>conscientiousness</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>7.8</td>
<td>0.82</td>
<td>sportsmanship</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>7.49</td>
<td>0.89</td>
<td>courtesy</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>8.21</td>
<td>0.93</td>
<td>interpersonal harmony</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>7.9</td>
<td>0.79</td>
<td>Protecting company resource</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>6.87</td>
<td>0.61</td>
<td>organizational loyalty</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>7.65</td>
<td>0.69</td>
<td>Emotional stability</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>5.03</td>
<td>0.41</td>
<td>Extraversion</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>5.62</td>
<td>0.46</td>
<td>Openness to Experience</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>6.93</td>
<td>0.58</td>
<td>Agreeableness</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>7.28</td>
<td>0.62</td>
<td>conscientiousness</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>6.43</td>
<td>0.51</td>
<td>personality</td>
</tr>
</tbody>
</table>

Table No.2: The independent variable numbers and its dimensions with the dependent variable of the model

Now considering the information gleaned, the hypotheses of the research are either confirmed or rejected as follows in table No. 3

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9 In LISREL software, significant numbers have the same meaning as "Sig". The difference is that for a coefficient to be significant, its significant number must be bigger than 1.96 or smaller than -1.96. In general these numbers are used for the refusing or confirming the research hypotheses. If the significant number is bigger than 1.96, it shows that independent variable has a stronger effect on the dependent variable.
Table No.3: confirming or rejecting the research hypotheses using the results of the path analysis

<table>
<thead>
<tr>
<th>No.</th>
<th>Research Hypotheses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>There is a positive and significant relation between personality and the organizational citizenship behavior confirmed</td>
</tr>
<tr>
<td>2</td>
<td>There is a positive and significant relation between emotional stability and the organizational citizenship behavior confirmed</td>
</tr>
<tr>
<td>3</td>
<td>There is a positive and significant relation between extraversion and the organizational citizenship behavior confirmed</td>
</tr>
<tr>
<td>4</td>
<td>There is a positive and significant relation between openness to experience and the organizational citizenship behavior confirmed</td>
</tr>
<tr>
<td>5</td>
<td>There is a positive and significant relation between agreeableness and the organizational citizenship behavior confirmed</td>
</tr>
<tr>
<td>6</td>
<td>There is a positive and significant relation between conscientiousness and the organizational citizenship behavior confirmed</td>
</tr>
</tbody>
</table>

4.6. Fitness of the model

The indicators of the good fitness of the model are $X^2$, df, P-value and RMSEA. The best indicator in the LISREL software $X^2$/df is chi-square to degree of freedom and the smaller it is than 3, the better will be the fitness of the model. The RMSEA is the same as average square root of the model errors. This indicator is made based on the errors of the model. The allowed limit is 0.08 i.e. it is acceptable if it is below 0.08 and if it is below 0.05 then it is very good.

<table>
<thead>
<tr>
<th>Indicators</th>
<th>RMSEA</th>
<th>Degree of freedom</th>
<th>$X^2$</th>
<th>$X^2$/df</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Model</td>
<td>0.38</td>
<td>55</td>
<td>61.26</td>
<td>1.10</td>
</tr>
<tr>
<td>second Model</td>
<td>0.031</td>
<td>64</td>
<td>66.61</td>
<td>0.96</td>
</tr>
</tbody>
</table>

The numbers obtained in table 4 indicate that the conceptual model of the research enjoys good fitness and the hypotheses related to causal relations or the influence of personality and its dimensions over the organizational citizenship behavior is confirmed. Considering the fact that average square root of the model errors is less than 0.08 and the number resulting from dividing $X^2$ by degree of freedom is smaller than 3 in both models, the drawn models have high fitness which is indicative of the fact that the regulated relations of the variables have been based on a logical and theoretical research framework.

5- Conclusion and Recommendation

The main objective of the present research is to examine the effect of personality and its various dimensions on organizational citizenship behavior. The result of the research showed that all the five dimensions (i.e. Emotional Stability, Extraversion, Openness to Experience, conscientiousness and Agreeableness) and personality itself have a possible and significant effect on the organizational citizenship behavior based on the path analysis model. Moreover, according to the results of models No. 1 and 2 the different personality dimensions are related to
each other too. The hypotheses of the research will be discussed and analyzed at length and ultimately proposals will be presented below for the improvement of the situation.

**Recommendation:**
Taking into consideration the results obtained, it is proposed that the ground would be prepared for the emergence and the reinforcement of the personal characteristics amongst the governmental organization used in this study so that they will exhibit more organizational citizenship behavior. As was also mentioned in the literature review, organizational citizenship behavior is one of the concepts that will ultimately raise the productivity of human resources. Therefore it is important to pay attention to the needed infrastructures and the factors affecting it. In this line, the outcomes of the present research showed that by emphasizing and paying attention to personality traits, people will accept the organizational structure and respect organizational rules and regulations and may willingly make sacrifices for the interest of their organizations and become active in its activities and strive to defend the organization they work for and try their best to contribute to it. Therefore and considering the outcomes of the research it is recommended that the Organization try to know the personality traits of it employees and pay enough attention to this important matter that is the organizational citizenship behavior.
References


Survey relationship between organizational justice and the organizational health in public organizations in Iran

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Abstract

The aim of this Study is determining relationship between organizational justice and organizational health in Iranian public organizations. For achievement this aim 200 people from three of public organization in Iran were selected for sample. In this study were used of Nijhoff and Mormon scale for determining of organizational justice as well as Kottkamp for organizational health. The results indicted there are meaningful relationship between organizational justice and its dimensions with organizational health. In other hand organizational justice have effect on develop of organizational health.

Key words: Organizational health, organizational justice, procedure justice, distribute justice, transactional justice

Introduction

Organizational health is defined by an organization’s ability to accomplish its mission, specifically in terms of plans for artistic development and outreach, support for employment for artists and cultural workers, access to the arts and audience development through a solid and healthy administrative structure at the financial level. Organizations that are judged to be in good organizational health are generally those that have a coherent creative vision, artistic vitality, competent staff and an efficient board of directors. The evaluation of the organizational health of artistic organizations requires a professional framework offering guarantees of competence and discretion. The divulgation of strategic information by organizations, which is essential to the quality of the analysis, must be able to take place in a climate of trust. These modifications will also lead to the obligation for organizations to provide the Council, in operating competitions, with information on aspects of their management that had not been assessed until now, such as governance and human resources management. Organizations must be able to benefit from a reasonable period in which to improve their management and in the course of the process be able to count on technical support to help achieve their objectives.

Today health for organization in many filed is very important. So researches attempted to find solution for improvement health in organizations. In my idea organizational justice is main instrument for improvement of organizational health. Based of this idea, in this research attempted were determined relationship between organizational health and organizational justice.
**Literature review**

**Organizational Justice**
Moorman (1991) stated that "organizational justice is concerned with the ways in which employees determine if they have been treated fairly in their jobs and the ways in which those determinations influence other work-related variables" (p. 845). Perceptions of justice are formed as employees examine their work-related outcomes and the procedures which regulate the distribution of those outcomes (Cropanzano & Prehar, 2001). Additionally, justice perceptions are formed through the interpersonal treatment one receives, not only in the process and procedures which impact allocation, but also in everyday encounters on the job (Bies, 2001).

Over the past 45 years the concept of organizational justice has evolved. Originally the focus of the literature was on the fairness of outcomes, labeled distributive justice. In the 1970s, researchers began to examine perceptions of fairness as determined by the procedures within the system which regulate outcomes (Deutsch, 1985; Leventhal, 1980). This component of justice was identified as procedural justice. However, procedural justice did not fully address the impact of interpersonal treatment on fairness perceptions; by definition, it excluded the importance of interpersonal treatment outside the locative process. As such, a third component of justice was advanced: interactional justice addressed fairness perceptions regarding interpersonal treatment received in all organizational encounters.

In 1993, Greenberg further subdivided interactional justice into two separate components, informational justice and interpersonal justice. He suggested that informational justice refers to the social aspects of procedural justice, in that, thorough explanations of procedures and accounts demonstrate regard for the individual. Whereas, interpersonal justice refers to the concern and sensitivity that must be shown in the distribution of outcomes or the social aspects of distributive justice.

**Organizational health**
Organizational health is defined by an organization’s ability to accomplish its mission, specifically in terms of plans for artistic development and outreach, support for employment for artists and cultural workers, access to the arts and audience development through a solid and healthy administrative structure at the financial level. Parsons (1958) suggested that organizations exert three levels of control over activities—technical, managerial, and institutional. A healthy organization, therefore, is one in which all three levels of control work in harmony. Hoy and Feldman’s (1987) utilize Parsons’ concept of organizational health, as defined by three levels of control—the technical, managerial, and institutional—that combine to create a healthy organization. The technical level defines issues related to a organization’s academic emphasis and the affiliation of its personals, inclusive of job satisfaction and a commitment to colleagues and customers. At the managerial level issues of leadership, principal influence, and resource support are at work. The level of institutional integrity is described as “the degree to which the organization can cope with environment in a way that maintains the educational integrity of its programs” (Hoy & Hannum, 1997, p. 294).

Foe measurement of organizational health often is used of OHI-S instrument. In developing the OHI-S, Hoy and his colleagues utilized some aspects of Miles' framework, but relied more heavily on Parsons' three tiered conceptualization of organizations. Parsons (1967) suggested that formal organizations are comprised of three
Levels: technical, managerial, and institutional. With respect to educational organizations, he stated that the technical function includes the actual process of teaching.

He proposed that the purpose of the managerial component is to "mediate between the technical organization and those who use its 'products' - the 'customers,' pupils, or whoever" (p. 43). As such the managerial level is consumed by activities such as allocating resources for instruction, making staffing decisions, and organizing the instructional program. Finally, the third level of Parsons' framework is the institutional level, which intercedes between management and community interests. Using Parsons' framework, Hoy and his associates identified seven factors of a Healthy school climate. The technical level includes two factors, morale and academic emphasis, defined primarily by the effective schools correlates as high academic expectations, an orderly learning environment, teacher support and belief in students, and a strong student work ethic. The OHI-S consists of four factors at the managerial level -principal influence, principal consideration, initiating structures, and resource support. Influence addresses the principal's ability to effectively persuade superiors to meet the needs of the school. Consideration is demonstrated by the principal through interactions with the faculty that are friendly, supportive, and collegial. The principal shows evidence of initiating structure by setting clear expectations and standards for performance. Lastly, resource support is met by acquiring adequate supplies to meet program needs. At the institutional level only one factor was identified by Hoy and his colleagues, institutional integrity, which they characterized as the ability to buffer the school from environmental or community demands.

As illustrated above, the OHI-S not only aligns with Parsons' framework in terms of the technical, managerial, and institutional levels, but Hoy et al. (1991) proposed that it also meets the standards of adaptation, goal attainment, and integration articulated by Miles' conceptual framework of healthy organizations. The factors of institutional integrity and resource support correspond with the organizations need to adapt; academic emphasis and initiating structure are consistent with goal attainment; and, principal influence, consideration, and morale align with the need for integration and cohesion within the organization (Hoy et al.).

Hoy et al. (1991) proposed that a healthy school should be high in all seven factors. They characterized a healthy school as one where the principal sets high standards, supports teachers, and is able to procure resources and influence superiors to get what is needed; teachers are committed to teaching and learning and they support students, one another, and their school; students demonstrate a strong academic work ethic; and the school is reasonably protected from excessive, external pressures. Conversely, unhealthy schools demonstrate the opposite.
Conceptual framework
In this study for determining relationship between organizational justice and organizational health were used of the below paradigm.

Diagram 1: The Conceptual framework

Based of above diagram our Hypotheses are:
There is a positive and meaningful relationship between the organizational justice and the organizational health.
There is a positive and meaningful relationship between distributional justice and the organizational health.
There is a positive and meaningful relationship between the procedural justice and the organizational health.
There is a positive and meaningful relationship between the transactional justice and the organizational health.

Methodology
Kind of the Research
In terms of the practical objective and the data collection method, the present research is descriptive and in terms of the relation between the variables it is of the Casual type. The method of conducting the research is Survey research and the foremost advantage of it is possibility of generalizing the results. and the organizational health (OH) as the dependent variable.

Data Collection Tools
With the purpose of analyzing the relationship between the organizational justice and the organizational health, the present research assessed and measured the required information and findings collected by distribution of two types of questionnaires among the staff. Organizational justice perception was assessed by use of the Nijhoff and Mormon scale (1993) (comprising 30 indicators) and the three dimensions of the organizational justice including distributional justice, procedural justice and transactional justice were assessed by use of the five point Likert scale.
The second tool used in favor of the present research was the organizational health questionnaire (comprising 43 indicators) which was assessed by use of the five point Likert scale. The organizational health questionnaire used for the present research was arranged based on the Hoy, Tarter, Kottkamp organizational health questionnaire (1991) which is comprised of seven dimensions including institutional integrity, initiating structure, consideration, principal influence, resource support, morale and academic emphasis which, all, have been localized by the researcher of the questionnaire indicators.

**The validity and the reliability of the research**

The validity of the Organizational justice questionnaire was determined and approved by the relevant professors who specialize in related subjects and research and as it was mentioned before construct validity was also measured in the factor analysis which indicated that all questions have high correlation with their latent variable (the factor loading has been higher than 0.6 in all cases). In relation to reliability of the questionnaire the Cronbach's alpha was calculated for the 30 early questions at 0.899 which shows that the questionnaire enjoyed sufficient and very good reliability. The reliability for the whole statistical community is 0.901. Also, the Cronbach's alpha of the dimensions of distributional justice, procedural justice, transactional justice are 0.88, 0.93, 0.89. Respectively. As it is evident in the Cronbach's alpha all the dimensions have had high reliability.

The validity of the organizational Health questionnaire was determined and approved by the relevant professors who specialize in related subjects and research and as it was mentioned before construct validity was also measured in the factor analysis which indicated that all questions have high correlation with their latent variable (the factor loading has been higher than 0.6 in all cases). In relation to reliability of the organizational Health questionnaire the Cronbach's alpha was calculated for the 30 early questions at 0.902 which shows that the questionnaire enjoyed sufficient and very good reliability. The reliability for the whole statistical community is 0.903. Also, the Cronbach's alpha of the dimensions of Institutional integrity, Initiating structure, Consideration, Principal influence, Resource support, Morale, Academic emphasis are 0.95, 0.89, 0.92, 0.91, 0.90, 0.94, 0.89 respectively. As it is evident in the Cronbach's alpha all the dimensions have had high reliability.

**Statistical Community**

For the present research due to easy access to all members of the community responses of all of them were considered (census data was used) and out of 200 questionnaires distributed 185 were returned to the researcher. Out of the said 185 questionnaires, 180 were selected and analyzed accordingly.

**The Data Collection Method**

The structural equation modeling has been used in the research i.e. the causal organizational justice relations and the organizational Health were tested through standard Quotient and significant number with LISREL software according to which the hypotheses were either confirmed or rejected. All in all, the first and second factor analysis (measurement models) and also the path factor (structural model) have been used. First the first and second factor analysis for the concept of organizational justice and the concept of organizational Health were done for the validity of the questions and then through path analysis the causal relationship between organizational justice and organizational Health were tested. In general, LISREL has three basic functions: Confirmatory factor analysis, path analysis and fit of the model. In the present research all three functions have been used.
Research Findings
Description of statistical community
Out of 190 respondents, 130 were male and 58 were female. Also 140 respondents held bachelor’s degree, 35 held master’s degree and 6 held PhD degree. Out of total participants 46 were below 35 years of age, 90 between 35 and 45 and 36 were above 50 years of age.

Structural model
After making sure of the veracity of the measurement models (confirmatory factor analysis of the concepts of organizational justice and organizational Health), the secondary hypotheses of the research were put to the test. In other words the relationship between the dimensions of Organizational Justice and Organizational Health was tested. Significance (significant numbers). One and two below diagrams have been shown estimation of standard and significant numbers of model.

Diagram No. 2: The structural equation modeling (estimation of standard)
Diagram No. 3: The structural equation modeling (significant numbers) Considering the results obtained and since the absolute value of all the significant numbers is bigger than 2, the model under consideration is hence a significant model.
Regarding the main hypothesis, the structural models are as follows for coefficient standards and significant ones:

Diagram No. 4: The structural equation modeling (estimation of standard)

Diagram No. 5: The structural equation modeling  (significant numbers)

Analyzing the relationship between variables
In order to analyze the relation between the variables of the model (Organizational Justice and its dimensions; organizational Health and its dimensions) multiple regression has been used. In this line, the structural equation modeling  and specifically the structural models (path analysis) have been used. It needs to be mentioned that for confirming or refusing the hypotheses standard
coefficient\(^{10}\) and significant numbers\(^{11}\) (refer to the footnotes where they have been defined). Also the confidence coefficient for all paths is 95% and the rate of error is 5%. As shown in table 2, the effect of the dimensions of organizational justice on the organizational Health is significant and direct. In other words, in case any of the organizational justice in the organization is improved, the organizational Health will improve on the average.

<table>
<thead>
<tr>
<th>Significant</th>
<th>Level of significance</th>
<th>T - value</th>
<th>The standardized Number</th>
<th>The direct relations of variables in the model</th>
</tr>
</thead>
<tbody>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>11.44</td>
<td>0.91</td>
<td>Distributional Justice</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>10.73</td>
<td>0.78</td>
<td>Procedural Justice</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>9.14</td>
<td>0.89</td>
<td>Transactional Justice</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>11.45</td>
<td>0.91</td>
<td>Institutional integrity</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>10.96</td>
<td>0.89</td>
<td>Initiating structure</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>12.89</td>
<td>0.97</td>
<td>Consideration</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>12.33</td>
<td>0.94</td>
<td>Principal influence</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>12.33</td>
<td>0.94</td>
<td>Resource support</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>11.61</td>
<td>0.92</td>
<td>Morale</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>11.45</td>
<td>0.91</td>
<td>Academic emphasis</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>8.43</td>
<td>0.79</td>
<td>Distributional Justice</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>6.19</td>
<td>0.60</td>
<td>Procedural Justice</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>7.18</td>
<td>0.68</td>
<td>Transactional Justice</td>
</tr>
<tr>
<td>yes</td>
<td>P&lt;0.01</td>
<td>9.13</td>
<td>0.72</td>
<td>organizational justice</td>
</tr>
</tbody>
</table>

Table No.1: the independent variable numbers and its dimensions with the dependent variable of the model

Now considering the information gleaned, the hypotheses of the research are either confirmed or rejected as follows in table No. 3:

\(^{10}\) What is meant by standard coefficient is the amount of bi-correlations (between two variables). It is used for comparing the effect of the components of the model. The more the coefficient the more the independent variable influences the dependent one.

\(^{11}\) In LISREL software, significant numbers have the same meaning as "Sig". The difference is that for a coefficient to be significant, its significant number must be bigger than 1.96 or smaller than -1.96. In general these numbers are used for the refusing or confirming the research hypotheses. If the significant number is bigger than 1.96, it shows that independent variable has a stronger effect on the dependent variable.
### Research Hypotheses

<table>
<thead>
<tr>
<th>Result</th>
<th>Relations of the Model</th>
<th>Research Hypotheses</th>
<th>Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>confirmed</td>
<td></td>
<td>There is a positive and significant relation between organizational justice and the organizational Health</td>
<td>1</td>
</tr>
<tr>
<td>confirmed</td>
<td></td>
<td>There is a positive and significant relation between Distributional Justice and the organizational Health</td>
<td>2</td>
</tr>
<tr>
<td>confirmed</td>
<td></td>
<td>There is a positive and significant relation between Procedural Justice and the organizational Health</td>
<td>3</td>
</tr>
<tr>
<td>confirmed</td>
<td></td>
<td>There is a positive and significant relation between Transactional Justice and the organizational Health</td>
<td>4</td>
</tr>
</tbody>
</table>

Table No.3: confirming or rejecting the research hypotheses using the results of the path analysis

### Fitness of the model

The indicators of the good fitness of the model are $X^2$, df, Pvalue and RMSEA. The best indicator in the LISREL software $X^2$/df is chi-square to degree of freedom and the smaller it is than 3, the better will be the fitness of the model. The RMSEA is the same as average square root of the model errors. This indicator is made based on the errors of the model. The allowed limit is 0.08 i.e. it is acceptable if it is below 0.08 and if it is below 0.05 then it is very good.

<table>
<thead>
<tr>
<th>Indicators</th>
<th>RMSEA</th>
<th>Degree of freedom</th>
<th>$X^2$</th>
<th>$X^2$/df</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Model</td>
<td>0.041</td>
<td>1976</td>
<td>1257</td>
<td>0.636</td>
</tr>
<tr>
<td>second Model</td>
<td>0.037</td>
<td>33</td>
<td>27</td>
<td>0.794</td>
</tr>
</tbody>
</table>

The numbers obtained in table 4 indicate that the conceptual model of the research enjoys good fitness and the hypotheses related to causal relations or the influence of Organizational Justice and its dimensions over the organizational Health is confirmed. Considering the fact that average square root of the model errors is less than 0.08 and the number resulting from dividing Chi-square by degree of freedom is smaller than 3 in both models, the drawn models have high fitness which is indicative of the fact that the regulated relations of the variables have been based on a logical and theoretical research framework.

### Conclusion and Recommendations

The prime target of the present research is to study impact or effect of the organizational justice and its dimensions on the organizational health. Outcome of the research was indicative of the fact that all the organizational justice dimensions (distributional, procedural and transactional) as well as the organizational justice itself, based on the path analysis modeling, did have a meaningful and positive impact upon the organizational health. In continuation all research hypotheses were discussed and analyzed and in the end a number of recommendations and suggestions were introduced for promoting the current status.

Main Hypothesis (relationship between the organizational justice and the organizational health):
Main hypothesis of the present research on existence of a positive and meaningful relationship between the organizational justice and organizational health amongst the government staff and employees was considered, discussed and confirmed accordingly. The results of the research also confirmed secondary hypotheses of the research notifying that the first secondary hypothesis is stronger than the other two secondary hypotheses.

All in all, the research reached the conclusion that all the staff and employees of those government organizations which considered and studied by the present research confirm impact and effect of the organizational justice and its dimensions on the organizational health (causative relationship).

First Secondary Hypothesis (relationship between the distributional justice and the organizational health):
After the hypothesis was put to test it was indicated that existence of distributional justice amongst the staff would lead to emergence of organizational health i.e. positive perception and judgment of individuals on the fairness of the distributed results, for instance, with regard to salary raise or opportunities for getting promoted in the job, would encourage the staff to make their utmost efforts in their jobs even beyond their responsibilities without expecting to be rewarded, being fully satisfied with their organization which by itself would bring about promotion of the organizational health. Generally speaking, if the distributional justice gets improved within any organization then the organizational health would automatically get improved as well. This dimension is of the most effect (0.79) on the organizational health.

Second Secondary Hypothesis (relationship between the procedural justice and the organizational health):
After the hypothesis was put to test it was indicated that the procedural justice within the organization would lead to emergence of the organizational health i.e. all the staff believed that administration of justice required adoption of just procedures; this means, in addition to the need that the foundation and concept of the law must be necessarily justice-based, the process which is supposed to produce justice shall also be a just and fair. In order to have a healthy organization we need to enjoy a just and fair procedure; the procedure which shall create equal opportunities in order for every one becomes a winner. In other words, if people get a justice-based perception based on the procedural justice then they would be ready to do over time work in their organizations generating further productivity as the consequence of which the organizational health would be promoted.

All in all, if the procedural justice gets improved within the organization the organizational health would get developed to an average extent as well. This dimension is of the least effect (0.60) upon the organizational health.

Third Secondary Hypothesis (relationship between the transactional justice and the organizational health):
Individual perception of politeness and mannerly conduct of managers and the staff is of decisive positive and meaningful effect towards emergence of the organizational health. This means that if employees of the organization consider behavior of managers towards any individual or by extent the whole staff of the organization as just and fair then they would be prepared to further devote themselves to the organization and stay in the organization and work more for the objectives of the organization even beyond the working hours which by itself would lead to promotion of the organizational health.
Generally speaking, if the procedural justice gets improved within the organization then the organizational health of the staff develops to an average extent as well. This dimension is of the second rank in terms of having effect (0.68) upon the organizational health.

**Recommendations**

Given the acquired results of the present research it is proposed that the ground for establishment and promotion of the organizational justice within the staff of government bodies shall be further considered and prepared in order for the staff cause more organizational health. As it was mentioned in the research literature the organizational health is a concept which finally gives rise to more productivity of the human force as a result of which the required infrastructures and effective elements for the organizational health are given further priority.

To this end outcome of the present research indicated the fact that further attention to and further emphasis on the organizational justice prepare the ground for the staff in order to accept the organizational structure, respect the organizational rules and regulations, make utmost efforts and support for the organizational interests, devote themselves to the organizational resources and actively participate in managing the organizational affairs. For example if the staff find distribution of results (rewards) fair and just they will consider the organizational procedures, i.e. the relevant process which lead to distribution of results, as just and fair as well.

Also just distribution of the results prepares the ground for the staff to consider mutual personal relations between managers as just and fair. Therefore given the obtained relations between the variables it is suggested that managers of the organization give further priority to the impact of the staff perception of the organizational justice and identify the relevant weak and strong points and accordingly based on the organizational prospects and future plans prepare a comprehensive plan for promotion of the human resources and further productivity of the human force. But if dissatisfaction is visible with the staff towards the organizational justice then serious reconsideration of the organizational results distribution, results distributional procedures and the communication between the managers with the staff are of utmost significance. As it was mentioned before perception of the organizational justice is considered as one of the new concepts which revolve around the human force and its privileges have already been discussed in many researches. Therefore it is also recommended that further attention shall be given to this important concept in order for the organization to use its privileges including improvement of the organizational health in favor of the organization.
References


Social Capital Influence on Production
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Abstract
Social capital is one of the newest terms in studies relating economy, sociology and management which have occupied the attention of economists following natural, financial, physical and human resource. Studies have been done on interrelation between economical development and social capital recently in research centers amid the country. Especially good researches have been done on different capitals influence on production, but there are few researches on social capital role in production. As it is a must to raise production, we need to concentrate on the production growing factors, in a professional view. In this paper, special capital and its role in economy, especially on production will be discussed. Using social capital keywords and its correspondent definitions, production keywords have been mentioned as well and social capital effect on production economical policies, social capital influence to prevent market collapse, social capital role on owners' rights, and its effects on critical period's disturbance reduction have been analyzed. Finally, some proposals have been offered to enforce social capital.

Keywords: Social capital, transaction cost, market collapse, economical growth

Introduction
Social capital as a theory view has been considered by behavioral science, economy, management and social science experts in recent two decades.
Social capital is sometimes viewed as the peoples' property, so it is related to widespread social networks and accessible resources. Therefore social capital is considered as the group property. Social capital has been the subject of many surveys in recent years and its relation to political and economical development and personal effectiveness has been considered. Studies show that without social capital, it is hard to reach economical development by the means of other resources like financial, physical and natural resources.

Social Capital Meaning
Social capital is the characteristics of a society or group which includes: information, ideas, confidence and cooperation which raises the capacity of organizing to find solutions for public problems, in this way, unselfish behaviors is obvious and development is simplified.

One of the famous definitions for social capital has been presented by James Kelma. He has combined two important elements of social capital including: rules, commissions and the economical principle of personal wisdom response, he has come up with a model by which social operation for all the members of society is facilitated. (Kelman 1385)
This meaning affects the relation, confidence and cooperation among people and is active in the life of all (except those who live lonely). Social capital is necessary for capital and economical policies to give benefit and without capital, no society reaches any capital (Renan 1381).
The Social Capital History and its Definition
Social capital has been known as a key indicator in different forms and ways but its first definition refers to a young teacher named Hanifan. In rural schools gathering discussions he insisted on democracy and development and struttled the meaning of social capital. In spite of its creativity the meaning wasn’t considered widely. Then others like Seely, Loury and Jacob presented this plan. Social capital was defined seriously in 1980s. Spreading in theoretical and experimental sectors, it found an important place in sociology. This devotes first at Kelman (1998), An American sociologist and his research on school cooperation. Then Bourdieu in France clarified other parts of this meaning. Finally Pantham research (1993) on social capital relation with democratic institution in Italy was one of the effective factors on its expansion. Social capital in a public view is a kind of investing in social relations which is defined with its expected efficiency in the market. Of course market is a common term and its domain in analysis can refer to economy politics, society or labor market where people teach their benefits through social networks. The main idea of social network is that, family, friends, colleagues are important properties. Of course it involves a variety of groups. Groups, who have a variety of social networks and civil organization, face critical situations much better.

According to what mentioned above, some theorists believe that the social capital is not a new concept. This concept can be found in earlier sociologists like Dorkim and Marx. This idea that individual's contribution in social affairs, leads to positive consequences, was considered by sociologist from the very outset.

Social Capital Types
Social capital is divided to different kinds of bonding, bridging and linking social capital

Bonding Social Capital
Bonding social capital is created among people who have friendly relations with each other, like close friends and relatives and the family members since there is confidence among them and treatment is done easily between them and if a breaking occurs, it is resolved friendly without referring it to the court.

Bridging Social Capital
Bridging social capital exists when confidence and cooperation happens among people or groups that don’t have close friendship or irrelativeness among them but they are related in some manners like NGOs and political groups on the people of a village, city or country. Presence of numbers of versatile groups may make the society categorized, to prevent this, the bridging social capital is presented which its axis is healthy relations among people, people who belong to different groups, but live together in a society. Extended social capital is vital for every society to exist.

Some study results show that bridging social capital has positive effect and the bonding social capital has negative effect on economical development. Communicative social capital is made of the relation among people of different categories while it consists of their relation to ordinary people; leaders’ relation with other leaders and ordinary people is an example of this kind of relation. Religious leaders can organize their fans using their
social capital. In traditional environments, religious groups can enforce social confidence and contribution while in developed regions, institutes and organizations get this role.

**Social Capital as a Common Product**

Common products are products which can be divided but can be consumed by many people at once. These products are necessary for all and promote the convenience of the society; but no one can buy them as much as one needs. Many other social capital forms give their profits not only to those who do the best effort but give it to all the partners of the construction. For example, all the people of a region profit by the contribution of women who take part in local associations and this contribution has external positive effects. Social capital for inclusive people in the network is a source which is effective on quality and function, and while its profit involves all the people of a society, no one can be obligated to create it. Despite other capitals, voluntarily aspect is important for social capital and is created undoubtedly.

**Social Capital Theoretical Approach Comparison**

Social capital theories, consider social relations as the most important indicators. Despite structural differences, what gathers different approaches of social capital is it's relative aspects. Even with this common ideology and insistence on relative characteristics of social capital, different social capital theories can be derived from discussions of theorists as follows:

**A – Property Type**

The social capital to be a personal or cumulative (group, association, regional, national) property is considerable.

All the authorities affirm both personal and social aspects of social capital and see no difference between them but every one insists on one aspect.

Nanlin defines social capital as a relative personal property. Even thought while insists on social characteristics of the social capital he differs it from personal (human or material) property. Beardeu, Hekman, Patnam and Fokoyama are among those who define social capital as a group or social property.

**B – Relation types**

People's social network structure is another topic which has been considered. In Kelman and Bordeaux studies, insistence is on group compact networks to apply effective values and protecting its identity and its recreation

**C – Capital efficiency types**

Presented ideas on this sector can be divided into different groups based on its efficiency level (profit). Majority of social capital discussions are concentrated on personal properties and capital efficiency. From this point of view, the condition of the social capital usage by individual is important.

**D – Social Capital Custom Types**

Social capital in its private form is not necessarily useful for all the society or other groups or associations.
In this sector, we face a lot of positive and negative looks on social capital. Bordeau considers social capital as an instrument to regenerate upper circumstance for a group and then a person which leads in weakening the benefits of other groups, so usually negative view can be seen in Bordeau discussions, even though for Lin and Hekman, social capital has a private application, and consequently it's competitive. So the negative aspect of social capital is not always highlighted or at least it is ignored.

Nevertheless, social capital in Pantham and Fokoyama studies is evaluated on the basis of social capital advantage or disadvantage for the whole society. For example, immoral family direction and criminal bands are negative social capitals.

Table 1. Definitions, Analysis and Benefits of Social Capital

<table>
<thead>
<tr>
<th>Theorist</th>
<th>Definition</th>
<th>Goals</th>
<th>Analysis level</th>
<th>Capital efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bordeau</td>
<td>Resources which supply group products</td>
<td>Economical capital supply</td>
<td>People in categories</td>
<td>Private (personal and cumulative)</td>
</tr>
<tr>
<td>Lin</td>
<td>Access and using hidden resources in social networks</td>
<td>Hidden resource supply for protecting existing sources</td>
<td>People in networks and social structures</td>
<td>Private (personal)</td>
</tr>
<tr>
<td>Kelman</td>
<td>Structure aspects which facilitates activist goals</td>
<td>Human resources supply</td>
<td>People in social and familial backgrounds</td>
<td>Private and common personal and cumulative</td>
</tr>
<tr>
<td>Pantham and fokoyama</td>
<td>Confidence values and cooperation and networks, facile correction for reciprocal benefits</td>
<td>Effective democracy supply</td>
<td>Social benefits of groups in national backgrounds</td>
<td>common</td>
</tr>
</tbody>
</table>

Negative Effects of Social Capital

Beside positive aspects of social capital, like other financial and physical properties, negative aspects of this capital and its effect on social and human goals should be considered. Criminal groups and bands and thieves have confidence and social capital among themselves but this trust and distrust toward the bigger society, helps antisocial activities, even in long lasting and widespread wars, there is social capital in both sides. Some forms of social capital may harm the liberty and identify of people. Some categories or parties efforts to hold power or some radical activities, results in disasters like genocide in Balkan and Africa in 1990s. They had a kind of social capital and performed risky crimes to kill masses of people.

So in social capital studies, motives, directions and goals should be considered and beside advantages and benefits, disadvantages and expenses should be noticed.

Unbalanced Income and Social Capital

Wilkinson, Linch and Kaplan have concluded through researches that there are unjustified incomes in some societies; these societies suffer from low firm relations in the society. Social
capital is in fact, an intermediate between unjustified income and good health. More injustice leads to less cooperation and lack of confidence, and both affect good health. There is a meaningful correlation between social communities and elections with the rate of death in healthy sectors (Winstra 1385)

It's obvious that collaboration among categories, facilitates cooperation between workers and supervisors and therefore helps the good health of all those who work in the labor market.

Some kinds of social capital provides taking more benefit from media, books, press and internet sites and helps to gain more information on good health which helps peoples health. Pantham has shown that social capital affects happiness which has effect on human's health. On the other hand, many studies show that there are relations between economical production and development and a healthy society.

The Most Important Researches

In paper "Social Capital and Economical Function (suri.1384)", internal impure production, share internal impure, internal impure production without oil, share internal impure production, general capital, private sector capitalization, private capitalization on machineries and business tools, working source and the existing capital, are economical indicators and returned checks per 1000 person of the country population have been categorized as indicators of social capital decrease in a typical economical model.

The results show that social capital reduction has a negative and meaningful relation with economical function. Specially, the proportion of private capitalization and social capital is negative and remarkable.

Also the correlation coefficient of the most of the economical variables and social capital reduction rate is negative and the relation between share productions without oil with social reduction is negative and noticeable positive relation between social capital and development is approved and external social capital in developed regions is more than in developing regions.

Developed regions use official tools for cumulative reactions while in less developed regions, cumulative reactions need unofficial social associations, unofficial religious cooperation is evidence in these regions.

In the article "Social Capital and its Effect on Economy" by Dr. Zahra elmi and Dr. mahmood sharepour and amir hasan hoseini(economic researches, No 71, winter 1384), after reviewing the topic, they have concluded that peoples' social activities is more coordinated with economical function and removing obstacles of peoples presence in social network will have positive effect on economy.

In Iran like other countries studied by rizo et al (2001), trusting common associations directed by the administration, will play a great role on confidence creation. It's better to let people cooperate in social activities, like south-eastern countries; this leads in the social capital increase.

When the government does what private sector and the society should do. Social capital is damaged severely. If the government interferes in all affairs; the society looses its confidence and abilities.

Hierarchical orders networks spread distrust in the society. Countries which have such vertical structures in them, face weak justice organization, deep sedition, back warded administration and weak people's presence in social fields. Social capital is one of the most important factors effective on economical function and promotion.
Bridging social capital reduces exchange costs and increases confidence through enhancing cooperation. But bonding social cooperation have negative effects on social cooperation and peoples relation to external environment. In a research with the title "Social, Physical and Human Capitals Analysis in Iranian Economy" (saadat, 1384), 28 states of the country have been considered. Results show that social capital has a relatively fixed procedure with some oscillations which are caused by historical, cultural and political problems.

Surveys show that Fars province has the most and baluchestan province has the least social capital. Also Yazd and Kerman provinces have high and kohkiloyeh has low social capital. This survey's indicators have been cooperation rate (proportion of members of cultural, artistics to the whole population) and crime rate justice files in elections, trustfulness, honesty and general knowledge.

After the Islamic revolution, physical capital has raised but social capital proportion to physical capital has decreased. Also the proportion of human resources in this period of time has been ascending and social capital motion to the physical capital has been ascending. The other conclusion is that human, physical and social capital procedure has been positive.

Theoretical Considerations

Studying economical production and promotion inside countries in the second half of 20th century, some conclusions have been achieved which could not been explained by economical theories. Pantham study in north and southern part of Italy was one of them that for a long time was a puzzle.

Twenty years research on local and state governments in different regions of Italy by Robert Pantham showed that participation customs like voting, reading newspapers, membership in associations and clubs are signs of an effective and efficient government.

So, interactive relation networks and social relations, is the condition of economical and social modernization not its conclusion (UN, 2001). Nort considers different economical applications among countries with the same production facilities and finds social capital a key factor, especially if social capital is proportional to economical development, as in happened it European countries, it will be effective on promotion and development.

In next discussion, social capital effects on the national and local elements of economical development will be studied.

Social Capital Effects of Elements and Factors of Economy and Production

Social capital is becoming one of the vital factors in economical development in all over the world. Tens of researches have shown that for rural development, local public associations are as important as physical and technological capitalization. Studies have been done to find why some activities to control common sources like water and pasture resources are successful. But others have failed. Social capital resources have a great role while government interference leads to undesired results.

Social capital is not only a tool to achieve development, but also a goal for social developments (Sen, 1380)

Economical transaction when done in social network is more efficient. Studies which have been done about efficient industrial sectors, insist on the importance of cooperation between workers and entrepreneurs.
Even, economical theories like "the new development theory" notice social structures more than new classic theories and Robert Lucas, one of the founders of intellectual expectance theories, considers human resources accumulation as an activity resulted by social capital (Pantham 1385).

What was noticeable in previous soviet unions and eastern European countries was lacking social capital and resulted in those systems corruption. Researches on education, urban poverty, unemployment, crime and public health show that successful outcome is much more in societies which have powerful social capital. By many studies it's concluded that social capital is directly related to education and health increasing, health status improvement, life expectancy, crime reduction, individuals economic performance succession, happiness feeling, trusting government, local and national development and economical promotion and national income (Pantham (2000), winter (2003), Krishna and colleagues (2002) and Firuzabadi and colleagues (1385).

Robert Pantham is one of those who have noticed the relation between regional development and social capital. He founded that social capital can describe regional differences in economical development and governed performance (Firozabadi and colleagues1385). Also, economical developments in recent decades were puzzles for economists. They found that in countries with the same resources and capitals, development is different, significantly. Denison (1961), studying on United States development, found that, labor and physical capital can't explain this countries development. This was human resources which resulted in development. Yet human resource is not the complete answer. In 1980s studies, the role of social capital was found and then, confidence was noticed as an important factor in development analysis.

Kormandi and Macwire studies (1985) were among the first studies, which considered social capital and economical performance and approved social capital effectively on development. Also Nek and Kifer in an article named "If Social Capital Has Economical Results" conducted a complete research on 29 market economy samples and found the firm relation between social capital and economic development. They concluded that in backward countries where financial development is low, Social capital is more important and confidence is correlated with capitalization. Laporta and colleagues' research is one of the most comprehensive studies which confirm relation between confidence and economical performance.

Studies done in our country shows that development and social capital relation has been positive but social capital trend in recent four decades up to 1380 has faced oscillations and a bit descending and in recent years, due to inflation and unemployment, life expectancy had decreased. Social capital can affect national production by different factors. Here, three groups of factors are discussed: A) the social capital effect on economic actors which directly affects production; B) social capital effect on one of the main production sources like human resources and its capacities as employment and C) social capital role on government efficiency and performance in economic domain. In all the above cases national production and economic development are affected.

A) The Social Capital Effect on Economical Factors

Social capital affects economic factors mainly by:

A -1) Investment

Studies conducted in Asian countries like Malaysia, Thailand, Hong Kong, South Korea, Singapore, Taiwan and china show that within last two decades they have experienced high
growth and have constructed a “Grid Capitalism” which is a new experience. It emphasizes on wide family rather than establishments as the capitalism bases. By mutual confidence in this network, Transaction costs are lower and innovation transmission in higher. This process can convert social capital to financial capital and investment. Also social capital helps productive investment and affects the final production and development by improving financial sector efficiency through people or families' savings to production investments (Rahmani et al.1386). In societies where social capital is high, crime rate is low and agencies are not obligated to use special security services to protect their benefits. Therefore financial resources increase by costs reduction. Investment security increases investment. Also, confidence causes the contractions to be confirmed, regarding the financial circumstance of establishments; it is a significant advantage and results in increasing transactions and investment. Providing security makes conservative families to deposit their cash in banks or buy bank shares and these supplies investing credits more and more. With high confidence, even if the payment time passes the problem can be solved friendly without court or prison sentence. If a debtor sentences to prison, a human resource is fallen into the prison and the creditor faces loss, consequently investment is damaged.

A-2) Property Rights Protection and Transactions Costs Reduction

Despite radical theories about individualism and personal benefits, Marx Weber investigates development in a leading country like Germany in people's relationship and cooperation. Principles of Confucius morad explain the south East Asia development after world war (Frankys, 1386). One of the results of Confucius ethics and peoples good manner is the costs reduction. Transaction costs are totally obvious and hidden economic and non-economic costs which are imposed to both sides of the transaction and increases production costs. Opportunity and transaction costs in absence of social capital are extremely high and in such a situation, many frauds occur. Within networks, exchange activities are protected against swindling, because there is guarantee that fraudulent will be punished. Punishment is applied by threatening that there will be no exchange with sinners in the future. The network benefit is achieved through pursuing such social norms. Besides those who exchange with fraudulent will be punished even if they have not fraud themselves. This can augment effectiveness of punishment. So worried for loosing their credit, they punish fraudulent (Frankvys 1386). In this way, relationships and network norms, in low level economy causes information flow, exchange acceleration and confidence and co working among economic agencies and consequently production costs is reduced (khanduzi 1384). Reducing costs, causes the establishment supply curves to go higher and production to increase. Also, ownership rights in institutional economy, if well protected in a region or country, by creating security and reducing production cost, attract capitals. More exchange and more capital increase benefits of sides and development.

Protecting ownership rights is so important that some economists consider it as a country's development indicator. Nevertheless it's obvious that using current technologies, no government can define and protect all rights in all fields in which exchange happens among people. Social capital is the factor that where government supervises and where there is no supervision, can make the behaviors
predictable. In other words social capital acts as governments complementary and even in some cases, it replaces the government. It's clear that where social capital acts in more fields, the government interference decreases; therefore costs resulted from the big government is omitted (Renan; 1387)

A-3) Productivity
One of the most important effects of social capital is productivity. Nowadays contract execution especially in developing countries faces a lot of problems, on the other hand a contract which contains all the aspects is complicated, and time consuming and expensive; in a way that many skills should be used for supervision that takes, a lot of expenses for exchanges. The more the mutual trust, the less the problems of contracts. In higher confidence situations, it is assumed that sides do not misuse opportunities, obstades and intransparencies are solved, the more simple the contracts execution, the more investment and development.

Investigating diamond market through intense family and social and religious interests, trade is facilitated by the guarantee needed in the market. If a member of this community steals or change precious diamonds he commits branch of trust, therefore he will lose all his familial, religious and social links and the society members will leave him. Strength of these links guarantee simplicity of trading in absence of such links; wide and expensive means and tools is required; otherwise, trading will not be possible (Kelman.1385)

A-4) Market Collapse Prevention
For market collapse, the most effective factor is unbalanced information. This means that service and goods suppliers have much more information and this result in customer's mistakes in recognizing merchandise advantages. If this situation continues, vendors who have weak correlations with customers will impose higher prices and omit equitable sellers who give information to the customers. If this repeats, leads to sources mal function and consequently market corruption.

B-Social Capital Influence on Human Resources and Employment Development

B-1) Entrepreneurship Development
Social capital is among factors which encourage people to start business and its absence has negative role on economic activities.
Social and cultural norms have complicated effects on entrepreneurship. Undoubtedly; his effects contain common beliefs, behavior norms, and patterns relating individual choice. While financial motives have effect on creditor's behavior, social and cultural norms or what is named social capital has sentimental effect (Sheikhan, 1386)

In a research conducted in 1989 by above pattern in 10 industrial countries and in 2000 in other 11 countries, it was proved that in countries where entrepreneurs are respected, and the society is not jealously against them, entrepreneurs are encouraged and motivated.

B-2) Career successes
Despite the literature of career success in individualistic systems, social mutual operations effect finding talents. What cause success are social relations. The more factors, the network gives to the society, the more the social capital. individuals power and influence in an organization network results from authority, expertise and one's circumstance in the network a successful
manager is a manager who has a better view of his organization are more successful (Sharepour, 1383).

B-3) Innovations and initiatives
Allocating credit and time for innovations and initiatives have the risk of not leading to the desired goal or not returning the capital, this is what economic agencies avoid it. Social capital in agencies and cooperation among them divides the costs and prevents bankruptcy. In such a condition initiatives spreads great economic revolutions (agriculture, industry, power, communication and information) and is consequence of innovations on the other sides, Nek and Kife (1997) have remind that if the employers consume time to investigative workers, employees or other partners will not be able to save time for innovations in their production process and new products. Social capital also helps research and development networks. The new view which came up in 1990s and in the new century, in developed countries, matters relations among organizations. Many agencies and factories have constructed good ties with laboratories, universities and national governments (Elmi et al. 1384) which results in applicable innovations by research and development.

B-4) Human Capitals
Bonding and bridging social capital have great effect on human capital construction and promotion. Inside and outside family social capital has shown a lot of evidence on reducing education drop (Coleman, 1385)
Outside social capital can be helpful to raise educations efficiency and human capital by social relations out of relative and friends links. This can be an actor to promote human capital can have a great role in economic development (Rahmani et al., 1386)
Human capital can complete social capital; it means that when social capital raises, human capital increases as well and in a society with high educated force, social capital promotion will be easy; because in a society in which people have highly educated, cooperation and coordination increases.
On the other side education system not only generates human capital, but it also transmits social capital in the form of values and norms, deprived provinces don’t have good condition in the education and social capital field compared with developed states.
Social capital is directly related to education and health, mortality reduction, expected life increase, crime reduction, people's economic productivity and success, feeling happiness, trusting the administration and national economic income and development.

B-5) Healths
Social capital can affect health. Social capital can affect health directly or cause policies which affect health. There is an irrefragable relationship between social capital, proverty and health. Societies, whose people have higher rate of social capital, have access to the media and press concerning health. This causes long life, higher life expectancy and disability reduction. Nowadays, the relationship between social capital and crime prevention has been proved (kawachi2000). The more social capital in a poor region, the more the health. Social environments which encourage social participation and confidence, cause better health inside
society. It should be known that positive spirit helps people to avoid illness. Also being under social protection, improves man's mental health (wynstra, 1385). This is even more probable that a social man refer to the doctor more than an isolated one. To meet job and generation duties, human resources health is very important. Especially total working days of healthy personnel are more than others and healthy personnel's total years of employment are more than others.

C) Social Capital Effect on Government Success and Productivity in Economy
Social capital effects governments work and efficiency through following points:

C-1) Social Capital Increase
Social capital increases confidence to establishments, and the government which has the main role, is trusted by people. This facilitates executing the policies. Studies show that there is a direct link between social capital and democracy (Sharepour, 1383). Policy consistence, following promises and fidelity to commitments causes the people trust the government. On the contrary, income unjustified distribution, and discrimination affects social capital, negatively. Pantham, in Italy region studies found the relation between social capital and government success, also in region in which special capital is more, state services is better, he discovered that where social capital is more, people present their requests in the front of authorities while in regions where social capital is less, people follow their private problems. In regions with higher level of social capital, people act more to solve public problems. Public confidence to the government is a key factor for social commitment and people's cooperation in political life. Social capital encourages all the people to consider positive values and social norms and isolates sinners, so social capital is an obstacle against crime, corruption and embezzlement.

C-2) Tax Gaining Facilitation and Budget Deficit Reduction
Many countries, including ours, have faced deficits for many years. As it is obvious, budget deficit is deficit of government revenues to costs. An important part of the government revenue is the taxes. Experience has shown that when confidence among government and citizens in more getting taxes will be easier and the total taxes income will increase.

C-3) Stagnation Period Damage Reductions
In Iranian economy, it is seen that when oil price increases and weather condition improves, agricultural and nonagricultural production increase, unemployment decreases and new agencies are established. Sometimes, oil price decreases and drought happens (like 1367) and therefore people's revenue decreases and workers loose their job. In macroeconomics, this oscillations in economic activities, is called business fluctuations (Mehrgan, 1386). If there is confidence and social capital, agencies and workers who loose their job and business, are supported by others (Mehrgan, 1386) and if social capital is higher and government and people trust each other, there will be more motivation for saving capital, especially it can compensate revenue and capital shortage and control economic production and advancement.

C-4) Mid Term and Long Term Programs
The purpose of preparing programs mid and long term plans such as a vision design is a movement considering challenges and opportunities and indicating strategies to utilize facilities and remove obstacles. This indicates determination and commitment of national governments
and causes people to trust their government. Increasing social capital facilitates achieving the objectives. For sure executing these policies, needs the government's confidence and relative social capital.

The aim of preparing the 20-years vision program is to avoid short-term and personal decisions to achieve and predict long-term goals; one of the main problems of the administration after the Islamic revolution victory is lack of commitment of them to the planned programs (Karimi1386). One of the problems which have affected economy is that long-term plans have not been considered. If there is not long-term plans, the government will be busy with daily problems and different, conflicting and temporary goals will be objected by the administration and the facilities will be devoted to the daily goals instead of planned ones.

C-5) Corruptions and Embezzlement Reduction

Social capital encourages all people to consider positive norms and values and isolates sinners so, social networks are considered as obstacles against crime, corruption and embezzlement. Other studies show that lower social capital causes more crime and theft. Also, the neighborhood intervention to protect their common benefits depends on their conditions of mutual confidence and social correlation among them (Sharepour, 1383). When theft decreases, cost saving increases and this can cause increasing production. Also there is negative relation between corruption indicator and human resources development and income index and there is positive relation between corruption and unequal income distribution (Dyna Torkman, 1385).

CONCLUSION

From this survey and other studies, some conclusions have been made. Some of the most important results are as follows:

1-Regarding social capital importance in economic increasing and development by factors reviewed in this paper, in current economical situation of our country which faces long-term unemployment and inflation and social capital is decreasing slowly, it is required to raise social capital. Lending money and fund distribution does not create jobs and employment. Especially new investments are necessary for young generation.

2-Adherence to 5-year development plan and vision goals is the product of social capital which promotes it and the commitment of the administration to the plan, causes public confidence to a better future. Building confidence between government and political sides is important in this field.

3-While, social capital facilitates contracts and accelerates their operation, and reduces the transaction coast; it protects ownership rights which are a key factor for production advancement.

4-Economic performance improvement of the government is effective on economical growth. This is very important in Iran with its large government. The government should also create and facilitate business for institutions.

5- In countries with high social capital, governments are trusted more and their promises and policies are more valid and economical laws and guarantees are not revised again and again. People find these countries a safer place for investment and choose production approach in them which is more effective and optimal in long – term period of time (Nek and Kifer, 1997). Serial changes in economic policies, causes instability in the market and makes the economic agencies distrust the market.

6-Every motion which causes people not to trust the administration, affects economy. Especially, confidence is a key factor for investment and production.
7- Public confidence to the government is a vital component to strengthen social commitment to flow social capital in political correlation and participation. Negative attitude of people toward discrimination is a considerable negative factor for public confidence (Ghabari & Sadeghi, 1387).

8- Workforce training for participation in team works is very important to transfer social capital to production. Education in this order is also important.

9- Deprived provinces of the country are in poor condition in accordance to social capital and should be considered more. Considering educational factors is very important and can help.

10- Also, as noted before; in poor countries, where financial capital is weak, social capital is very important and should be increased.

11- Also, in the country provinces, while outside social capital has positive effect on economic advancement and inside social interactions has negative effect on it, it is proposed that outside social capital and relations be encouraged to promote production.

12- To attract participation of citizens, tools should be considered. In modern areas, institutions and associations work while in traditional areas, religious foundations work more to develop public participation and confidence.
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Social Capital and its Impact on Job Satisfaction
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Abstract
Purpose- This paper aims at finding the relationships between social capital and job satisfaction in private service organizations (hospitals). Design/methodology/approach- An experimental method is performed to study the relationship between social capital variables and job satisfaction in three private hospitals to analyze their direct/indirect relationships with job satisfaction. Findings- The present paper indicates that there is a direct, positive, and significant relationship between trust and job satisfaction. Trust will lead to more satisfaction. There is also an indirect, positive, and significant relationship between formal networks and job satisfaction but through trust variable. There is no direct/indirect relationship between action norms and job satisfaction. It has also been found that there is a direct, significant, but negative relationship between educational level and job satisfaction. Research limitations/implications- This analysis had been performed in private organizations and further analysis shall be done in non-private organizations. Practical implications- Social capital is so tied to trust that in almost all organizations efforts have to be taken to promote trust among members and between members and organization. Originality/value- There is neither direct nor indirect relationship between action norms and job satisfaction, so social capital can either be supportive or not supportive.

Keywords- Social capital, Job satisfaction

Introduction
Scholars such as Coleman (1990) and Putnam (1993) in an attempt to explain non-economic factors in explaining success of certain economic processes drew on the concept of social capital. That is why at present, besides human, financial, and economical capitals, a new reality as social capital is being extensively utilized in the literature of social and organization realms. Fukuyama (1999) believes that a number of definitions had been given with respect to social capital but they refer to its manifestation rather than to social capital itself. He says “social capital is an instantiated informal norm that promotes co-operation between two or more individuals” (Fukuyama, 1999). Putnam (1995) also defines social capital as “The characteristics of the social organization such as networks, norms and social trust that facilitate coordination and cooperation for mutual benefit”. On the other hand, job satisfaction in organization, has long been an important issue and of great concern and has attracted the attention of many researchers. Many researches have targeted the assessment of job satisfaction in different group settings and the factors related to job satisfaction and their impacts on organizational productivity, job turnovers, absenteeism, and employee efficiencies (Brass, 1982, Helbert, 1991, Bulder et al. 1995, Hodson, 1997). Yet, less attention has been paid to social capital and its relation to job satisfaction. Taking into account the above issues, we intend to study the relationships between social capital and job satisfaction. The evidence is drawn from some private hospitals in Tehran, Iran.
Literature review

Social capital is less physically tangible in comparison with other resources such as physical, human and cultural. Physical capital is created through changes on materials to form tools which facilitate production. Human capital is generated by changing individuals through new skills and capabilities in them in a way that they are empowered to behave in a new way (Coleman, 1999). Cultural capital is a set of symbols, habits, characters, linguistic methods, training documents, zeal and tact, and life methods which are current among individuals. This capital is less tangible and objective in comparison to economical capital. Social capital is defined as the vast and complete panorama of social and communicative network qualities which one utilizes to promote his/her personal attitudes (Jaeger and Holm, 2007). Fukuyama defines social capital as an instantiated informal norm that promoted co-operation between two or more individuals (1999). He believes that all aspects of social capital such as trust, networks, civil society, and the like are all secondary, or as he himself call, epiphenomenal to social capital which arise as a result of social capital not constituting social capital itself (Fukuyama, 1999). According to Coleman (1990) and Putnam (1993) social capital is defined with regard to such peculiarities of social structure such as inter-individual trust, mutual norms, and bi-directional contributions that can lead to the persistence of resources which facilitate group or individual interplay to gain group activities. Trust, mutual action norms, and lateral (horizontal) networks which are self-reinforcing and self-generating are considered as social capital resources by Putnam (1993). He believes that regenerating peculiarities of social capital will lead to social interactions of highest cooperation, trust, mutual transaction, civil partnership, and social welfare. Putnam believes that the existence of these peculiarities in every society is an indication of its civic. He considers this trait as promoting good performance of democratic institutions.

1. Social Capital Resources. Coleman (1990) has classified the main resources of social capital as per following: (1) Governmental factors: An institution is said to be a law, a tradition, a custom, or an organization which is effective in human’s political or social lives and rules out an oriented system towards the needs of an organized society. Government is a tangible example of institution; institutional factors are either rational or irrational. Some laws are enacted rationally as an institutional factor to reinforce humans for participation. (2) Automatically factors: All norms which are formulated automatically through mutual actions of social members, rather than laws and other formal institutions, and are not due to purposeful options are called automatic factors. These factors are in turn classified as automatically rational and automatically irrational. Automatically norms are considered rational when individuals’ interactions in society are on the basis of intellectuality and thoughts, even if not purposeful. Automatically factors are considered irrational if mutual actions are random and not logical, such as honey bees’ cooperation in building hives which happens without intellectuality and thoughtfulness and is absolutely instinctive. (3) External factors: These factors refer to norms originated from the sources rather than the specific society in which it has been utilized. These comprise factors such as religion, ideology, culture, or common historical experiences. (4) Natural factors: Two factors are observable here as “family relations” and “ethnic or racial solidarity”. The importance of relatives in comparison to other social structures differs from one society to another, but in none of the societies it is completely vanished. There are considerable findings in natural science claiming that human socialization is somehow rooted in culture and is also related to fundamental approaches of socialization relatedness to genetic issues.
2. The two sides of social capital. One of the main and major advantages of social capital is providing ample information with a low cost and time involved. It facilitates trust, mutual relationships, strong social norms, and permanent solidarity of cooperation in social behaviors. Therefore, group social capital is achievable and there lays benefits not only for those who have created it but also for some more greater networks (Walter, Lechner, and Kellermanns, 2007). Inter-organizational networks resulted from social factor have several organizational advantages such as acquiring new skills and knowledge by network members. Power gaining and influence (pervasiveness) are other advantages of social capital. Creating solidarity among members is another merit. Strong norms and beliefs create a strong social network which encompasses certain customs, traditions, and regulations which substitute control methods. Fukuyama (2001) concludes that social capital will reduce the transaction costs associated with formal coordination mechanisms like contracts, hierarchies, bureaucratic rules, and the likes. He believes that formalities cannot replace social capital. “The fact of the matter is that co-ordination based on informal norms remains an important part of modern economies, and arguably becomes more important as the nature of economic activity becomes more complex and technologically sophisticated”, says Fukuyama (1999). Though social capital inherits myriad potentials but cannot be considered a “throughout remedy” for all situations. We will consider some of the disadvantages. First, there is no guarantee that considerable relationships will be established among humans in all cases. There is a possibility of setting up inappropriate or undesirable relations just for dissimulating or misuse. Second, establishing and maintaining social capital requires considerable financial capitals which in some cases are higher than the merits gained from social capital. Third, the strong links and relations established through social capital are less effective in comparison to weak linkages of groups in which the tasks are performed faster and in a better way. Fourth, the solidarity of social capital may adversely affect, due to the fact that this unification among members will involve individuals in their relationships at the expense of main targets and objectives and in some cases will lead to means-ends displacement. Social capital may also lead to the enhancement of malicious behaviors among members, resistance to new information, oppositions to their assessments, and the increase of organization vulnerability when facing amplified environmental changes. Fukuyama (1999) also makes an objection to Coleman’s comment that social capital is a public good (Coleman, 1988). “This is clearly wrong: since co-operation is necessarily to virtually all individuals as a means of achieving their selfish ends, it stands to reason that they will produce it as a private good” says Fukuyama (1999). Fukuyama (1999) believes that social capital can bring both negative and positive externalities, but still he believes that this notion does not “disqualify it as a form of capital”. Fukuyama (1999) does accept that “social capital seems less obviously a social good than physical or human capital is because it tends to produce more in the way of negative externalities than either of the other two forms”.

3. Social Capital Variables. Putnam’s social capital theory is utilized to identify social capital variables. He (1995) believes that social capital comprises those peculiarities of social organization that facilitate coordination and cooperation for mutual interests. The peculiarities are: networks, social trust, and norms act. Putnam explains that communications among individuals in social networks are resulted from mutual norms act and the trust which lay in them. In accordance with Eston’s typology (1998), social capital norms are classified into trust norms, mutual act norms, and non-reciprocal action norms.
Trust Norm. Two general views regarding trust have been proposed. On one hand, trust is an individual trait based on emotions, feelings, and individual values which have a close relation with the notions of cooperation, honesty, and sincerity, and on the other it is one characteristic of social systems or social relations based on social context. In this research a mixed concept of trust is taken into account and three forms of trust are considered as below: (1) Interpersonal trust. It is shaped as a result of face-to-face relationships and is applied in all networks where an individual participates. In this research Johnson’s measuring method is used for the measurement of interpersonal trust and the extent of measures such as honesty, explicitness, certainty, and individuals’ intention for cooperation had been taken into account, (2) Public trust. It can also be called organizational trust which relates to the extent of citizens’ trust to an organization especially public organizations (Mohseni and Lindstorm, 2007), and (3) Governmental trust. It means the extent of trust to formal and governmental institutions. In this paper, this trust is measured in connection with Tehran hospitals.

Norms Act. Norms act are of two categories: reciprocal and non-reciprocal. The former refers to acts which are considered as exchange process in social relations through which goods and services are exchanged from one place to another, and the latter refers to behaviors such as voluntary acts.

4. Job Satisfaction. There are many definitions for job satisfaction. Some of them are concentrated on job itself while others concentrate on both jobs and their dependant factors. Stephen Robins (1943) refers to job satisfaction as individual’s overall attitude towards his job. If job satisfaction is high then the attitude will be more positive and vice versa (A’rabi and Parsaeyan, 2004).

5. The Relationship between Social Capital and Job Satisfaction. Brass (1982), Harlebert (1991), Bulder, et al. (1995), and Hodson’s (1997) studies on this issue differ considerably with each other. For instance, Harlebert (1991) considers individual networks which do encompass working relations inside the network and concludes that network members have access to more resources such as training. Hodson (1997) found a positive impact of employees’ solidarity on job satisfaction. Brass did not succeed in finding an association between the core of a working network and job satisfaction. Bulder, et al. (1995) did not find any relationship between job satisfaction and the number of existing relationships in the network or the number of individuals in that network. On the contrary, they found that network diversity would have negative impacts (Flap and Volker, 2005). Douthit (1999) calls human and social capitals as individual investments which yield positive output in individual’s job in the form of objective and tangible capitals. He assumes that potential resources of human and social capitals manifest themselves in more tangible ways such as job satisfaction. Social capital facilitates and fosters recognition of opportunities and their increase for the purpose of more income on the side of the individuals. Social capital theory predicts that the efficiency of intelligence, training, and superiority in different sections are related to the individual’s status in his/her organizational social structure. As Douthit (1999) says, the social capital makes it possible to adapt individuals to their social scenes in a way that all their potentials can be utilized (Douthit, 1999). Social capital has three distinct impacts on job satisfaction. First, network structure and job satisfaction through job dependence and job-related strategic networks produce solidarities which promote satisfied employees through different job aspects such as income, safety, and job opportunities. Second, closed networks improve employee satisfaction in social aspects of job such as overall social condition of job, cooperation with management, and cooperation with colleagues. Third, a
network with integral arc structure (where a pivotal person adjoins mutually two or more exclusive members together) has intensive negative impacts on job satisfaction, in spite of the fact it encourages trust in satisfaction networks of social aspects of job.

6. Social Links and Job Satisfaction. Joukisari and Nurmi (2005) found that there is a relationship between social capital and those who are seeking for good social status by finding a long-term job which is also well-suited to their educations. The reason lies in the fact that social links would determine resources such as information and social impacts which formulate an individual network as more advantageous to personal profession than networks of lower social levels.

7. The Impact of Social Skills on Satisfaction. Social skills are capable in empowering individuals in their interactions with others and play a pivotal role in most models and also professional interplays. Experienced outcomes of individuals in different contexts such as job interviews, performance analysis, and even legal practices show that social skills have positive impacts on them. An increase of social capital would increase employees’ enthusiasm and commitments, promote effective communication with public, absorbs effectively the required personnel and partners, improve networks and commercial relations, establish trust, and legitimize trade with others. The higher the social skills in entrepreneurs, the more financial success they may have. Furthermore, they may contribute to entrepreneurs in mutual strategic benefits with other companies, more regular requests from customers, and etc. (Markman and Baron, 2003).

Methodology
The present research is an applied study in which the data have been gathered through a questionnaire and they have been analyzed by utilizing statistical methods. The society comprises first grade hospitals in Tehran among which three hospitals had been chosen as samples in which the possibility of gathering data through questionnaires have been achieved. Questionnaires have been administrated in hospitals’ three different working shifts (morning, afternoon, and night shifts). Due to the limited number of personnel in these hospitals, thereby all have been invited to complete the questionnaires. Related literature had been accumulated through a library research and for the compilation of questionnaire a throughout research in internet have been performed in which standards questionnaires have been considered and the viewpoints of professionals were taken into consideration, as well. The questionnaires covered questions which were capable in measuring job satisfaction and social capitals in individuals and can also assess the impact of social capital in job satisfaction. Twenty questionnaires in three hospitals have been preliminary administrated and then through Cronbach Alpha analysis the most valid questionnaire had been chosen. The reliability of the chosen questionnaire equaled 0.875 which guarantees the appropriateness of all questions. Statistical Package for the Social Science (SPSS) and LISREL software have been utilized for test of hypotheses and data analysis. The degree of social capital and job satisfaction and their relationships have been measured through the use of Rout Analysis model and Pearson Correlation Coefficient.

Results and discussion
1. Rout analysis of relationship between social capital and job satisfaction. In this section the relationship between social capital variables and job satisfaction variables is defined and assessed both directly and indirectly through LISREL software. Before the implementation of
route analysis we have analyzed and considered the test of Normality, Linearity, and Equality of variances and also pert values. At the beginning we have to identify and nominate all the variables in route analysis. The dependant variable is job satisfaction and the independent variables are: gender, marital statues, educational level, and place of education, experience, employment status, trust, formal networks, and action norms. First, direct relationship between all independent variables and dependant variable are considered in order to identify the independent variables which have a direct relationship with dependant variable. In diagram 1 and on the basis of “t” coefficient, the significance of relationship between independent variable (x) and dependant variable (y) can be examined. Due to the fact that t-value is less than two (measurement criteria), then it can be claimed that there is no meaningful significance between dependant and independent variables. Take in diagram 1

As it can be seen in diagram 1, there are only two independent variables in which “t” coefficient is grater than two ( in LISREL model “t” values grater than two are in black and smaller than two are in red). Trust variable (t=11.21) and educational level variable (t=2.6) have a direct relationship with job satisfaction with a 99 percent level of confidence. Other independent variables with “t” values less than two have no direct relationship with job satisfaction. It has to be noticed that educational level variable is an external variable. Now, the possibility of direct relationship between other independent variables and job satisfaction through trust variable which functions as a mediating variable is examined.

2. The Analysis of Direct Relationships of Independent Variables. One of the advantages of LISREL is its capability to identify both direct and indirect relationships between dependant and independent variables. In order to improve model’s criteria we will study indirect relationships of independent variables which do not have a direct relationship with dependant variable through the use of those independent variables which have direct relationships with independent variable. LISREL model has the potential to suggest routs of mutual relationships between those variables that if added to model can establish a meaningful significance between other independent variables. Diagram 2 shows the analysis. In this diagram we have studied indirect relationships of other independent variables (gender, marital statue, and educational level, place of graduation, experience, employment status, formal networks, and action norms) through the use of trust variable. Take in diagram 2

As it can be seen in diagram 2, internal dependant variable “trust” and external independent variable “educational level” have direct relationship with dependant variable “job satisfaction”. Other independent variables do not have a direct and significant relationship with job satisfaction. The independent variable “formal networks” through trust variable has an indirect relationship with job satisfaction.

3. Final Rout Analysis. At this stage all routs having values less than two and not being significant as per findings in the second stage of analysis are eliminated thereby the final values of parameters will be obvious and apparent. In diagram 3 standardized values are shown, all possible relationships between dependant and independent variables are also shown. Trust variable has a direct relationship with dependant variable while educational level and formal networks have relationships with job satisfaction through trust variable. Take in diagram 3

In diagram 3 the value of error variance in job satisfaction variable is 0.25 which means 25 percent of job satisfaction variable variance is not due to existing variables in model. It is quite clear that 75 percent of job satisfaction variable variance is under the effects of existing variables
which is a promising value for the description of the variables under consideration. In table 4 final root analysis model distribution is shown. This distribution is quite a desirable one.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Value</th>
<th>Acceptable range</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\chi^2/df$</td>
<td>0.963</td>
<td>$\chi^2/df&lt;2$</td>
<td>Model approved</td>
</tr>
<tr>
<td>P value</td>
<td>0.4085</td>
<td>P&gt; 0.05</td>
<td>Model approved</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.00</td>
<td>RMSEA&lt; 0.09</td>
<td>Model approved</td>
</tr>
<tr>
<td>RMR</td>
<td>0.0088</td>
<td>RMR&gt; 0</td>
<td>Model approved</td>
</tr>
<tr>
<td>GFI</td>
<td>0.99</td>
<td>GFI&gt; 0.09</td>
<td>Model approved</td>
</tr>
<tr>
<td>AGFI</td>
<td>0.97</td>
<td>AGFI&gt; 0.85</td>
<td>Model approved</td>
</tr>
<tr>
<td>NFI</td>
<td>0.99</td>
<td>NFI &gt; 0.9</td>
<td>Model approved</td>
</tr>
<tr>
<td>CFI</td>
<td>1</td>
<td>CFI &gt; 0.9</td>
<td>Model approved</td>
</tr>
<tr>
<td>IFI</td>
<td>1</td>
<td>IFI &gt; 0.9</td>
<td>Model approved</td>
</tr>
</tbody>
</table>

Table 4. Distribution criteria of final rout analysis

All criteria show the appropriateness of model and even the LISREL software in an attempt to improve model criteria did not recommend any other routes except those discussed here.

### 4. Structural Equations

The following is the structural equation of final root analysis model:

\[
\text{Satisfaction} = 0.56 \times \text{trust} - 0.069 \times \text{education}, \quad \text{Error variance} = 0.25, \quad R^2 = 0.6
\]

(0.05) \quad (0.026) \quad (0.022)

11.21 \quad -2.6 \quad 11.25

As it is shown previously, independent variable “trust” has a direct relationship with “job satisfaction” and plays an important role in the indirect relationship of independent variables of educational level and formal networks with job satisfaction; thereby its structural equation is shown here to enable us in considering this indirect relationship.

\[
\text{Trust} = 0.89 \times \text{in formal network}, \quad \text{Error variance} = 0.16, \quad R^2 = 0.6
\]

(0.046) \quad (0.0114)

19.49 \quad 11.25

The values of direct relationship among variables are shown in table 5. In this table the direct and positive relationship between trust and job satisfaction is shown. It can then be claimed that the higher the trust, the higher the job satisfaction in employees.

<table>
<thead>
<tr>
<th>Direct relationships of variables in model</th>
<th>Estimation values</th>
<th>Standardized values ($\beta$)</th>
<th>Standard error</th>
<th>T value</th>
<th>Level of significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship of trust and job satisfaction</td>
<td>0.56</td>
<td>0.58</td>
<td>0.05</td>
<td>11.21</td>
<td>P&lt; 0.01</td>
</tr>
<tr>
<td>Relationship of educational level and job satisfaction</td>
<td>-0.069</td>
<td>-0.13</td>
<td>0.03</td>
<td>2.6</td>
<td>P&lt; 0.05</td>
</tr>
<tr>
<td>Relationship of formal networks and trust</td>
<td>0.89</td>
<td>0.77</td>
<td>0.05</td>
<td>19.49</td>
<td>P&lt; 0.01</td>
</tr>
</tbody>
</table>

Table 5. Direct values in final rout analysis model

### 5. Estimation Values

Estimation values are utilized to calculate the dependant variables values. “$\beta$” values are standardized values between -1 and +1. They are used to predict the intensity of relationship and their comparison with each other. Correlation between two variables are considered positive if the value ranges from 0 to +1 and considered negative if between -1 to 0.
6. t Values. t values are used to assess the significance of estimation values that is whether the significance of relationships are true or they are accidental or as a result of sampling errors or measuring errors. Acceptable t values shall be over 2. In table 6 the values of variables indirect relationships with job satisfaction are shown. As it has been stated before the formal network variable is the only variable which has significant relationship with job satisfaction through trust variable.

<table>
<thead>
<tr>
<th>Relationship of formal networks and job satisfaction</th>
<th>Estimation values</th>
<th>Standardized values (β)</th>
<th>Standard error</th>
<th>t value</th>
<th>Level of significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.5</td>
<td>0.45</td>
<td>0.05</td>
<td>9.72</td>
<td>P&lt; 0.01</td>
<td></td>
</tr>
</tbody>
</table>

Table 6. Indirect relationships values in final rout analysis model

In table 7, we consider the total value of the sum of all direct and indirect relationships of external variables with job satisfaction in model. Besides, through the same method we can categorize all categories in job satisfaction in accordance with their priorities using standardized values of “β”. As it can be seen variables “trust”, “formal networks”, and “educational level” have the most impact on job satisfaction in these three hospitals.

<table>
<thead>
<tr>
<th>Direct/indirect relationships with job satisfaction</th>
<th>Estimation values</th>
<th>Standardized values (β)</th>
<th>Standard error</th>
<th>t value</th>
<th>Level of significance</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust</td>
<td>0.56</td>
<td>0.58</td>
<td>0.05</td>
<td>11.21</td>
<td>P&lt; 0.01</td>
<td>1</td>
</tr>
<tr>
<td>Formal networks</td>
<td>0.5</td>
<td>0.45</td>
<td>0.05</td>
<td>9.72</td>
<td>P&lt; 0.05</td>
<td>2</td>
</tr>
<tr>
<td>Educational level</td>
<td>0.069</td>
<td>-0.13</td>
<td>0.03</td>
<td>2.6</td>
<td>P&lt; 0.05</td>
<td>3</td>
</tr>
</tbody>
</table>

Table 7. Direct/indirect relationships values (total impact) of variables on job satisfaction in final rout model

**Summery and discussions**

On the basis of research questions, the following hypotheses are formulated. The first research hypothesis: There is a relationship between individuals trust and job satisfaction in three selected hospitals. This is shown statistically as follows: H0: there is no significant relationship between individual's trust and job satisfaction, H1: there is significant relationship between individual's trust and job satisfaction. Taking into consideration the data drawn from rout analysis, with 99 percent confidence we can claim that there is a significant relationship between trust and job satisfaction (β =0.58, t=11.21, p < 0.01). It means that an increase in individuals trust would directly and positively increase job satisfaction and vice versa. The second research hypothesis: There is a relationship between formal networks and job satisfaction in three selected hospitals. This is shown statistically as follows: H0: there is no significant relationship between formal networks and job satisfaction, H1: there is significant relationship between formal networks and job satisfaction. Taking into consideration the data drawn from rout analysis, with 99 percent confidence we can claim that there is a significant indirect relationship between formal networks and job satisfaction (β =0.58, t=11.21, p < 0.01) through trust variable. It means that formal networks through increasing trust can lead to more job satisfaction. The third research hypothesis: There is a relationship between norms action and job satisfaction in three selected hospitals. This is shown statistically as follows: H0: there is no significant relationship between norms action and job satisfaction, H1: there is significant relationship between norms action and job satisfaction. Taking into consideration the data drawn from rout analysis, there is neither
direct nor indirect relationship between individual’s action norms and job satisfaction. In the first stage of route analysis “t” value was equal to 1.75 which weakly showed that there is no direct relationship between action norms and job satisfaction. In the second stage, the value of t=1.67 weakly shows that there is not even an indirect relationship between them, so, we can conclude that action norms neither directly nor indirectly affect job satisfaction. Pearson Correlation Coefficient shows a significant direct relationship between social capital and job satisfaction. Correlation Coefficient between social capital and scores of job satisfaction is 0.855. The mean values and the viewpoints of respondents with regard to the extent of job satisfaction and social capital have also been considered utilizing “t” test with a constant value. The range of job satisfaction is from 12 to 60 with the mean value of 36. This figure is 90 with regard to social capital. In table 8 the mean values are compared to the views of respondents. This table shows that with 95 percent confidence we can evaluate the viewpoints in the range of mean values.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Standard deviation</th>
<th>T value</th>
<th>Test constant value</th>
<th>Degree of freedom</th>
<th>Test result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job satisfaction</td>
<td>39.125</td>
<td>12.75</td>
<td>0.157</td>
<td>36</td>
<td>225</td>
<td>No significance</td>
</tr>
<tr>
<td>Social capital</td>
<td>97.76</td>
<td>33.23</td>
<td>0.864</td>
<td>90</td>
<td>225</td>
<td>No significance</td>
</tr>
</tbody>
</table>

Table 9: The comparison of job satisfaction scores and social capital at average

The present paper indicates that there is a direct, positive, and significant relationship between trust and job satisfaction. Trust will lead to more satisfaction. There is also an indirect, positive, and significant relationship between formal networks and job satisfaction but through trust variable. It means that formal networks can increase job satisfaction level. We have also concluded that there is no direct/indirect relationship between action norms and job satisfaction. In the analysis of the relationship between external variables and job satisfaction, it had been found that there is a direct, significant, but negative relationship between educational level and job satisfaction. Higher levels of educational background would lead to less job satisfaction. There is also a significant relationship between social capital and job satisfaction.
References
Annexure

Diagram 1. The preliminary rout analysis model with t coefficient

Diagram 2. Second stage rout analysis diagram
Diagram 3. Final model of rout analysis of standardized value for the analysis of direct/indirect relationships.
Survey effectiveness of work adjustment-based collective consultation on develop of job motivation about General Inspection Organization staff

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Abstract
The purpose of this paper study of effectiveness of work adjustment-based collective consultation on develops of job motivation about general inspection Organization staff. For achievement this aim was selected 150 people of sections in about general inspection Organization. This study based of objective is applied research and based method of gathering information is descriptive research. The results of this study indicated there are meaningful differences between average dimensions of typical motivation factors among the General Inspection Organization staff. In this respect the comparison made between the acquired average scores was indicative of the fact that the “recognition for achievement” stood at the lowest level and “responsibility for task” stood at the highest level. It is notified that there exist very meaningful differences in various dimensions of typical hygiene factors of the General Inspection Organization staff as well.

Key words: Work adjustment-based collective consultation, job motivation

Introduction
Research into why people vary both in their level of motivation for a task and in the reasons why they are motivated to undertake a task has a long history in the psychological literature. Theory distinguishes between different types of motivation in terms of the different underlying attitudes, reasons and goals that give rise to action. The clearest distinction is between intrinsic motivations (doing something because it is inherently interesting or pleasurable) and extrinsic motivation (doing something because one is externally forced to do so, or because action will lead to some sort of reward or outcome). These different types of motivation can produce different standards of subsequent task performance (Ryan & Deci 2000).

Historically, intrinsic motivation was viewed as the most favourable type. More recent approaches such as self-determination theory, however, propose that there are different types of extrinsic motivation. Some may be associated with disinterest and resentment, but others can lead to attitudes of willingness and facilitate self-endorsement of the task. Ryan and Deci (2000) explore the social and environmental conditions that foster active and volitional, rather than passive and controlling, forms of extrinsic motivation.

Ryan and Deci (2000) argue that although people have the capacity to be intrinsically motivated for an activity, this only occurs under certain conditions. The authors proposed self-determination theory to explain how different social and environmental factors can create
conditions that either promote or restrict the expression of intrinsic motivation. Within self-determination theory, Ryan and Deci (2000) postulate cognitive evaluation theory, to argue that intrinsic motivation will only be activated and maintained under conditions that satisfy people’s basic psychological needs for competence and autonomy. Specifically, they argue that external events interpersonal communications and rewards that induce feelings of competence, or efficacy during an action—will increase intrinsic motivation by fulfilling the need for competence. Competence-inducing events are those that present, for example, optimal challenges and non-demeaning evaluations.

However, feelings of competence alone will not necessarily increase intrinsic motivation for a task unless an individual also perceives autonomy, or an internal locus of control. In other words, they must perceive they have a degree of control over their behavior. Feelings of competence will also vary according to individual capacity to engage in particular tasks. Responding to the result that rewards made contingent on task performance can reduce intrinsic motivation, Ryan and Deci (2000) use cognitive evaluation theory to propose that external rewards diminish intrinsic motivation because they have the effect of shifting locus of control from an internal to an external location. Conditions that fulfill the need for autonomy—choice and opportunity for self-direction—enhance intrinsic motivation, while conditions perceived as controlling of behaviour will diminish it because they fail to fulfill this need. Autonomy and competence will only be related to intrinsic motivation, however, for activities that hold intrinsic interest for an individual.

**Review of research literature**

A series of empirical studies are reviewed in Deci, Koestner and Ryan (1999) that look at aspects of motivation theory and the circumstances in which performance-related rewards may reduce intrinsic motivation. We group our discussion around the five major conclusions drawn in Deci, Koestner and Ryan’s review. The evidence on which these conclusions are based is mostly drawn from laboratory-based experiments where individuals are randomized into treatment and control groups. Both groups are typically asked to undertake a series of common games, such as solving particular types of puzzles. The treatment group receives some reward for performing the tasks or is subject to some form of controlling behavior (for example, they face deadlines for task completion). The control group also undertakes the tasks (solves the puzzles) but is not subject to the same, or any other type of, reward or punishment. Unexpected rewards are not detrimental to intrinsic motivation because they are not experienced as informational or controlling. In addition, rewards that are not contingent on performing specific tasks are also not detrimental. This is because people who are not required to engage in the behavior to receive the reward do not perceive the activity as instrumental to receiving the reward; hence, there is no cognitive re-evaluation to the external locus of control (Deci 1972a). As already noted, in a series of laboratory experiments, Deci and others found that task-contingent rewards (rewards given for simply engaging in an activity) decrease intrinsic motivation (Amabile, De Jong & Lepper 1976;
Deci 1971, 1972a). Performance-contingent rewards (rewards dependent on the quality of performance of tasks) or punishments decrease intrinsic motivation (Harackiewicz 1979; Deci 1972b for monetary rewards), and also have a substantial effect on the intrinsic motivation of those not rewarded because of poor performance (Pritchard, Campbell and Campbell 1977). Harackiewicz (1979) found that performance-contingent rewards reduced intrinsic motivation more than task-contingent rewards. The effect of performance-contingent rewards may be mitigated or exacerbated depending on how the rewards are delivered (Deci et al. 1994; Deci, Nezleck & Sheinman 1981; Ryan, Mims & Koestner 1983)—Ryan, Mims and Koestner (1983) argued that performance -contingent rewards may be perceived as either ‘controlling’ or ‘informational’, depending upon how they are administered, and found that controlling rewards decreased intrinsic motivation more than informational rewards. The studies presented were designed to investigate whether various reward contingencies (task contingent or performance contingent) and different types of feedback affected intrinsic motivation. Overall, this experimental evidence strongly suggests that task-contingent and performance-contingent rewards decrease intrinsic motivation, while positive feedback enhances it. In many situations, however, use of external rewards or controls is necessary. The critical question, then, is: how may rewards and constraints is used to maintain, or even promote, intrinsic motivation? Studies that address various aspects of this problem conclude that the effect of incentives or sanctions on recipient behavior may crucially depend upon the nature of interactions with regulators, particularly those enforcing a sanction or giving a reward. Recipients’ perceptions of agency staff, and of the wider agency/department, are also likely to influence how they respond to an incentive or sanction. On the one hand, interactions perceived as informational, and procedures that give participants choice and encourage them to work out their own strategies and solutions, may create environments in which incentives will increase motivation. On the other hand, interactions perceived as threatening and highly controlling of behavior may mean that incentives work to undermine motivation.

Conceptual framework
The research was carried out based on the factors affecting the Herzberg's Motivation Theory (Two Factor Theory). This theory is a theory which has been given high significance by many experts and scholars in the field of job motivation in the last three decades. In the Hertzberg theory the typical motivation factors include: achievement, recognition for achievement, responsibility for task, growth, advancement to higher level tasks and interesting job. The typical hygiene factors also include: quality of supervision, interpersonal relations, salary, and safety, working conditions and company policies and conditions.
Research questions:
1. How is the current status of the General Inspection Organization staff job motivation?
2. Whether there is any difference between the job motivation of the General Inspection Organization female and male staff or not?
3. Whether work adjustment-based collective consultation affects promotion of job motivation or not?

Research method:
The statistical community for the present research includes all female and male staff of the General Inspection Organization working in Tehran in 2005. The statistical sample of the present research was taken based on random sampling method. At first 150 individuals from the General Inspection Organization staff were selected at random and the Hertzberg's job motivation questionnaire was used for them. Then out of those staff whose motivation was below the average (weak) 60 individuals were selected again at random. The 60 individuals were divided into two 30 strong group and, by chance, one group was titled as the probation group and another one as the control group.

Research tools:
In favor of the present research and with the purpose of measuring and estimating the job motivation a questionnaire comprising 36 questions in five categories of based on Likert scale was used and within the questions 11 factors were measured and considered in relation to the job motivation case. The questions on the job motivation arranged in questions from number 27 to 62.

Descriptive and reliability nature of the questionnaire
With the purpose of determining descriptive nature of the job motivation questionnaire, at first 12 relevant experts and scholars (3 in the field of management, 3 in the field of research methodology, 3 in the field of behavioral research and 3 in the field of psychology) were provided with objectives, theories as well as the contents of the questionnaire in order for them to judge about concepts lied in the questions and their relationship to the said objectives and research theories. Then all their views were collected and those questions which, according to the experts and scholars, were of higher values and weighs were identified and the rest of the questionnaire reconsidered, revised and used accordingly. Reliability coefficient of the job motivation questionnaire in the previous research On the final reliability coefficient of the job motivation questionnaire it is notified that in the previous research carried out by use of Cronbach’s Alpha methodology the figure of $\alpha=0.96$ gained for the reliability coefficient of the job motivation questionnaire. Table for reliability coefficient of the job motivation questionnaire in the previous research:
Reliability coefficient of the job motivation questionnaire in the present research

In favor of the present research, during a preliminary study carried out by the researcher of the present research on 50 individuals by use of the Cronbach’s Alpha methodology, the reliability coefficient acquired was the same as that of in the previous research.

Table for reliability coefficient of the job motivation questionnaire in the present research:

<table>
<thead>
<tr>
<th>Reliability coefficient</th>
<th>Job motivation questionnaire</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cronbach’s Alpha</td>
<td>0.96</td>
</tr>
</tbody>
</table>

As it can be seen in the above table the questionnaire is implying an inner similarity and a high and satisfactory reliability coefficient (α=0.96) which is good for measuring variances of the job motivation.

The methods for analyzing the available data for the present research was used at two descriptive and inferential statistics levels:

1- At descriptive level, the statistical indexes used included abundance, percentage, average, variance, standard deviation, tables and charts.

2- At inferential level, for the research questions independent T-Test, dependent T-Test and Freidman Test were used with help of the SPSS software.

Discussion and conclusion

Based on the findings of the research on the first question of the questionnaire a meaningful difference between average dimensions of typical motivation factors among the General Inspection Organization staff was quite visible. In this respect the comparison made between the acquired average scores was indicative of the fact that the “recognition for achievement” stood at the lowest level and “responsibility for task” stood at the highest level. It is notified that there exist very meaningful differences in various dimensions of typical hygiene factors of the General Inspection Organization staff as well. Based on the comparison made in this respect the “salary” stood at the lowest level and “quality of supervision” stood at the highest. Outcome of the present research was quite consistent with the findings of Robins (1991), Katzel and Thompson (1990), Wilson L. and Thomas (1998), Stillwell (2001), Franco, Binet and Confer (2002), Kate (2001) and Martinez (2001) on the job motivation factors. Therefore the first question of the research confirmed that the typical motivation and hygiene factors are effective in promoting staff job motivation. Study of the motivation is considered as a drive for identifying human behavior and finding answer to this question that why they behave differently and why a director or an employee does his job keenly, eagerly, seriously and with forbearance but another director or employee shall necessarily be encouraged or intimidated to make the least effort in doing his or her job. This is one of the most important motivation related subjects. Cultures within
organizations, due to the values, beliefs, ideas and norms prevailed in these organizations, can play very decisive role in shaping behaviors of their staff, and managers and directors of these organizations can provide suitable and dynamic atmosphere towards promotion of their staff performance only if they themselves has already been properly encouraged by their superior official and authorities. Lary. K. Dimond (2005) believes that job motivation acts as a medium between emotional incompatibility and job performance and as the emotional incompatibility decreases job motivation is enhanced leading to promotion of job performance. On the other hand Thomas, S.Y& Trama, S & o’ Har, L.A. (2005) are of this opinion that positive emotional way of thinking by the staff will increase job motivation and consequently promote their efficiency. In the same respect Jentichi (2005) believes that low job motivation will lead to voluntary job change by the staff.

Based on the studies made and with respect to the second question of the questionnaire no meaningful difference was witnessed between job motivation of the General Inspection Organization female staff and the male ones. In this respect findings arising from this question were consistent with the findings of Alper (1973) implying that job motivation of men supersedes that of women, and findings of Monte Sinosu and Nelson (1997) suggesting that the job motivation of women supersedes that of men. Based on the comparison made between all these researches we reached to the conclusion that the job motivation of either of the two male and female categories is more than the other or meaningful differences is visible between their job motivations which by itself is not consistent with findings of the present research. It is notified that outcome of the research carried out by Franco, Binet, Confer and Stablin implying that there is no meaningful difference between job motivation of men and women are consistent with the outcome of the present research. Therefore outcome of the second question may not be confirmed accordingly. In another word the more individual job motivation, the more innovation and creativity and the more production would be. Growth and development in every organization depend on the optimum use of physical, mental and psychological capabilities of their staff. Those organizations which enjoy the staff with better job motivation and the staff who feels themselves responsible vis-à-vis their job commitments, are of high productivity and efficiency. Based on the findings and outcome the third question of the questionnaire on the typical motivation factors, job motivation of those staff of the General Inspection Organization who passed relevant training courses was remarkably much higher than those who have not yet passed the courses. This is the same with respect to the typical hygiene factors. The result of the present research in this regard is considered as consistent with researches carried out by Wodel (2003), Kelshrisda (2004), Watmore (1999), Fruid (1975) and Bagnara (1999) on work adjustment and it is inconsistent with those of Cohen (1983). Findings of the present research are also consistent with outcome of the researches conducted by Wilson L. & Thomas (1998) and Elihand & Sedohani (1998). Therefore outcome of the third question of the questionnaire was confirmed. This means that organization of collective consultations and work adjustment-based training courses may promote job motivation of the staff. Given the rapid change and development of the
existing industrial and economic establishments those organizations which may not adjust themselves to the new internal and external conditions would not be able to survive. One of the elements for survivability of the today complicated organizations is development of human resources and further promotion of human force productivity and provision of compatibility and adjustment requirements between the job and work environment and the physical and psychological capabilities of the human force is considered as one of the key elements in this respect. Work adjustment is considered as an important element for promoting productivity in every organization. Work adjustment is also a key factor for consistency of a successful job. Every individual expects to enjoy its desired job bringing him/her hygiene, self-complacency and credit and supplying his/her basic needs as well. Dawis and Lofquist theory on work adjustment (1987) is considered as a theory in the field of adjustment of individuals with the environment; unlike many of job related theories which are revolving around job decision making procedures, Davis and Lofquist theory is speaking of work adjustment. Based on this theory all individuals, innately, are in search of their adjustment to their environment. Job motivation is considered as one of the basic subjects of every organization and its management and efforts and activities of every individual depends upon his/her motivation. Hertzberg’s findings suggest that typical motivation factors will lead to job satisfaction and will substitute lack of interest with positive approach towards the work. Therefore dissatisfaction will be brought to its lowest level. On the other hand lack of typical hygiene factors in the work environment will aggravate negative approach to work leading to job dissatisfaction. Then given requirements of the staff and their commitment and their responsibilities towards their organization if the efforts within General Inspection Organization (in Tehran) are promoted in satisfying the environmental expectations then we may witness promotion of job motivation of the General Inspection Organization staff in Tehran. Therefore theoretical foundations presented by Dawis and Lofquist in relation to work adjustment and that of Hertzberg in relation to the job motivation are considered as consistent with the outcome of the present research.

Suggestions:
In view of the findings of the present research, with the purpose of improving the work adjustment situation and promoting job motivation accordingly a number of suggestions introduced to the scholars and researchers as follows:
1-Given the dependence and meaningful relationship between work adjustment-based collective consultations and promotion of the job motivation it is suggested that directors and managers of the General Inspection Organization, in addition to the organization of collective consultations training courses, within their general policies and strategies give high significance to the job motivation factors including typical motivation and typical hygiene factors, as stipulated in the Hertzberg's theory, training individuals who stand below the average level in order for them to promote their status in this respect. It goes without saying that this measure will lead to improvement of the work performance methods and ways, promotion of directors and managers awareness on their staff performance and recognition their achievements, proper appointment of
the staff and directors based on the relevant job rules and regulations, preparing the ground for
the staff to get promotion, promotion of authority and independence of directors and the staff in
the decision making process and public relations as well as in acquiring required expertise,
promotion of job security and necessary supports for the staff, further attention to the basic
requirements of the staff, observance of the principle of equality in paying salaries and bonuses
within the organization and with respect to other organizations, creation of further job motivation
in the policies and strategies of the organization leading to promotion of job motivation of the
staff.

2- Given the positive impact of work adjustment-based collective consultations it is suggested
that directors of the General Inspection Organization to include organization of collective
consultation training courses within policy and strategy of the organization. This, by recognition
of the achievements made by the staff and also recognition of their requirements, will promote
their sense of responsibility and commitment, their loyalty to the organization as well as their
efforts and performance within the organization which will be followed by meeting of the staff
expectations from their work environment leading to promotion of psychological and emotional
hygiene within the organization as well as further motivation and commitment of the staff.

3- Given the fact that findings of the previous studies carried out inside and outside the country
as well as the present research is indicative of the fact that between the work adjustment and the
job motivation there exists a typical relationship, the job satisfaction is considered as an
important index of the factor of the work adjustment. This implies that if adjustment is
established between capabilities and working conditions of every individual it will surely lead to
satisfaction and accordingly promotion of the individual in his/her job as well as his/her job
motivation. Therefore it is also suggested that planners and authorities of the General Inspection
Organization, while making their desired planning, bring the two above mentioned aspects to
their attention establishing a suitable work environment in which talents and abilities of the staff
manifested creating a safe work environment wherein the job safety will be revived accordingly.
To this end organization of collective consultation training courses, recognition of achievements
made by the staff and raise of their salary would be also effective in promoting their loyalty and
commitment to their organization preparing a suitable ground for giving rise to their productivity
and performance leading to creation of a dynamic and happy atmosphere in the work place and
creation of self complacency and joyfulness of the staff.

4- It is also suggested that instead of having these interventions in eight sessions during a month
they will be arranged in eight sessions per year and all the results be compared with the findings
of the present research. Based on the experiences of writer of the present research paper further
distance between the sessions and, instead, having them on a continuous basis would make them
more effective and useful. It goes without saying that the results of the research shall be tested
and measured as a hypothesis.
5- On the impacts of the intervention on two different male and female genders very limited number studies have already been carried out in Iran therefore it is suggested that in the future researches and studies this variance would be brought into attention and discussion.
6- Preparing and supplying CDs on training programs in favor of the staff and holding training courses for the managers and directors would be of great use as well.
7- It is also suggested that in the future studies work adjustment and job motivation within the General Inspection Organization branches in other provinces would be given significance.
8- It is suggested that in the future studies work adjustment and job motivation of other staff of the General Inspection Organization in Tehran would be given significance as well.
9- It is suggested that in the future studies work adjustment and job motivation within the operational sphere of the General Inspection Organization in the whole country would be given significance and further attention.
10- It is also suggested that in the future studies given low rate of job motivation vi-a-vis the existing work adjustment level in the General Inspection Organization in Tehran ways towards promotion of job motivation would be studied and considered accordingly.
References


Diversity Management’s effect on Job satisfaction and workgroup performance of Government Sector Employees

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Abstract
The basic purpose of this research is to identify the effects of diversity management on workgroup performance and job satisfaction of an employee working in Government organization. This research is primarily based on data which is collected from the Government employees through questionnaires and self administrated interviews from Govt. employees. After analyzing the data, finding shows that the diversity management is positively related to workgroup performance (group based performance) and job satisfaction of individual employee. This research is only conducted in twin cities with a small sample size so it cannot be generalized. A longitudinal study can be conducted with a larger sample size for generalizing the results. Through training, designing and implementing the diversity management program and strictly observing the EEO, a better workgroup performance as well as the employee job satisfaction can be achieved.

Keywords: Diversity Management, Job Satisfaction, Govt. Organization, Performance

Introduction
Workforce of a country plays a vital role in the overall performance of an organization as well as in the performance of a country as a whole in terms of growth in Gross Domestic Product (GDP). Since its independence, Pakistan’s workforce is highly diverse in terms of ethnicity, race, culture, language, religion, sense of belongingness, and demographics. A diverse workforce may be comprised a belief, understanding, values, ways of viewing the world and any information which is unique (Shen et al., 2009).

The population of Pakistan can be divided into different groups based on ethnicity. These groups are: Punjabis (44.15%), Pashtuns (15.42%), Sindhis (14.1%), Seraikis (10.53%), Muhajirs (7.57%), Balochs (3.57%), and other smaller ethnic groups (4.66%). Moreover, male are 51% and female are 49% of the total population of Pakistan (Livingston & O’Hanlon, 2010).
This workforce when work or interact with other group within an organization they exhibit the behaviour either positive or negative. Workforce diversity may affect the overall efficiency of an organization (Carrell et al., 2006). In this case, the responsibility of the Public Managers has been increased due to diverse workforce because they try to achieve desired goals through managing the diverse workforce. Pakistan’s society is a male dominant society and females facing problem in getting jobs and performance based award mainly in Public Sector Organizations.

Public managers are now putting their efforts on diversity and trying to find out ways to manage the diversity with the application of diversity management programs (Kellough & Naff, 2004; Pitts, 2009). When the diversity management programs are once implemented, the employees of an organization feel that they can get promotion and job opportunities on an equal base without any bias. Hence, the retention of the employees in the organization is based on the organization’s diversity management programs. When employees feel that the promotion and reward system is solely based on merit but not on biasness and resulted in employees’ job satisfaction and the employees feel fairness then it creates job satisfaction (Barak & Levin, 2002).

Diversity issues vary in different countries, whereas the most common diversity issue in the world is gender inequality. In both the United States of America (USA) and South Africa, racial equality is a strong issue although there is a systematic discrimination against black and ethnic minorities (Shen et al., 2009). A research shows that those companies where women are working have a positive effect on the profitability of the company (Gender Diversity, 2009).

The Government of Pakistan either Federal or any Provincial Government has introduced a quota system for jobs in the Government Sector Organizations on different bases like gender, geographical (Punjab, Sindh, Baluchistan, Khyber Pakhtunkhwa, and Northern Areas of Pakistan), disability and minorities (Christian, Sikh and others). Pakistan’s Government managing the diversity mainly through affirmative action and equal employment opportunity and in year 2002 a Labour Policy was introduced by the Federal Government to giving powers to labor courts, to built good employee-employer relationship, to give protection to contractual employees, ban on child labor and discrimination on the basis of geographical, ethnic, gender etc. (Ahmed, 2009).
The main objective of this research paper is to evaluate or identify the effect of diversity management on workgroup performance and the employee job satisfaction who are working in the Public Sector Organizations of Pakistan. This research will mainly focus on racial diversity and try to find out how diversity management can be effected to racial diversity. The Government of Pakistan either Federal or any Provincial Government has introduced a quota system for jobs in the Government Sector Organizations on different bases like gender, geographical (Punjab, Sindh, Baluchistan, Khyber Pakhtunkhwa, and Northern Areas of Pakistan), disability and minorities (Christian, Sikh and others).

**Conceptual model:**

![Fig.1 Proposed model](image)

**Literature Review and Hypothesis Development:**

**Diversity Management:**

Diversity is becoming more important for organizations because the workforce is shifting from one geographical to another area and organizations are expanding globally that lead to increase in global completion (Hite & McDonald, 2006). A diverse workforce may comprise a belief, understanding, values, ways of viewing the world and any information which is unique (Shen et al., 2009).

There are two types of approaches for defining the diversity in literature, one is based on affirmative action/equal employment opportunity and the other based on values, religion, demographic, culture etc. Most of the authors define the workforce diversity in a broader way i.e. culture, ethnicity, race, color, gender, age, national origin, religion, language etc. and workforce diversity may affect the overall efficiency of an organization (Carrell et al., 2006).

Most of the theories say that diversity is a universal concept that has more than one dimension and ethnicity is the main aspect of it (Pitts, 2009). A lot of work has been done to manage the diversity but only 46% of the companies in the year of 2004 have written diversity policy or programs although it is a smaller of percentage whereas it is an increase of 35% over the result of survey conducted in the year of 1992. Further, the workforce diversity policies and programs have a positive effect on organizations (Carrell et al., 2006). Researchers are proposing that women will be 47% of the total workforce and ethnic or racial minorities will be more than 30% of the workers in the year of 2020 (Barak & Levin, 2002).

Diversity is a component of Human Resource Management and diversity can be managed through training and friendly policies. The responsibility of the HR Managers will increase day by day to identify the ways of how to manage the diversity and achieve desirable goals by managing the diversity issues.
Workgroup Performance

Workgroup performance means the overall performance of the employees working in a group, unit, department or section. Employees divided into different categories either on the basis of demographics or on a gender base. When these employees work in a group or section, the issues of diversity will arise. If this diversity is fully managed through policies and programs, it will increase the overall performance of the group; otherwise, conflicts will arise in lack of performance. Employees feel comfortable if they made self-selected group either made on gender base or area and the performance will be better. Workgroup performance was evaluated through the productivity, quality of work that they performed and the satisfaction of the employees (Cragan & Wright, 1995).

Job Satisfaction:

Job satisfaction is a hot issue in this era and at the same time, retention of an employee is becoming a more challenging job for Human Resource Managers. Satisfaction with job is a degree to which how much an employee is satisfied with his job (Bettencourt & Brown, 1997). Employees, facing dissatisfaction with their jobs, have many reasons like lack of rewarding system, discrimination between employees, non-cooperative supervisors and colleagues, and uncomfortable work environment.

In youth dominant culture, it is evident that those employees who are older, they are much dissatisfied and de-motivated and resulted into they are terminated from their jobs and sometimes they are also discriminated (Barak and Levin, 2002). In Government Sector Organizations, employees are recruited through a quota system as well as on merit. The people of Pakistan prefer the Government service and they retain till retirement whether they are satisfied with their jobs or not.

Hypothesis Development

Much of the work on diversity management was in descriptive nature that could not help in evaluating the assumption about the links between job satisfaction and performance (Pitts, 2009). Little work has been done on indentifying the relationship between diversity management and work outcome which includes workgroup performance and job satisfaction.

Diversity Management effect on workgroup performance

H1 Diversity Management leads to higher workgroup performance.

This first hypothesis is based on the literature that diversity management will have a significant impact on workgroup performance because the workforce diversity in terms of ethnicity, race, and gender is increased day by day. Organizations that have a diverse workforce with well-adapted differences have a high retention rate and the performance as a whole of the group will be increased. Bureaucracy theory if true and organization provide the environment like the employees feels citizen of that organization so the retention rate and performance of the group will increase (Pitts, 2009).

Diversity Management’s effect on Job satisfaction:

H2 Diversity management leads to higher job satisfaction.

The second hypothesis is the relationship between diversity management and job satisfaction. In general, in the presence of diversity management there will be no job satisfaction for all employees. Literature shows that if the diversity management is strong then the people of different color, they show job satisfaction. It might be possible that the management is taking care of people of different color (Pitts, 2009). Therefore it is trying to identify that people of different geographical areas are satisfied with their jobs in the presence of diversity management.
Research method:

This research is based on survey and measures based on respondents’ perception which are full-time permanent employees of public sector organizations (Pitts, 2009). In this research, diversity management is an independent variable whereas workgroup performance and job satisfaction are dependent variables. For obtaining the responses from the respondent the study used questionnaire. The survey is primarily focused on permanent employees from different government sector organization which does not include Non Government Organizations (NGOs). It was conducted in Islamabad/Rawalpindi cities, this survey is self administrated and filled through a direct interview by using a structured questionnaire from the managers of the public sector organizations. The data is collected from almost 100 federal/provincial government employees in Federal Capital Territory (Islamabad) and Rawalpindi.

In this research, the responses of respondents is quantified through percentage that how much employees said yes or no about an argument and extent they think that impact of diversity management on performance of a group and individual employee job satisfaction.

Results and Discussion:

The questioners was distributed to 150 government sector employees working in Auditor General of Pakistan (AGP), Accountant General of Pakistan and Revenue (AGPR), Frequency Allocation Board (FAB), Islamabad and Excise and Taxation Office (ETO), Rawalpindi. However, only 84 officers/officials completed the instrument (questionnaire) resulting in a response rate of 56%.

After analyzing the data received in response of the questioners that out of 84 respondents’ males were 72 which was 85% of the total respondents and rest were the females which were 12. This shows that the government sector is a male dominant working group and the females compose very few in numbers. From the survey, it was revealed that only 46% of the male respondents redundant are satisfied with their job in relation to the training and payment that they have acquired. Further, they responded that the performance of a group as a whole is suffering due to lack of physical conditions e.g. room, infrastructure, computers etc. to perform their job well. Employees believe that the recruitment process in the organization is non-discriminatory, non-bias on the basis of gender or geographical locations, and unprejudiced behavior which proves transparency. Whereas, the rest of the 54% employees are not satisfied with their job because of training and pay.

The females which consist of 15% responded that they are satisfied with their job, pay, and training, and with their organization where they are working. They also replied that the workgroup/unit/section’s performance is good because they feel the physical conditions are good to perform their job and the overall quality of the work done by the unit/section is good as argued by David Pitts in 2009. Females also replied that the employees in the Government Sector recruited on the basis of skills not on other biased factors like gender, demographics etc. In general, employees’ survey revealed that the age group between 26-29 years which was 13% of the 84 respondents are not satisfied with there job because they feel that the working environment/physical conditions are not suitable due to which the performance of section/unit is not up to the mark. Nevertheless, they replied that although the Government Sector Organizations are recruiting employees through a quota system based on domicile and gender, favoritism/nepotism is still prevailing during the recruitment process.
Conclusion and Recommendation:

The main objective of this paper is to identify the effect of diversity management on performance outcomes which include workgroup performance and employee job satisfaction who are working in Public Sector Organizations of Pakistan. This research mainly focused on racial diversity and tried to find out how diversity management can be effected by racial diversity.

After examining the results, it is conclude that Diversity Management plays a significant role in maintaining job satisfaction and workgroup performance and from the above the discussion two results can be concluded, first is diversity management have a positive impact on job satisfaction and also positive impact on workgroup/unit/section performance.

However, this study has some limitation; first the sample size for obtaining the responses is not large, secondly, the area for selection of Government Department is limited only to Islamabad and Rawalpindi not whole or major cities of Pakistan, and thirdly, answers given by the respondents were primarily based on the perception and opinion of the employee. It might be possible when one replied; the person was very happy and replied everything positively.

Practical implications of the research are to manage the diversity by providing training, handsome salary; proper distribution of work/workload, and starting diversity management programs. Human Resource practices should design and implement programs so that employees of the government departments can perform better and performance and efficiency of the government may increase.
References


Business ethics and its impact on SCA  
(Case study Amazon.com)

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Abstract
The article uses a case study analysis of Amazon.com's strategy to develop an understanding of the e-commerce competitive environment and the importance of building a sustainable competitive environment to create value for the firm, its customers, and its shareholders. Business ethics are becoming more and more topical and important. Ethics are very important to all business people. Yet, many neglect ethics as an important concept that has a major impact upon a person's success as an entrepreneur and investor. In this paper we aimed to provide some evidences to support the idea that being ethical, transparency, and morality can make a firm much different from competitors. This paper is trying to present a model for relationships between ethics and SCA and connect it to amazon.com situation to show how this web site cares about ethics and transparency to keep customers satisfied. We conclude that the need for ethics in any kind of business like amazon.com has never been greater, precisely because the power of business was never so manifold and as extensive as it is today. In a global business environment, responsible marketers discover what consumers want and respond with marketing offers that create value for buyers in order to capture value in return. Some marketing companies use questionable practices and some marketing actions that seem innocent in them but strongly affect the larger society.

Keywords: Business ethics, SCA, Amazon, customer behavior

Introduction
Amazon.com began by selling books directly to customers over the Internet and by passing the traditional industry channels. Customers who valued the time saved by shopping from home rather than driving to physical retail outlets flocked to Amazon.com’s Web site to buy books. Industry competitors Barnes and Noble and Borders Books were forced to develop their own Web sites, thus driving up their cost of doing business. According to Efuturer center (2008) some types of goods are ideal for selling over the Internet; others are less suitable. For example, Amazon.com aims to make book buying fast and easy. Most people buy books based on the information contained on the jacket, or after reading a book review. Or, they may simply like the previous work of the author. Because all of this information can be displayed effectively on an e-business site, selling books over the web works well. To survive, it is critical that online retailers create a sustainable competitive advantage in their e-commerce strategy and plan for long-term strategic positioning. Ethical issues are becoming very important in today’s competitive market. Transparency and “honesty is the best policy” still have
their prominent roles not only in daily lives, but also in business. All people care about ethics in their business. Still there are many ignored ethics that have a major impact on a person’s success whether an entrepreneur or an investor. Here we are talking about business which is, in fact, dealing with money, either one’s own or borrowed. It also involves building successful money based relationships with clients and customers. Such relationships must be built on trust - and having ethical foundations are imperative to the building of trust. Therefore ethics constitute the core factor in a business.

An employee bribing somebody, even to further his employer's interests, is likely to be dismissed. Many multinationals refuse to conduct business in countries where bribes are commonly given and taken. These are examples of the applied side of ethics in business. In respect to the subject, we know that industries and some of the companies globalize because of changes in technology, innovation, customer needs, government policy, or country infrastructure make main differences in competition position among firms from different nations. These differences can give a competitive advantage to the company over its competitors. As porter (1998) point out that firms are engaged in an international competition. So they must compete in a global arena. Sustainable competitive advantage has proved elusive for companies in the 1990s. While making enormous investments in technology, research and state-of-the art marketing, Pfeiffer (1994) argue that most of the today’ managers have forgotten the single most important factor in achieving and maintaining competitive advantage: People.

In respect to ethical perspective we have seen sometimes philanthropic activities which have, in many cases, not been connected to the day-to-day business activity. As we mentioned earlier in the current international climate of interest in social issues, which can bridges business and wider societal concerns, most of the firms are trying to embed CSR in their activities. The underlying proposition of using term ethic in business is that the responsibility of a business is not just to focus on maximizing shareholder return.

Literature review
First of all we should say that businessmen need to consider ethical issues in their daily activities. As Mahoney mentioned (1997) the need for morality and ethics in business has never been greater and precisely because the power of business has never been as extensive as it is today. Ethics has been used very much referring mostly to the rules and empirical aspects of right and wrong operation. Aldag and Steams (1991) believe that it, ethics, deal to morality and or good and bad conduct. DiPiazza (2002) says “I see ethics as a mission-critical issue…. deeply embedded into who we are and what we do. It’s just as important as our product development cycle or our distribution system….it’s about creating a culture based on integrity and respect, not a culture based on dealing with the crisis of the day...We speak to ourselves every day, ‘Are we doing the right things?’” Sheth, Gardner and Garret (1988) opine that to make an ethical decision is so complicated, and sometimes some of the business practitioners who are guilty in some cases have mentioned that they did not think that their activities could create ethical problems. Arthaud-Day, 2005; Buller and McEvoy, 1999; Falkenberg, 2004; Windsor, 2004 demonstrate that Business organizations operating at international levels often find that many countries differ in what is considered as wrong or right in a business market. Therefore, here some certain fundamental questions will rise on the issues of international business ethics that are of concern in the current change of policy and in particular; the global business environment. For instance, which ethical norms should be applied and followed at global business environment?
Growing literature in international business ethics indicate that managing across borders involves dealing with ethical challenges that are complex and multifaceted. They range from varying legal, political, economic and cultural conditions that provide a challenge for business executives who want to satisfy moral expectations across different countries and aim to integrate an ethical dimension into their strategic decision-making processes.

Bowie (1996) says almost all of the countries in the world are different in different ways like, physical setting, economic development and literacy rates and he argues that even if we accept an universal ethical and moral principle, we should believe they must be related to different cultures and background. Hence ethical behavior would still differ among cultures even though they may agree on fundamental universal moral principles.

Following the economic growth does not necessarily lead us to social development. In many cases as Leonard and McAdam, (2003) opine it may actually leads to bad physical environment, unsafe workplace, discrimination, urban decay and other social problems. These environmental concerns have been expressed often than not. For instance, in one hand Beauchamp and Bowie (2004) report that there are other fundamental ethical issues associated with international business ethics, which include bribery, extortion, facilitation payments and human rights. On the other hand, Ferrell, Fraedrich and Ferrell (2002) describe global ethical issues as encompassing human rights, sexual and racial discrimination, price discrimination, bribery, harmful products, pollution and telecommunications issues. In this scenario, Hazarika, (1998) stated that it is no wonder that the attention of top management, governments and society are being directed towards corporate governance, corporate accountability and corporate social responsibility (CSR).

In a global business environment, responsible marketers discover that buyers want and respond to those offers which create value for sides, buyers and marketers. Sometimes people try to find a market for their products they think they are innocent but their products or their actions may affect a large part of the society. Consider the sale of cigarettes. Parker (1998) writes that the way corporations go about their business activities, with respect to business ethics performance, is increasingly important to their customers as well as all stakeholders of the corporation and the society in general. Customers in the marketplace are becoming increasing aware of and increasingly discriminating against corporations that fail to meet the customers’ criteria of acceptable versus unacceptable ethical business activities and management principles.

Norton Jouter, as cited by Hartman (2005), stated that, “From here that looks like a bucket of water, but from an ant’s point of view, it’s a vast ocean; from an elephant’s point of view, it’s just a cool drink; and to a fish, of course, it’s home.” Jouter’s statement is to imply, if we really are going to make a great change in the way that we handle our customers, we should consider different views of stakeholders and as we know the company itself is the most interested one in its success.

However, strict reporting, detailed codes of conduct rules and regulations are certainly necessary but not sufficient. Geoghegan & Azmi, (2005) argued that a company that has a well-known brand is like an individual who has a good name that enables him to make very good and strong relationships when he needs. Verhezen, (2005) says a corporate reputation shows and reflects the organization’s strategy, culture, and values.
As we mentioned earlier a good corporate reputation confirms the high level of trust in a company. It can make a strong relation with a number of stakeholders either emotional or intellectual and beside it can act as a source of authority and credibility for the company. Boatwright, 2005; White, (2006) have explained that business ethics as a competitive advantage includes making good and permanent relationships with stakeholders and try to keep this relation based on honesty and integrity. Ethical relations in business is like human relations together and as all we know it is nothing but a two ways traffic line not a one way and it is based on mutual respect and trust. Successful business must treat the parties affected by the corporation’s actions as constituents to be consulted rather than spectators to be ignored. Doing so was just smart business. This was a novel step that was among the first attempts to characterize the impact of ethical behavior on a company’s financial performance.

Burgelman and Meza, (2001) argued that from the customers” perception, the illusion was real enough to draw tens of thousands of visitors per day from all corners of the globe to browse Amazon’s virtual bookshelves. Today, Luftman et al., (1999) say Amazon’s state-of-the-art, highly-coupled supportive ICT infrastructure provides apparent seamless integration between internal and external databases of all kinds.

Also Gillenson et. Al, (1999) investigated that it’s sophisticated software that enable Amazon to predict customer interests in other products, based on the order profile of individual customers and of all others exhibiting similar product interests and purchasing patterns. Sing, (2002) believed while other online booksellers compete for a small piece of market share, Amazon uses its technological sophistication to promote continued expansion of the firm.

We should consider ethics in business as an important part regardless of the size of the business and or organization. Also it doesn’t matter whether your customers are many or few; the relevance of adhering to high ethical standards is the same. There are many organizations in the business world which have put compulsory ethical standards.

Wolfe, (1994; Hendriks, (2001); Senge, (2001; Meyronin, (2004) all pointed out that organizations like Amazon, Dell, EBay, Google, numerous banks (e.g. Chase.com and Citibank.com), retail chains (e.g. LLBean.com, WalMart.com, and BestBuy.com), the travel industry (e.g. JetBlue.com, Avis.com, Orbitz.com, and Expedia.com), and price search engines (e.g. PriceGrabber.com, NextTag.com) are led by senior management teams who not only recognize the greater efficiencies that can be gained by leveraging new ICT technologies, but they actually create entirely new ways of marketing services based on ethical standards. These firms distinguish themselves by mixing aspects of marketing with their strategic operational approach that consider ethical issues as a necessity for this era of business and, in sum, bring about causal responses from consumers that may be deterministic responses. They recognize that by using ICT in a focused and deliberate fashion, they can create and leverage opportunities to provide accompanying marketing services while sustaining operational efficiency.

**Gap in literature**

To explain the gap in literature we need to bring scientists ideas again and interpret what they have told in this area and express our own views regarding to that particular subject. Mahoney mentioned (1997) the need for morality and ethics in business has never been greater and precisely because the power of business has never been as extensive as it is today. We agree with
this statement but if we want to evaluate the importance of ethics role in business we must put it in its own dish on that time. For us as researches it is acceptable that today the role of ethics is much more important than ever. We can accept in today’s situation we talk about it more because of the lack of ethics in our daily business but it doesn’t mean that in the past time people didn’t care about it. Aldag and Steams (1991) believe that, ethics, deal to morality and or good and bad conduct. Yes it is about doing right or wrong things in business. We should also add sometimes businessmen are saying something and playing another thing and all the time they try to hide reality. Actually they miss use their reputation and they don’t walk the talk. Sheth, Gardner and Garret (1988) opine that to make an ethical decision is so complicated, and sometimes some of the business practitioners who are guilty in some cases have mentioned that they did not think that their activities could create ethical problems. It is natural to people feel guilty if they make wrong decisions which affect a large society’s life. But don’t forget here we are talking about ethics in business and make it as a competitive advantage. No one can accept our excuse to be just sorry. If we as managers want to make decisions ethically, then there must be some rules to prevent and protect us from making any mistake. Beside that as Arthaud-Day, 2005; Buller and McEvoy, 1999; Falkenberg, 2004; Windsor, 2004 demonstrated that Business organizations operating at international levels often find that many countries differ in what is considered wrong or right in a business market. So to act ethically we need to consider different approaches to right and wrong in different countries. Bowie (1996) says almost all of the countries in the world are different in different ways like, physical setting, economic development and literacy rates and he argues that even if we accept an universal ethical and moral principle, we should believe that they must be related to different cultures and background. Hence ethical behavior would still differ among cultures even though they may agree on fundamental universal moral principles. If we ignore these differences as Leonard and McAdam, (2003) say it may actually leads to bad physical environment, unsafe workplace, discrimination, urban decay and other social problems. Here again we need rules and regulation to prevent bad consequences. These environmental concerns have been expressed often than not. For instance, in one hand Beauchamp and Bowie (2004) report that there are other fundamental ethical issues associated with international business ethics, which include bribery, extortion, facilitation payments and human rights. On the other hand, Ferrell, Frederick and Ferrell (2002) describe global ethical issues as encompassing human rights, sexual and racial discrimination, price discrimination, bribery, harmful products, pollution and telecommunications issues. In this scenario, it is no wonder that the attention of top management, governments and society are being directed towards corporate governance, corporate accountability and corporate social responsibility (CSR) (Hazarika, 1998). So, different people in the world look at the issue from different angles. Geoghegan & Azmi, (2005) argued that a company that has a well-known brand is like an individual who has a good name that enables him to make very good and strong relationships when he needs. Making such a sense in the company is really hard. Sometimes we have a lot of problems to handle this issue with less educated people in the firm. Making a culture in respect to ethical issues is the main essence in this context. To support our idea we brought Verhezen view that says (2005) a corporate reputation shows and reflects the organization’s strategy, culture, and values. A leader has an important role in respect to playing ethical issues and norms in the company. People will and must follow their leaders so if top managers do care about it the employees will act so. From the other hand operating ethically is not about just inside the company.
It is also related to outside the company as Parker (1998) writes that the way corporations go about their business activities, with respect to business ethics performance, is increasingly important to their customers as well as all stakeholders of the corporation and the society in general. But here there is a missing part. We get the real partners which are share in acting based on ethical issue and who is really responsible to make ethics a sustainable competitive advantage? Norton Jouster, as cited by Hartman (2005), if we really are going to make a great change in the way that we handle our customers, we should consider different views of stakeholders and as we know the company itself is the most interested one in its success. For us it is not clear how to get stakeholders’ view because we are not talking about a simple subject rather we are talking about ethics that consists of several items how we can talk to all and understand all of them?. It is better to make a situation in which all partners can play their role ethically and of course we can receive feedback from them. We also agree that we as managers need to keep our connection to our stakeholders as Boatwright, 2005; White, (2006) have explained that business ethics as a competitive advantage includes making good and permanent relationships with stakeholders and try to keep this relation based on honesty and integrity. Ethical relations in business is like human relations together and as we know it is nothing but a two ways traffic line rather than a one way and it is based on mutual respect and trust. What we couldn’t find about amazon.com is that there is no a single research regarding to ethics issues at amazon.com. But there are a lot of scattered comments all around. We try to make our statements based on these comments.

What is business ethics?

Whichever way one looks at it, then, there appears to be good reason to suggest that business ethics as a phenomenon, and as a subject, is not an oxymoron. Whilst there will inevitably be disagreements about what exactly constitutes ‘ethical’ business activity, it is possible at least to offer a fairly uncontroversial definition of the subject itself. So in sum, here we provide some statements to show what we mean by business ethics:

- Business ethics is an area of study which deal with situations, activities and decisions where right and wrong are the issues to be addressed. We should stress by right and wrong we mean not only morally right and wrong but also strategically, financially or commercially right and wrong. Moreover, by ‘business’ ethics, we do not mean only commercial businesses, but also government organizations, pressure groups, NGO based businesses, charities, and other organizations. For example, questions about how to manage employees fairly, or what constitutes deception in advertising, are equally as important for organizations such as Greenpeace, the University of Stockholm, or the German Christian Democrat Party as they are for Shell, Volvo, or Deutsche Bank. However, given the high profile of ethical issues in relation to commercial businesses, it is on these types of businesses.

People still haven’t stopped to ask questions responding to statement about business ethics. Some people cannot even believe that it exists! Collins (1994) believes that business ethics is like a complicated term that has been used very much. By this we mean that we use this term to bring two apparently contradictory concepts, such as in “cruel kindness”. To say that business ethics is an oxymoron suggests that there are not, or cannot be, ethics in business: that business is in some way unethical (i.e. that business is inherently bad), or that it is, at best, amoral (i.e. outside of our normal moral considerations). For example, in the latter case, Albert Carr (1968) argued that the standards for business game are not the same moral standards as the rest of society, but should be considered as an equal to a poker game where deception and lying were perfectly permissible.
To some extent, it is not surprising that some people think this way. Various scandals concerning undesirable business activities, such as the despoiling of rivers with industrial pollutants, the exploitation of sweatshop workers, the payment of bribes to government officials, and the deception of unwary consumers, have highlighted the unethical way in which some firms have gone about their business. However, just because such malpractices take place, this does not mean that there are not some kinds of values or principles driving such decisions. After all, even what we might think of as ‘bad’ ethics is still ethics of a sort. And clearly it makes sense to try and understand why those decisions get made in the first place, and indeed to try and discover whether more acceptable business decisions and approaches can be developed.

Anything we get from corporate malpractice should not be interpreted to mean that even thinking about ethics in business can make trouble and is entirely redundant. Collins (1994) and Watson (1994) argued as various writers have shown, many everyday business activities require the maintenance of basic ethical standards, such as honesty, trustworthiness, and co-operation to make a situation in which people can work together get a SCA over competitors. Business activity would be impossible if corporate directors always lied; if buyers and sellers never trusted each other; or if employees refused to ever help each other.

Similarly, it would be wrong to infer that scandals involving corporate wrongdoing mean that the subject of business ethics is in some way naive or idealistic. Indeed, on the contrary, it can be argued that the subject of business ethics primarily exists in order to provide us with some answers as to why certain decisions should be evaluated as ethical or unethical, or right or wrong. Without systematic study, how are we able to offer anything more than vague opinions or hunches about whether particular business activities are acceptable?

**Why business ethics are important for Amazon.com?**

Nowadays business ethics is a very dominant business issue, and the debates, arguments, and dilemmas around business ethics topic have tended to gather a huge amount of attention from various sources. At the beginning stage buyers and pressure groups seem to be demanding that firms should seek out more ethical and ecologically ways in dealing with them and doing the business activities. From another angle we should care about media that is also constantly keeping spotlight on corporate abuses and malpractices. Even now firms themselves know that being ethical or at least being seen to be ethical actually is good for them. In recent years we have seen protesters in some of the big cities in the world for example in Seattle, London, Genoa, and elsewhere in fact challenging the nature of capitalism and the impact of global corporations on society. There are therefore many reasons why business ethics might be regarded as an increasingly important area of study, whether for students interested in evaluating business activities, or for managers seeking to improve their decision-making skills. Here there are the main reasons why we think that a strong understanding of business ethics is important:

1. Importance, power, and business affect in the community is greater than ever. Bernstein based on evidence suggests that many people in the public don’t feel like these kind of developments. By business ethics we can better understand why this is happening, what are the contributions, and how we should handle this situation?

2. Business abuse has a great potential to hurt individuals, communities, and environment. To helping us to get a clear understanding about the causes and consequences of these abuses, in fact as Michalos (1988) cited business ethics, as founding editor of the journal of business ethics has suggested, seeks “to improve the human condition”.
3. Business itself already has got the demand to be ethical. And it is becoming more complex and more challenging. Business ethics provides the means to appreciate and understand these challenges more clearly, in order to firms can meet these ethical expectations more effectively.

4. A few numbers of people in Europe and elsewhere have passed formal education on business ethics. Business ethics can help us in making ethical decisions by providing us suitable knowledge and some useful means that allow us to recognize, diagnose, analyze, and get solutions to those ethical issues correctly.

As we know in most European countries there is quite a dense network of regulation on most of the ethically important issues for business. Workers’ rights, social and medical care, and environmental issues are only a few examples where European companies could be said traditionally do not have to consider so very much moral values which should guide their decisions. All these regulations have been tackled, first time, by the government which tried to set up a tight organizational framework for businesses. Therefore we can claim in Europe all people who involve in business from, governments, trade unions, and corporate associations are the key actors in business ethics. In USA the situation is a bit different because in most of the areas, the organizational framework based in ethical issues in the business has been dramatically looser, so the key actor mostly tended to be corporations. Generally as we know even in USA when the law has not yet codified the ‘right’ or ‘wrong’ of a certain action, this would also seem to partially explain the longer legacy of the subject in the USA. However, Vogel (1992) says that the identification of the corporation as the key actor in the USA also means that corporate misconduct tends to face greater enforcement and harsher penalties. In sum we can say that all the people as stakeholders have an important role that sometimes those roles may make them key actors in the business so as we mentioned earlier firms must care about all partners. This is the situation in amazon.com as well where they put every action based on what their customers want. They think about what makes their customers satisfied. If we suppose that there are three important factors for every business: profit, planet and people, for amazon.com the role of people are dominant. Still it doesn’t mean that they ignore the other factors but the way that they do their activities show the key factor is the people.

**Amazon.com and SCA planning**

In their work Scott et al. (2000) opine that the development of the social perspective on sustainability has tended to trail behind that of the environmental and economic perspectives and remains a relatively new development. The explicit integration of social concerns into the business discourse around sustainability can be seen to have emerged during the 1990s, primarily; it would seem, in response to concerns regarding the impact of business activities on indigenous communities in less developed countries and regions. It would be wrong to assume though that this means that, until this time, local community claims on business (and other social issues) went entirely unheard by business, or unexamined by business ethics scholars. However, the inclusion of social considerations such as these within the specific domain of sustainability marked a significant shift in the way that notions of sustainability were conceptualized.

The key issue in the social perspective on sustainability is that of social justice. Despite the impressive advances in standards of living that many of us have enjoyed, the UN (2001) report on the World Social Situation identified growing disparities in income and wealth within many countries, including much of Latin America, Eastern Europe, and almost two-thirds of OECD countries. Similarly, the report identified a continued widening in the distance between richer and poorer countries. Business ethics of a firm has been defined as one of the invaluable
intangible assets for competing. In general, intangible assets are assuming increasingly competitive significance in rapidly changing domestic and global markets. As the speed of comparable tangible assets acquisition accelerates and the pace of imitation quickens, firms that want to sustain distinctive global competitive advantages need to protect, exploit and enhance their unique intangible assets, particularly integrity. Petrick & Quinn, (2001) claim that: Firms must understand stakeholders’ interdependence, explain ethical awareness, and give effective reaction to moral issue. Management they believe that must put themselves in a position of a competitive advantage in comparison to other companies by making a list of ethics capacities. International organizational leaders can and should be held accountable for enhancing the intangible strategic asset of integrity capacity in order to advance global organizational excellence. The situation makes us to do something different which makes us distinguishable from other companies like Svensson & Wood, (2004) expressed that the marketplace with globalization is becoming increasingly aware of, and increasingly discriminating against, corporations that fail to meet the criteria of ethical business operations and ethical management principles. Also SCA needs change, as porter (1998) argued it demands that a company invest to close off the way along which competitors could attack. Regardless of the size, nowadays, firms are very clear about ethical issues and their importance in the era of globalization thus they are developing their strategies to use their resources ethically to get their goals and objectives. In amazon.com planners believe that business ethics program helps owners and managers improve their business performance, make profits, and contribute to the economic progress of their communities ethically by meeting the reasonable expectations of their stakeholders. From their point of view program can help them to achieve specific expected program outcomes, such as increasing awareness of ethics issues, improving decision-making, and reducing misconduct. To be effective over time, amazon.com business ethics program aims to be a formal plan, because it touches on all aspects of the enterprise—operations, human resources, communications, and marketing to name but a few. Formally planning a business ethics program ensures that owners and managers give due consideration to the enterprise’s relevant context, organizational culture, and reasonable stakeholder expectations. Busy managers need not fear that formal planning for a business ethics program will overwhelm daily operations because, as discussed before, they already have many elements in place. The planning process requires targeted stakeholder participation more than a large staff. However, once an enterprise announces its intention to design and implement a business ethics program, it needs to plan well and to base its plan on its core beliefs. Hediger (1999) noted that the concept of sustainability is generally regarded as having emerged from the environmental perspective, most notably in forestry management and then later in other areas of resource management. Indeed, it would probably be true to say that, at the present moment, there is still a fairly widespread conception within business that sustainability is a purely environmental concept. But for amazon.com the issue is somehow different because they care either people or planet. The basic principles of sustainability in the environmental perspective concern the effective management of physical resources so that they are conserved for the future. Whereas in amazon.com managers are more concern about trust, delivery and security beside they vie to make a competitive advantage based on lower prices as well. It doesn’t mean they don’t care about environmental issues. Amazon.com has several sustainable competitive advantages (SCAs) that arise from strategic positioning that should contribute to sustained profitability if executed correctly. Amazon.com has patented one-click ordering, an SCA that cannot easily be
copied or duplicated as Amazon.com holds the patent. Amazon.com’s innovation to automatically suggest other items based upon previous purchases has become valuable both to customers and the company. Amazon.com also owns a patent on the Associates program, allowing consumers to have access to online stores from which it draws royalties. Amazon.com simply handles the transaction processes for these retailers. It can be argued that by allowing the sale of used books on its Web site, Amazon.com has created a SCA by creating a sense of community. Amazon.com mirrors EBay’s business model which aims to create a sense of community, a bond per se, that keeps people coming back to do business. Amazon.com makes it extremely easy for consumers to sell or buy books online. The company handles the payment transaction and then deposits the money, minus the fee, into the seller’s bank account. EBay, the Web’s most popular and profitable online auction, implemented a similar process. Theoretically, the strategy helps Amazon.com sell more items by allowing a customer with limited funds to purchase more items instantly. This generates repeat customers. Bezos describes Amazon.com’s marketing strategy as one that is designed as Qu, Zhonghua and Michael Brocklehurst (2003) find out to, “strengthen and broaden the Amazon.com brand name, increase customer traffic to our websites, encourage customers to shop in many product categories, promote repeat purchases, and develop incremental product and service revenue opportunities.” An emphasis is placed on improving the total customer experience through the delivery of personalized Web pages and services, ease of use, selection, availability, free on-time shipping and of course the lowest prices possible.

Quéau, Philippe (2002) expressed that Amazon.com uses a variety of online and traditional advertising, including sponsored links, e-mail, print media, direct marketing, television, and other offline advertising campaigns to reach customers. Bezos feels that the company’s direct marketing efforts are unique and effective: “I would claim that Amazon.com is one of the few companies that really have put a huge amount of effort into one-to-one marketing with the personalization features on our website.”

Senge, P. M., G. Carstedt, et al. (2001) cited that in 2001, Amazon.com’s CEO stated that, “People had higher expectations for the next couple of years than are likely to be realized …And people have much lower expectations for the next couple of years than are likely to be realized over the next 10 years.”

Industry analysts assert that the greatest challenge facing e-retailers is the ability for consumers to click from one site to another in search of the lowest price. Only 10 years ago, finding the best price for a book or movie meant driving from store to store. However, Zaheer, Srilata (1995) says now buyers can go online and compare prices for new and used books on at least 10 different Web sites. This one characteristic of the Internet retail industry exemplifies the challenge facing Amazon.com and demonstrates the threat of all five competitive forces identified by Porter:

1) The entry of new competitors
2) The threat of substitutes
3) The bargaining power of buyers
4) The bargaining power of suppliers
and 5) the rivalry among the existing competitors.

One is creating an SCA that will give a business enough time to build customer loyalty and profits. The second is positioning. If a company creates a competitive advantage, it must continue to improve upon that strategy. A competitive advantage is a living, breathing entity. To
maintain a sustainable competitive advantage requires constant nurturing and encouragement to grow and adapt to its environment.

There is actually quite a lot people can do at Amazon.com other than buy a book. We can create wish lists, write reviews, manage our one-click account, we can sell books, or music, or videos, and we can have our books printed on-demand. A non-store retailer such as Amazon.com is poised to be successful globally with the increasing spread and prevalence of the Internet and World Wide Web. The success of Amazon.com's global strategy would come from utilizing technological and global efficiencies of scale, lower costs of operations, enhanced customer service at lower costs due to better customer information and relationship management, and better adaptability to local tastes and preferences due to superior information collection and analysis. What competitive advantages does Amazon.com bring to each of these businesses? While Amazon.com may compete well on price on non-perishable food items in small size that can be shipped easily, as books can, they are less well prepared to compete on other types of grocery purchases. In terms of apparel retailing online, there are many players in this market and the prices may not be much lower on Amazon's site as compared to those offered by other players in these markets. Apparel shopping on Amazon.com is most likely to succeed with those consumers who want a one stop shop for clothing, books, entertainment, small appliances, etc.

A model that shows the importance of ethic in SCA regarding to amazon.com case
As we emphasized all above, firms must be clear about their interdependence to stakeholder. Because it is all about stakeholders and the way how firms handle them. Although we know conceptions of ethics and what is right and wrong in different countries are different but still we believe that there is a globally accepted understanding of what is ethical in the business. Therefore we make our model based on those factors that are very important in getting the CA over competitors. First of all, in our opinion, governments must set up rules and regulations to prevent any kind of self interpretation by firms in using the resources and providing services just for their own profit. When the rules are made firms must be as transparent as possible because they are seen by controlling systems, trade unions, pressure groups and mostly by community so they will fell that they need to be moral persons and moral leaders. They will understand that they need to compete in a market in which people know a lot more than before about business and products’ quality.

Even nowadays people really care about environment therefore, a firm that wants to get CA must try to enhance its own quality regarding to ethical issues and try to give useful information to its customers. Based on ethical theory every single firm must keep its relations to its internal and external environment because all of them are important.

Sometimes each one can play an important role for the company if a firm cares about its reputation and at the same time pays more attention to its stakeholders and try to satisfy them it can be hopeful to get a sustainable competitive advantage over competitors if it ignores the basic rules in business ethics it will not survive in mean time. So as we consider in our paper firms must understand stakeholders’ interdependence, explain ethical awareness, and give effective reaction to moral issue. Management they believe that must put themselves in a position of a competitive advantage in comparison to other companies by making a list of ethics capacities. International organizational leaders can and should be held accountable for enhancing the intangible strategic asset of integrity capacity in order to advance global organizational excellence. The situation makes us to do something different which makes us distinguishable from other companies like Svensson & Wood, (2004) expressed that the marketplace with
globalization is becoming increasingly aware of, and increasingly discriminating against, corporations that fail to meet the criteria of ethical business operations and ethical management principles.

There are myriad ways in which this phenomenon may be explained but most often, they usually differ because of the fundamental differences dominating the mentality that each firm maintains toward ICT as well as the perceived strategic direction these firms assume ICT will take them. For example, competitor firms Amazon.com, BarnesandNoble.com and BooksAMillion.com each have more or less the same user interfaces and overall processing capabilities, yet neither has a market share anywhere near that of the Amazon.com, the industry leader.

**Model of relations between ethics and SCA in Amazon.com**

- **Input**
  - Customers
  - Employees
  - Owners
  - Suppliers

  - **Service guarantee, lower price, update information, high quality,**
    - Transparency, honesty, payment, morality
  - **Controlling system, trust, profit,**
  - **Trust, information, payment**

- **Output**
  - **Satisfaction, commitment, and more customers**
  - **Dissatisfaction, reputation lost**
  - **Job satisfaction, commitment, attract talented people**
  - **Dissatisfaction, quit, uncommitted**
  - **Trust, and finance growth**
  - **Reputation lost, bankruptcy**
  - **Trust, lower price, higher quality, and delivery**
  - **Opportunity to competitors and**
DISCUSSION AND CONCLUSION

Nowadays most of the firms are going to be sustainable organizations through building value for stakeholders in long term. At the same time they want to be responsible corporate citizen. It is globally believed that the only way to achieve that is to incorporate economic, social and environmental codes of conduct into business strategy. With this development, ethical considerations become more important. Thus, the importance of building a strong ethical culture is integral to the reputation, growth and finances of any organization. If firms work in this way their brands will be in positive situations that can attract the best talent and make long live trust among the stakeholders.

As Amazon.com’s CEO, Jeff Bezos, signed his seventh annual letter to shareholders in April 2003, he was firm in his conviction that his long-term approach to offering customers the lowest prices on virtually any product they wanted and providing a quality customer experience was the only strategy that would provide long-term value for Amazon.com’s customers and shareholders. Also, the company posted growing profits in the first two quarters of fiscal year 2004 (Amazon, 2004).

If Amazon.com offers an equal or lower price than a conventional bookstore and free or subsidized shipping, why not try it as an experiment? Sooner or later, though, some customers can be expected to return to more traditional modes of commerce, especially if subsidies end, making any assessment of customer loyalty based on conditions so far suspect. Finally, some “revenues” from on-line commerce have been received in the form of stock rather than cash. Much of the estimated $450 million in revenues that Amazon has recognized from its corporate partners, for example, has come as stock. The sustainability of such revenue is questionable, and its true value hinges on fluctuations in stock prices. When Amazon and other rivals entered the business, offering free auctions, eBay maintained its prices and pursued other ways to attract and retain customers. As a result, the destructive price competition characteristic of other on-line businesses has been avoided. It deterred the on-line store from capitalizing on the many advantages provided by the network of physical stores, thus playing into the hands of Amazon.
References


Relationship between CSR and SCA
(Case study Body Shop)

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Abstract
This article is trying to provide a new definition of CSR and SCA regarding to Body Shop and their relation in current heavy globally competitive market at Body Shop as a well known brand. We examine some theories about CSR and SCA and connect them to Body Shop then the gap in literature makes it clear that what the differences between literatures are. The paper’s approach is to provide a model to show in what degree CSR and SCA can affect each other and Body Shop as well. And what are the advantages and coming opportunities for Body Shop in playing the responsibility role in the market. In this paper we provide a model to show the relations between SCA and CSR. Finally we conclude that we need to use both perspectives in regarding to CSR and SCA as Body Shop do in its everyday activities.

Keywords: CSR, SCA, marketing, consumer behavior, trust

Introduction
A strategic competitive advantage can be existed when a firm has a product which is considered by customers as better than of its competitors. For that to happen a firm must care about social responsibility. Unfortunately most of the entrepreneurs faced with tow myths in creation of a competitive advantage. One is that firms have lost most of their good opportunities. The other is that there is not a fair balance between small and big firms so that small firms cannot compete with big ones. Even if they try to invest in social activities they will fail to be as good as big firms so it is a big challenge for them to be more responsible to the society. But as we know most of the companies do not welcome competitors.

As one well-respected author, Karl H. Vesper, puts it:
Established companies do their best to maintain proprietary shields... to ward off prospective as well as existing competitors. Consequently, the entrepreneur who would create a new competitor to attack them needs some sort of “entry wedge,” or strategic competitive advantage for breaking into the established pattern of commercial activity.

In today’s business environment competition is going to be more intense. Although a firm may be a market pioneer today, the status quo might change overnight. Having competitive advantage alone is not sufficient. Important factor for being in growth is sustainability; it is the ability which enables the firms to maintain a competitive advantage. To more competitive regarding to CSR time is also of the essence. While others are merely finding their orientation to stay abreast with the latest innovations, the winning company is already moving up to the next level.
Organizations can seek consolation in the fact that most competitors are also struggling to survive in this turbulent business environment. Today the question is what do we expect from good CSR in business world? Actually we expect organizations, whether public or private, to be more coherent and transparent. Hopefully those standards will enable globalization process to go together with for human rights, to pay attention to social justice and to enhance the work. We really expect from CSR a practical reconciliation and a new balance especially between economic activities, labor relations and the environments in daily life.

**Literature Review**

CSR is more than an individual enterprise’s own perception of responsibility in relation to employees, shareholders, suppliers, customers, local, regional and national authorities, consumers, NGOs and the media. The people who are affected by firm’s actions are stakeholders. Thus they have right to ask how enterprise is running? The globalization of business and industry, politics and the media brings far more attention to bear on corporate social responsibility. The relationship between politics and economics is changing. Globalization has engendered new opportunities for enterprises; at the same time as complexity increases enterprises’ activities encompass many countries. Enterprises face entirely new challenges, especially in countries outside the affluent part of the world.

To be more effective in CSR and use it as a SCA we need rules and regulations that sometimes these rules must be accepted globally. According to Marianna Linnik and Professor Sune Skadegaard Thorsen, the need to have rules establishing corporate responsibility as real rather than optional can only be met if binding rules are introduced and if the law moves quickly to reoccupy an area previously held by communication and business. There is no doubt that the largest multinationals – particularly those that are the most “suspect” environmentally or in labor law terms (oil companies, fast-food chains, etc.) – know that they are already under the constant and sometimes highly critical eye of civil society. And people will blame them for mistakes that they have made in regarding to their rights.

Initial literature normally serves as a precursor to the development of SCA. In 1937, Alderson hinted at a basic tenet of SCA, that the most important aspect in competitive adaptation is the suppliers must meet buyer wants and needs. He (1965) again emphasized that firms must try to make a different view from themselves in the eyes of the customers. So they can be distinguished by buyers from their competitors and it is the essence of SCA. Later, Hamel and Prahalad (1989) and Dickson (1992) explained the necessity for the firms to be one step ahead from competitors in terms of creating new advantages that give them a better situation among the other firms. In respect to the suggestion that firms seek for ways to distinguish themselves from competitors, Alderson is considered “ahead of his time”.

Hall (1980) and Henderson (1983) demonstrated the necessity for organizations to present significant advantages in relation to peers if they are going to survive.

These arguments form the basis for achieving SCA. The foundations of competitive advantage for firms has been explored in two broad research streams, one looking for advantages in firm’s endowments of resources (e.g. Peteraf, 1993, Barney, 1986, 1991) and the configuration of activities (e.g. Porter, 1996), and another exploring the posture and positioning of firms vis-à-vis their competitors Porter, (1980&1991), and Ghemawat, (1991).
To have an understanding of why competitive strategies are better than others, we need to pay attention to resources’ distribution and allocation in competing firms. As we know resources in the firms are different.

It means that every firm may have more or less some of the resources, just those resources which are rare, valuable, and difficult to imitate can provide a SCA. (Amit & Schoemaker, 1993; Barney, 1991; Schoenecker & Cooper, 1998). Hitt, Nixon, Clifford, & Coyne, (1999) opine if we apply some of the strategies to leverage those rare and valuable resources successfully in the firm, that firm is likely to gain an advantage over its competitors in the marketplace and thus earn higher returns. Peteraf, (1993) says competitive advantages that are sustained over time lead to higher performance. Thus, if a firm could find better and cheaper ways in doing the production process, it could compete successfully and prosper. Among a firm’s intangible resources, human capital may be the most important and critical for competitive advantage because it is the most difficult to imitate. For example, Miller and Shamsie (1996) discussed the role of stars, or “talent,” in the success of the Hollywood studios in their heyday, the 1930s and 1940s. The stars were developed so that each had an unique reputation or image that was difficult for a rival studio to imitate. Yet as Miller and Shamsie note, rival studios often did try to develop their own versions of other studios’ stars by trying to imitate their “image”—for example, Warner Brothers developed Tyrone Power to compete with MGM’s Clark Gable. But this approach was generally unsuccessful because it focused on the star alone. Day and Wensley (1988) focused on two categorical sources involved in creating a CA: superior skills and superior resources. Other authors have elaborated on the specific skills and resources that can contribute to a SCA. For example, Barney (1991) states that not all firm resources hold the potential of SCAs; instead, they must possess four attributes: rareness, value, inability to be imitated, and inability to be substituted. Similarly, Hunt and Morgan (1995) propose that "potential resources can be most usefully categorized as financial, physical, legal, human, organizational, informational, and relational" (p. 6-7). Prahalad and Hamel (1990) suggest that firms combine their resources and skills into core competencies, loosely defined as that which a firm does distinctively well in relation to competitors. Therefore, firms may succeed in establishing a SCA by combining skills and resources in unique and enduring ways. By combining resources in this manner, firms can focus on collectively learning how to coordinate all employees’ efforts in order to facilitate growth of specific core competencies. As Body Shop has done to mix all skills and resources to compete with its rivals in caring of environment and today Body Shop is known with its core competency as a leader in protecting the planet. According to Warhurst (2001) the major elements of CSR are product usage that is concentrated on contribution of industrial products which can help in well being and quality society’s life, business practice which focuses on good corporate governance and gives high impetus for the environmental well being and equity which tries for distribution of profits equitably across different societies especially the host community. Chambers, Chapple, Moon and Sullivan (2003) evaluate the extent of CSR penetration in seven Asian countries (India, Indonesia, Malaysia, the Philippines, Singapore, South Korea and Thailand). The evolution of CSR in developing economies shows widely varying results. Many researchers have hypothesized that CSR in emerging economies is still in a very nascent stage and suitable mechanisms do not exist to ensure that companies practice CSR with anything other than a charitable outlook. Kemp(2001) states “There are numerous obstacles to achieving corporate responsibility, particularly in many developing countries where the institutions, standards and appeals system, which give life to CSR in North America and Europe, are
relatively weak.” It shows that it is important for a company where to locate, in a developed country or in a developed country. The rules, regulation and the government’s view of business are important factors to make a company succeed.

GAP IN LITERATURE
With increased visibility of corporate actions, customers’ perceptions of companies and their consequent purchasing behaviors are fundamentally changing. And because that means significant financial impact for businesses, CSR is no longer viewed as just a regulatory or discretionary cost, but an investment that brings financial returns.

From other hand many topics in strategy research have been linked to aiding in the process of creating and maintaining a SCA. Included in these topics are the concepts of market orientation and business networks. Day and Wensley (1988) suggest using perspectives of both customer and competitor to assess firm performance; this outward focus links the SCA construct to the concept of market orientation. Varadarajan and Jayachandran (1999) say that through a customer orientation, firms can gain knowledge and customer insights in order to generate superior innovations. But here there is no guarantee that by applying them we can get the customer satisfaction. From other hand caring about environment, Hunt and Morgan (1995) claimed, is not about just the customer, therefore these ideas just can help to improve one side of CSR in regarding to SCA. Because a market orientation employs intangible resources such as organizational and informational resources, it can serve as a source of SCA.

Although we can accept this view but still firms are not enough clear about their resources even in relation to CSR they don’t know that which resource should be allocated to which unit. Business networks consist of multiple relationships, with each participating firm gaining the resources needed to build core competencies and obtain a SCA. Porter (1985) discusses the formation of "coalitions" allow sharing of activities in order to support a firm’s CA. In another work Porter and Ghemawat try to show how firms can get CA over competitors by positioning. We believe that maybe in that time positioning could help so much but in current competitive market it can help as one of the factors not more. However, Porter’s "value chain" approach focuses on activities within a single firm. Marianna Linnik and Sune believe that if we introduce some rules for binding we can establish rules and regulations for SCA. As we know playing the SCA game in regarding to CSR is not about binding but it is about a series of factors that is included employees, suppliers, customers, and some other factors. In this context another researcher, Alderson, emphasizes just on suppliers. Paying more attention to suppliers and ignoring the other parts of the game will ruin the whole structure in mean time. Hamel, Prahalad, and Dickson argue that firms must be one step ahead from their competitors. The same idea comes from Hall and Henderson which explained the necessity for a significant advantage over the peers and competitors. We agree with these views but they didn’t tell us what kind of advantages. Could we consider the resource inside the firm or outside? We don’t know, based on these view, which factors are important, external or internal.

Body Shop background
The Roddicks set up their store at Brighton, UK in 1976. At the time the store sold some homemade cosmetics that were made of natural ingredients. Their store was close to some undertakers, the name of “Body Shop” made two funeral directors to threatened Roddick to not use this name, Body Shop. Even their made a report and compliment to the local council just because Roddick’s business was close to their businesses. From the time that Roddick opened
first store she faced with some problems and Anita tried to solve the problem and introduced the company as a social activism. The company featured bills of local charity and community events. Anita shot back a letter to the council saying that she was a housewife with kids trying to make a living. She even anonymously phoned the story to The Argus. The newspaper published the story as a Centre spread, which resulted in plenty of free publicity for Body Shop. From its very early days, Body Shop was associated with the social activism of Roddick. The windows of Body Shop stores featured bills of local charity and community events. Roddick was change in standard corporate practices.

The second store was opened six months after the opening of the first store. A former garage owner Ian McGlinn (McGlinn) helped them open this shop by lending the Roddicks £4,000. Roddick gave the company’s products brand names such as, Tea Tree Oil Facial Wash, Mango Dry Mist, etc. Urine sample bottles, the cheapest packaging available at the time, were used as containers. All labels were hand-written. Unlike other branded cosmetics, the packaging of its products contained detailed descriptions of the ingredients and their properties. The company never ‘sale’ priced their products but customers who returned product containers for refilling were offered a 15 percent discount. They used a number of leaflets and posters to provide information about product and give the customers some information about social causes that the company believed in, and encourage them to get involved.

In addition to providing product information, a number of leaflets and posters (on recycled paper) provided information about social causes that the company believed in and encouraged its customers to get involved. Customers were greeted with employees wearing T-Shirts bearing a social message. According to BBC news (2003) said Roddick, “The politics of the Body Shop has always been its DNA - the shops became our billboards. I don’t give a damn if we were made successful by Mrs Rosie Brown who loved her vitamin E cream. Behind us there was a tacit acceptance of what we were doing.”

Body Shop’s core brand identity was its “profits-with-a-principle” philosophy and the brand was closely associated with the social justice agenda. This was a revolutionary idea at the time, and Body Shop developed a loyal customer base. By the late 1970s, it had a number of franchisee stores throughout the UK. Body Shop was growing at a rate of 50 percent annually and was also getting a lot of media attention. Anita hired a PR firm to handle the media. In 1978, Body Shop’s first foreign franchisee opened in Brussels, Belgium.

In the 1980s, the Roddicks acquired the US rights to the “Body Shop” name from the two entrepreneurs of Berkeley, who continued to operate a small chain in the San Francisco Bay Area under the new name “Body Time”. Some analysts were critical of the Roddicks for having copied the whole business model of these entrepreneurs - from the idea and name, to even the product catalogs and image strategy.

In April 1984, the stock of Body Shop opened for the first time on London’s Unlisted Securities Market, at 95 pence. By the time it obtained a full listing on the London Stock Exchange in January 1986, the stock was selling at 820 pence. During this time, there were some concerns among the Body Shop franchisees that the outfit was becoming too political. But despite these concerns, in 1986, the Body Shop formed an alliance with Greenpeace for the “Save the Whales” campaign. Following some disagreements with Greenpeace, Roddick discontinued this
relationship and formed an alliance with Friends of the Earth (FOE) in 1990. It also teamed up with Amnesty International and from the 1990s onwards became very vocal in its support for international human rights. In 1991, Roddick was awarded the World Vision Award for Development Initiative. During the 1980s and 1990s, Body Shop had its share of critics who accused the company of hypocrisy as they felt that it was making profits under the guise of endorsing social equality. On the other hand, some shareholders complained that instead of maximizing profits, the company was diverting money into “social work” projects.

However, the company had shown strong growth through the 1980s and at its height, in 1991, the company was worth £700 million. But then the company faced many challenges. In the early 1990s, problems surfaced for Body Shop as many “me too” retailers mushroomed in the UK, running businesses on a similar green agenda. The Boots Group Plc launched the Botanics and Natural Collection ranges that directly competed with Body Shop’s product portfolio. Body Shop’s international expansion strategy had not achieved much success. In the US, it faced major reverses as Bath & Body Worksemerged as a tough competitor. Its new products too failed to take off. In 2002, both Anita and Gordon Roddick stepped down as co-chairmen and were replaced by Adrian Bellamy (Bellamy). Gournay also quit as the CEO and was replaced by Peter Saunders (Saunders), who was the CEO of the company’s North American operations. The new chairman shelved the idea of selling the company. Bellamy said “We would not enter into (further buy-out talks) unless we had very good reason to believe that it was in the best interests of shareholders.”

Based on Body Shop’s first report (2003) since 2002, Body Shop started working on repositioning itself to the ‘masstige’ sector of the consumer market. The re-positioning exercise began to bear fruit. For the fiscal year ended February 2003, Body Shop reported that its pre-tax profits were £20.4 million, when compared to £11.6 million in the previous year. The turnaround in its performance was followed by strong growth in the next two years.

For the year ended February 26, 2005, Body Shop announced a 21 percent rise in pre-tax profits to £34.5 million (US$ 65.6 million). As of March 2006, Body Shop had 2,085 branches around the world, including 304 in the UK. Its brand portfolio consisted of more than 600 products. On March 17, 2006, Body Shop announced that it had agreed to be taken over by L’Oréal in a £652 million (US$ 1.14 billion) deal. L’Oréal offered 300 pence a share, a premium of 34.2 percent to Body Shop’s closing share price of 223.5 pence on February 21, 2006. Bellamy said, “For the shareholders, L’Oréal’s offer is a significant premium to the share price and I believe provides an opportunity for them to now realize fully the prospects for the group on a standalone basis.” Body Shop was regarded as one among the first firms in the world to publish a proper report on its social responsibility initiatives. In addition to social activism, internal audit programs were conducted at Body Shop for environmental protection, health and safety at work, and the monitoring of ‘Against Animal Testing Policy’. In 1991, it drafted the EU Eco-Management and Audit Regulation (EMAS), and in 1992, Body Shop published its first environmental statement called ‘The Green Book’.

**The importance of CSR as a SCA for Body Shop**

CSR can appear as natural capital that refers to the way that nature and natural resources are an essential piece of capital creation. The comment here is that all resources must be used in the way that leads the organization to sustainable situation to help the leaders to make good decision in chaos situation to make more profit and to be caring about society. Here there is a question,
why is this relevant? The answer is that we are living in a very different world from 20 years ago. So if we compare current global business to past we will consider that what has changed fundamentally is the way in which, economies, societies, and individuals are tied to each other more closely than before. Hitt, Keats, & DeMarie (1998) expressed that in the twenty-first-century landscape, firms must compete in a complex and challenging context to challenge their capabilities in terms of CSR and SCA that is being transformed by many factors, from globalization, technological development, and increasingly rapid diffusion of new technology, new innovations whether radical or incremental, applying new methods in doing the activities, to the development and use of knowledge regardless of the kind of knowledge tacit or explicit.

To start our work on dealing with two interesting topics, Corporate Social Responsibility (CSR) and sustainable competitive advantage (SCA), we need to provide a clear and globally accepted definition of them, and then we can discuss how they can affect each other. Corporate Social Responsibility (CSR) means that Firms bring social and environmental issues in their business activities and in their cooperation with other groups on a desired basis. In general, CSR is characterized by the following issues:

- An entrepreneurship which is responsible
- Voluntary activities which go far away from normal requirements and obligations
- Focused on activities which are beneficial for the all parts of the business from employees to other relevant groups inside and outside the firms
- Positive contribution to all targets
- Periodic and regular activities rather than one-time events

CSR activities which are related to the society and community can get several aspects such as:

- Market integration with emphasis on society or labor
- Managing the changes and improvement in local infrastructures
- Helping NGOs by cash or other kind of donations
- Work as a supportive power in a variety of activities to help in developing the countries

According to Hollender & Fenichell, (2004), Mbare, (2004) and Thayer Robins, (2001) socially mature businesses lead the way for incorporating CSR principles in business conduct. Lindfeldt, (2006), Maignan & Ferrell, (2004) and Takala, (1996) opined that socially active companies, like the Body Shop and Ben & Jerry’s, have been pioneers in the work and communication of CSR. The question of how CSR is communicated is a research area still to be explored. Even Doane, (2004,) investigated that businesses with a clearly unsustainable business idea, such as the oil and petroleum industry, make efforts in communicating awareness of sustainability issues. When Body Shop employees volunteer to help the homeless, when Mattel donates money to the part of Los Angeles destroyed by riots—all of these actions imply that it is possible for a company to be driven by economics and ethics. No one is arguing that economics is unimportant, but the reduction of all human value creation/value-sustaining activity to economic measures misses the mark. In the market CSR activities can be at two sides on the one hand, at the customers and, on the other hand at business partners and or suppliers. The respective initiatives can be done to improve quality or safety of products and help in provision of voluntary services to the clients. These services must be presented at a fair price to give the firms a competitive advantage over competitors. In relation to the customers, their marketing and advertising must care about ethical issues.
L’Oreal is the Company that tested its cosmetics on animals, exploited the sexuality of women, and sold their products by making women feel insecure. Moreover, Nestlé owned 26 percent of L’Oreal. Nestlé was one of the most boycotted companies in the world for its alleged unethical business practices and aggressive promotion of baby milk in developing countries.

Body Shop’s critics said that they felt betrayed by the deal as Roddick had previously been quite vocal in her criticism of companies like L’Oréal. They called for a boycott of Body Shop’s products as they felt that the company had sold out its values and principles. Body Shop and Roddick defended the deal by saying that L’Oréal would not compromise Body Shop’s ethics and that the merger would give Body Shop a chance to spread its values to L’Oréal. L’Oréal also announced that Body Shop’s values would not be compromised and that it would continue to operate as an independent unit.

Chrisna du Plessis (2002) says that many analysts were concerned that Body Shop’s image would be affected by the acquisition. Some activists felt that Body Shop would not be able to function independently and that an important partner in CSR had been lost. However, they were a few who felt that Body Shop’s values would rub in on L’Oréal and believed that the deal had some positives. There were also questions raised about whether L’Oréal was trying to improve its image and buy CSR through this deal. But for Body Shop’s staunchest critics, the acquisition by L’Oréal was vindication of their view that Body Shop was nothing more than a green washer.

Till 1994, the company continued to publish its independently verified annual environmental statements. In January 1996, it published its first ‘Values Report’. Although we know that getting local partners has some kind of special problems, still they must care about it and try to be a fair partner because if they don’t care competitors will. If they want to get SCA in a period of time they must follow all of the standards, even in supply chain they need to think about social issues so they need to apply to find local/regional business alliances. To be more competitive among competitors we cannot only think about our own success, we as leaders must care about all aspects of the business. In this context Jack Welch, CEO, General Electric argued that we always believed that the biggest contribution that one business can make to society is its own success. He says I don’t believe that even generous financial philanthropy on the top of that prosperity is enough. So proofs show us that to be socially responsible and use our core competency as SCA is not as easy as it looks like and still it is not enough it is a persistently processf a social audit of Body Shop (arrived at through consultation with 5,000 stakeholders) as well as its environmental and animal protection performance.

Subsequently, in January 1998, Body Shop published its second ‘Values Report’. The report included results of Body Shop’s integrated internal management systems audit and accounting processes in the area of social, environmental, and animal protection. The United Nations Environment Programme (UNEP) and Sustainability ranked both the Values Reports highly in their international benchmarking surveys of corporate environmental reports. Chrisna du Plessis (2002) investigated that this firmly established Body Shop as a pioneer in social reporting. Its social reporting coupled with its social activism led many people to consider Body Shop as a pioneer in modern CSR. And Roddick reinforced this association with her statements such as, “My vision, my hope, is simply this: that many business leaders will come to see a primary role of business as incubators of the human spirit, rather than factories for the production of more material goods and services.” Body Shop did not test its cosmetic products on animals and did not commission others to do it on its behalf, as it considered this practice unethical. Along with customers and animal protection groups, Body Shop campaigned for a change in the law on the
testing of animals for cosmetics purposes in the UK, Europe, the Netherlands, Germany, and Japan. Its campaigns had some major successes. In 1996, Body Shop presented the EU with a petition signed by over 4,000,000 people, which at the time was the largest petition against animal testing. Body Shop was also instrumental in the UK government’s decision in 1998 to ban animal testing for cosmetic products and ingredients. In addition to this, the company’s campaigns also resulted in finished product test bans in Germany and the Netherlands. In Japan, Body Shop organized the first major campaign on this issue.

In 1995, Body Shop got its Against Animal Testing supplier monitoring systems independently audited and certified against the ISO 9002 quality assurance standard. It was also one of the few companies that complied with the Humane Cosmetic Standards (HCS). In fact; it was the first international cosmetics company to sign the HCS in 1996. It placed restrictions on its suppliers’ use of animal tests and fixed December 31, 1990 as the cut-off date for them to comply with these restrictions. Body Shop said that it would not buy any ingredients that had been tested on animals after the cut-off date. Body Shop also ensured that ingredients derived from animals were suitable for vegetarians and did not cause harm to the animal from which it was derived. In 2004, The Body Shop Foundation (BSF), awarded £20,000 to The Centre for Alternatives to Animal Testing at John Hopkins University to support research into alternatives that could substitute animal testing.

So Body Shop important priority was to use its knowledge and awareness about people and environment to get the best use of it as competitive advantage. In following this policy in 2005, the company was awarded the first place in the cosmetics category for ‘Achieving Higher Standards of Animal Welfare’ by the Royal Society for the Protection of Animals, in recognition of its efforts on this issue. The following year it was awarded Europe’s first annual Proggy Awards in the “Best Cruelty-Free Cosmetics” category, presented by People for the Ethical Treatment of Animals (PETA). Lauren Bowey of PETA said, “The Body Shop is a driving force in promoting a more humane lifestyle. By renouncing animal tests, The Body Shop has shown beauty doesn’t have to have an ugly side.” Roddick said: “I’m thrilled that we’ve won this award in recognition of our Against Animal Testing policy. It was always my vision to offer customers not just great products but an opportunity to demonstrate their ethical purchasing power as well. A recent survey conducted with our customers showed that 84 percent of them shopped with us because they shared our values – a million thanks to them for their support.” In the late 1980s, Body Shop purchased its first Community Trade product (CTP). Through CTP, Body Shop sourced products from marginalized communities for a fair price in a sustainable way. As we mentioned earlier, organizations must understand that customers are permanently dealing with them with their own ideals: so they are building a world of their own. Thus organizations must try to grasp that world and seek the sustainable way to be a part of that world.

For instance, it sourced marula oil from Namibia, bananas from Caribbean, beeswax and honey from traditional beekeepers in Zambia, shea butter from a women’s group in Ghana, etc. In Roddick’s words, “Our trade with these communities is not just about creating another product or market for The Body Shop. It is about exchange and value, trade and respect, friendship and trust.”

Through CTP, Body Shop guaranteed a living wage for its Community Trade suppliers and their workers through a predictable and long-term business relationship. It also supported initiatives in the supplier’s community that contributed to sustainable development. Due to its CTP program,
Body Shop was also considered a pioneer of fair trade in the cosmetics industry. According to the company, its vision was to present a model for other companies to follow.

To ensure that its CTP relationships would be successful in fulfilling a community’s goals, Body Shop developed a set of Fair Trade Guidelines in 1994. It benchmarked its CTP Supplier Guidelines to external standards such as Smallholder Guidelines of the Ethical Trade Initiative and the Fair trade Labeling Organization.

In addition to this, the company conducted participatory audits, and provided its CTP suppliers with information and feedback to assist them in maximizing long-term benefits. It helped suppliers to reduce their dependence on Body Shop by helping them gain access to wider markets and sharing best practices with them. Body Shop said that it marketed products honestly, did not make misleading claims and product promises. The marketing messages celebrated diversity and did not feature ultra-thin or very young models, as was the norm in beauty advertising. A statement in Body Shop’s website reads, “We will not promise eternal youth, or prey on people’s insecurities, but focus instead on products that provide wellbeing and comfort.” It promoted diversity, acceptance and empowerment in its workplace, and maintained equal opportunities standards. Employees were groomed through volunteering, training, and personal development programs. From its early years, Body Shop had promoted self esteem as one of its values. It challenged what it called “unrealistic beauty ideal presented by the beauty industry” and claimed that it used language and images that showed respect for women. Its campaigns on self-esteem took off in a big way in 1995, when it ran a “Women’s Rights Campaign” during the fourth UN World Conference on Women. As a part of the campaign, it collected more than a million signatures in support of the issue from people in 25 countries. In 1997, it launched a campaign based on ‘Ruby’, a realistic doll which represented real women as opposed to the dolls such as ‘Barbie’. In the same year it supported a debate on self-esteem by the Sophia Institute in Singapore. In addition to this, Body Shop UK sponsored an Oxford University research project that looked at the self-esteem of young women and worked with the UK Guide Association to produce a self-esteem activity pack called ‘The Can Do Girls’. In the following year, Body Shop published and distributed globally ‘The Body and Self Esteem’, to raise awareness of the issue of self-esteem and generate debate on the subject.

Therefore if we had to explain the scope of CSR and what is meant by “social”, the whole philosophy behind it could be summed up in the “triple bottom line” theory (“people, planet, profit”): a business regardless of its ways in carrying the activities, direct or indirect, must be judged according to two criteria: in what degree its activity affects the environment and people and how much profit does it make. Questions are clear, so answer to these questions make it clear whether a firm care about human rights and environment or not.

In 2003, Body Shop launched a global campaign against domestic violence called ‘Stop Violence in the Home’. From its stores in the UK, the company raised £90,000 for the charity organization Refuge in less than six months through the sale of badges and the recycling of 18,000 mobile phones. Each of these phones helped raise £2.75 for Refuge and its beneficiaries - women and children affected by domestic violence. In the US, 50,000 mobile phones were donated by customers, raising US$ 80,000 for The National Coalition Against Domestic Violence (NCADV) and The Wireless Foundation. In 2004, Body Shop’s customers helped raise over £500,000 through the ‘Stop Violence in the Home’ campaign. Throughout Europe and the Middle East, Body Shop stores recycled mobile phones and sold campaign key rings. In the UK, the campaign funded a pilot program to provide women with reconfigured mobile phones as emergency alarms.
that could be used in vulnerable situations. In 2005, Body Shop extended its ‘Stop Violence in the Home’ campaign to 40 countries. In that year, it raised over £500,000 for charities supporting victims of domestic violence. US customers donated over 100,000 old mobile phones to raise funds for the NCADV. In Canada, the campaign raised funds to support the Canadian Women’s Foundation. In Singapore, the company launched the campaign with public buses on six important routes carrying ‘Stop Violence in the Home’ advertisements on them. Throughout Europe, a special edition lip care stick was launched to promote the campaign. It became a best seller and customers also donated thousands of products and gifts, which the company distributed to local women’s shelters. In the UK, customers donated over 60,000 mobile phones, which were transformed into personal safety alarms for women or recycled to raise funds for “FonesForSafety” initiative. Based on what we review about Body Shop we got that one popular approach to understanding competitive dynamics is the resource-based view of the firm. According to this view, the explanation for why some firms ultimately succeed and others fail can be found in understanding their resources and capabilities. A firm’s resources and capabilities influence both the strategic choices that managers make and the implementation of those chosen strategies. It can be human capital such as knowledge skills that every employee has it can be experiences even it can be learning system of the firms. Another source is social capital that refers to Stakeholder relationships, inner trust building processes of the corporation, corporate governance, business ethics and standards of the business. Here the paper has tried to separate Body Shop’s activities regarding to human rights and planet protection in details.

**Human Rights and Body Shop**

Defending human rights is another core value of the company as it felt that it is the responsibility of every individual to actively support those whose human rights are denied. It ensured that its products were sourced and produced in regions where human and civil rights were respected and adhered to, as set out in the Universal Declaration of Human Rights. The Body Shop conducted and supported many Human Rights campaigns. For instance, in 1998, Body Shop Australia ran a “Thumbs Up for Reconciliation” campaign in support of reconciliation between black and white Australians. In 2000, Body Shop launched its Human Rights Awards. In addition to adhering to all relevant international Human Rights Standards in areas such as working conditions, protection of privacy, etc., Body Shop also benchmarked its employee management policies against international standards.

Body Shop was a founding member of the Ethical Trade Initiative (ETI) and strove to ensure that its suppliers complied with the ethical trade standards. Suppliers were screened by a buying team who were given ‘ethical targets’ on an annual basis. The team was also provided training in this area. Being a member of Supplier Ethical Data Exchange (SEDEX), Body Shop insisted on and ensured that its suppliers conducted regular ethical assessments. In addition to this, Body Shop worked with other stakeholders at various levels to share best practices and influence national and international policy on ethical trade issues.

**BODY SHOP’S ETHICAL TRADE STANDARDS**

- Employment is freely chosen
- Freedom of association and the right to collective bargaining are respected
- Working conditions are safe and hygienic
Child labor is not used
Living wages are paid
Working hours are not excessive
No discrimination is practiced
Regular employment is provided
No harsh or inhumane treatment is allowed

Environment and Body Shop

Body Shop said that it aimed to be a sustainable business and considered protection of the planet as a key responsibility. In 1986, the company began its campaign for protection of the planet. The company developed its first international environmental policy in 1992.

Body Shop supported materials and technologies that caused minimal harm to the environment and promoted the use of renewable resources and sustainable ingredients. It also strove to minimize wastage by using recycled materials and minimal packaging. In 1993, it stopped using PVC in its packaging, and in 2005, it announced that it would phase out all use of phthalates in its products by the end of 2006. It partnered with Friends of the Earth, Greenpeace, and WWF US and the US Campaign for Safe Cosmetics to ensure that its policies for chemicals use were environmentally responsible. The company had also set itself a target of becoming a carbon neutral retailer by 2010. Body Shop strove to ensure that its policies and practices regarding wood products were in line with the best sustainability practices. It was a supporter of the Forest Stewardship Council (FSC) certification scheme. It strove to ensure that all its wood products were derived from an FSC source. Body Shop was also a member of the World Wildlife UK Forest and Trade Network.

In 2004, Body Shop committed itself to address social and environmental impacts of palm oil production including deforestation, biodiversity and the rights of indigenous populations, poor labor conditions, etc. As an active member of the Roundtable on Sustainable Palm Oil, Body Shop partnered with NGOs and producers to ensure that customers would be able to choose sustainable palm oil. Other Initiatives the company made regular donations to charitable organizations including the Body Shop Foundation (BSF), its charitable trust that was set up in 1990. The trust supported charities working on environmental, animal welfare and human rights issues. As of April 2006, Body Shop had donated over £8 million to BSF.

In 2004, the company donated £1.3 million to charitable organizations, of which £0.7 million was donated to the Body Shop Foundation and £100,000 to the Disaster Emergency Committee for the Asian tsunami victims. The company pledged an additional £100,000 to Children on the Edge to help rebuild the lives of children in Aceh, the Indonesian province that was severely hit by the tsunami in December 2004. Body Shop raised £200,000 for tsunami victims through the contributions of its customers. The company also sold bracelets in the US and Canada to raise US$ 300,000 for HIV/AIDS victims. In 2005, the stores in the UK supported the ‘Make Poverty History’ campaign through the sale of over 200,000 white wristbands, raising in excess of £100,000 for the campaign. In addition to these campaigns, Body Shop was also engaged in causes such as violence against children. The year 2004 saw the return of Body Shop to social reporting as it published its independently verified Values Report in 2004 and 2005.
What is wrong with Body Shop?

Though the company had a distinguished record as a pioneer of corporate responsibility, it had its fair share of critics. From the 1990s, Body Shop faced increased scrutiny regarding its activities and claims. Business ethics expert Jon Entine (Entine) was one of Body Shop’s fiercest critics. Entine accused Body Shop and its founders of being hypocrites, as in his opinion, they were preying on the idealism of consumers, while not being any different from other companies in their pursuit of profit. According to Australian financial report, in 1994, Entine reported that Charity Commission for England and Wales records did not show any charitable contributions from the company in its first 11 years of operation. In the subsequent years, its contribution to charity was less than 1.5 percent of pretax profits (which was the average contribution made by US corporates). He also said that the company made false claims that its products were natural. He alleged that there was extensive use of petrochemicals in the preparation of Body Shop’s products. He quoted many ex-employees who had claimed that the stories put out to customers about various products were totally fabricated. He even cited the fact that Roddick herself had likened the operations at Body Shop to a “dysfunctional coffin”.

In 1998, McSpotlight and Greenpeace UK put forward similar criticisms that Body Shop exploited the public by championing various agendas while it was actually more similar to other synthesized and produced. Though the company claimed that it was against animal testing, its products contained ingredients that had been tested on animals by other companies. Critics also dismissed the company’s CTP as a mere marketing ploy as it accounted for less than one percent of sales of Body Shop products. Body Shop was also accused of paying exploitative wages and having an anti-trade union stance. Its CTP was also viewed as patronizing and was said to have created tensions and divisions within indigenous communities and undermined self-sufficiency and self-dependence. McSpotlight accused Body Shop of marketing products by making people feel insecure about their looks, in the same way that other firms used to sell their personal care products. McSpotlight cited the company’s “Love Your Body” campaign as an example. Some critics pointed out that the visual on the home page of Body Shop was no different from the idealized body images of beauty as projected by the cosmetics industry. The company was also accused of being very aggressive in its response to any form of criticism and allegedly tried to intimidate its critics through invective and/or lawsuits. Some analysts suggested that the image projected by the company and its “anti-city” attitude was hypocritical for a company that raised funds by listing on the London Stock Exchange. “It’s massively hypocritical. If making money from the City, you’ve got a nerve criticising the very people you’re taking money from,” said Ratner. Critics felt that there was a big gap between the image projected by the company and its actual practice.

Critics also argued that after its lackluster results in 2001 and 2002, the management was more focused on improving its financial position. It was only in 2004 that the company made a comeback to serious social reporting. But analysts felt that even after this gap, the 2005 report was unsatisfactory and failed to answer the criticisms leveled against it in a comprehensive way. The 2005 Values Report responded only indirectly to some of the criticisms that had been leveled against Body Shop. Some analysts said that the company’s report had not clarified its position on the allegations regarding its CTP. It did not provide any figures as to what proportion of Body Shop’s products were sourced through the CTP. Though the company had listed its participation in many stakeholder initiatives, the impact of these initiatives was not touched
upon. It was also said that the company’s position on workplace issues was not set out clearly and allegations of exploitative working conditions were not refuted properly. Criticisms of Body Shop intensified after the company announced that it had agreed to be taken over by L’Oréal. L’Oréal did not deny that it used animal testing for cosmetics, something Body Shop founder, Roddick, had opposed throughout the 30 years of her business life. Critics (including Roddick, in the past) had campaigned against L’Oréal’s alleged exploitation of the sexuality of women. Also, it was Roddick who had previously criticized L’Oréal for using only “sexy” saleswomen in their stores.

Heather Tyler (2006) cited that in a statement on its website, Nature watch said: “We feel that the Body Shop has ‘sold out’ and is not standing by its principles.” There were also several calls to boycott Body Shop’s products.

Sean Poulter (2006) quoted that John Ruane, director of Nature watch, said, “She appears to be taking the money and running. Clearly all the money that goes into the till at Body Shop in the future effectively amounts to supporting L’Oréal and, by association, disgusting animal testing. Consumers can make their feelings clear by not shopping at Body Shop.” Another reason why the sale of Body Shop to L’Oréal was criticized was that Nestlé was a large shareholder (26 percent) in L’Oréal. Nestlé had been strongly criticized by activists for several decades for allegedly promoting baby milk powder in the developing world. In January 2005, Nestlé was voted as the ‘least responsible company’ in an Internet poll. It was also one of the four most boycotted companies in the world and the most boycotted company in the UK. Anti-animal testing and anti-Nestlé campaigners called for a boycott of Body Shop too. Various protests were organized by animal rights activists and they also began digging deeper behind the marketing strategies and public image of Body Shop. They used a spoof of a 1990s leaflet of Body Shop and urged Body Shop loyalists to send back their Body Shop loyalty cards to register their protests.

In response to the protests, L’Oréal clarified that it had not done any animal testing since 1989. L’Oréal said in a statement, “We have not carried out or commissioned tests of products or ingredients on animals since 1989.” But it added that it could not guarantee that all ingredients bought from other firms had not been tested on animals. Its spokeswoman said that some ingredients still had to be tested under European health and safety rules. However, it did not stop the flow of criticism and demonstrations in front of various Body Shop stores.

On June 26, 2006, Nature watch organized a protest at the Body Shop headquarters in Little Hampton, West Sussex, UK. The protest included “Lilly Lapin”, a bunny mascot adopted for this campaign, while one supporter wore a dress made out of Body Shop’s loyalty cards that were sent to Nature watch by customers unhappy with the L’Oréal deal. Ruane said that the campaign was getting a lot of support. “It’s been very good with tremendous support from everybody passing, the horns are hooting all over the place and we think it’s been successful,” he said. Many Body Shop loyalists were taken aback by the deal. Some of them said that they felt betrayed and vowed never to shop at Body Shop again. A consumer said, “The Body Shop used to be my high street ‘safe-house,’ a place where I could walk into and know that what I bought was okay, that people were actually benefiting from my purchase. Now the people benefits are the overpaid, underworked ‘fat-cat’ CEOs of animal-testing L’Oréal and baby-milk-selling Nestlé. By buying from the Body Shop, you are now no longer supporting ethical consumerism.
If I want legitimate fair-trade, non-animal tested products, I can find them easily, at the same price, elsewhere.” Several anti-animal cruelty organizations struck Body Shop off from their ethical shopping lists.

Ethical Consumer downgraded its ethical rating of Body Shop from 11/20 (average), to 2.5/20 (very poor), on “ethiscore”. As per the BrandIndex, within three weeks of the announcement of the deal, Body Shop’s “satisfaction” rating had dropped by 11 points to 14, its “buzz” rating fell by 10 points to -4, and its “general impression” fell by three points to 19. Mike Brady (Brady), Campaigns and Networking Coordinator at Baby Milk Action commented: “The strength of feeling seems to have taken Body Shop and Dame Anita Roddick by surprise - they still do not have a statement on the Nestlé link.”

Body Shop reaction to critics

According to Robert Booth (2006) Body Shop clarified that the acquisition by L’Oréal would not dilute its ethical stance and that it would continue its position on anti-animal testing. Body Shop spokesman Bill Eyres said, “It has been agreed that all our values are ring-fenced and we will continue to apply our animal testing policy.” Roddick justified the deal by saying that L’Oréal wanted to learn from Body Shop’s commitment to the environment and human rights in business. She also denied that she had sold out and maintained that the company’s values would not change. She said, “I don’t see it as selling out. L’Oréal has displayed visionary leadership in wanting to be an authentic advocate and supporter of our values.” She added, “The campaigning, the being maverick, changing the rules of business – it’s all there, protected. And it’s not going to change. That’s part of our DNA. David Teather (2006) opined having L’Oréal come in and say we like you, we like your ethics, we want to be part of you, we want you to teach us things, and it’s a gift. I’m ecstatic about it. So I don’t see it as selling out.” Roddick argued that if at all she had sold out, it was by going to the stock market in 1984 and putting Body Shop in the hands of people who were contemptuous of the values of Body Shop.

Anita Roddick (2006) expressed that “We then became ‘owned’ by people who were happy to downgrade our stock at the merest whiff of community trade, who believed that pioneering an end to animal testing in cosmetics was a threat to our share price … That was, I now realize, selling out,” she said. She added that Body Shop would be better off in the hands of L’Oréal who had publicly committed itself to upholding the values of Body Shop. “They (L’Oréal) understand what a maverick The Body Shop was in the business world and how we helped change the language of business, incorporating the action of social change, especially in human rights, animal welfare, the environment and community trade,” said Dame Roddick.

Owen-Jones acknowledged that L’Oréal would not be able to stop animal testing overnight, but this issue was a part of its long-term plan. He said, “I can’t overnight use the Body Shop approach in all of the L’Oréal companies, but our long-term commitment is to join Body Shop on this issue. I cannot be clearer than that.” Roddick agreed that she had an issue with L’Oréal over animal testing earlier, but she was now convinced that L’Oréal was sincere in its commitment to this issue. She said, “So yes, I have criticized the cosmetics industry for their fantasies in the past. I’m not going to stop doing so now, but that does not mean I’m going to be satisfied with a splendid but pure isolation… I have not worked all these years to be satisfied to have pioneered a new way of doing business that nobody else ever tries.” With regard to the allegations that Body Shop marketed its products by making people feel insecure, Body Shop stated: “We do not promise eternal youth in our advertising, or prey on women’s insecurities, but
focus instead on products which provide well-being and comfort.” It also said that it was committed to not using ingredients in its cosmetics that had been tested on animals for cosmetic purposes after December 31, 1990. It further pointed out that most of the ingredients used in cosmetic and toiletry products had been animal tested for some purpose at some time in their history, and it would be almost impossible to sell products whose ingredients had never been tested on animals. Setting up own rule and at the same time doing business following own rules could lead to competitive advantage, but it is only possible, not certain.

Body shop is good example in this context. Body shop contracts suppliers who protect rules which are very severe and pay reasonable price for productions. Price standards are not set up by standards of product country, but by Body shop. Normally prices are higher than in other transactions, but these activities make customers trust Body shop and customers support these activities. This strategy that Body shop sets up own rule and does business following own rules is connected with core competence of Body shop and leads to competitive advantage. Though Body shop is not so big, but its presence is certain. This teaches us that a level of CSR is raised by some firms, namely management level or strategic level. So now the problem is that how firm manages CSR and take CSR in management.

On the other side, Body shop success is also one big step. Body shop is not so big in comparison with Toyota. Its activity is in so called niche market. But its strategy works so well and suggests us how to survive in niche market. Having sociality and environmental consciousness is accepted in such a small market, leads to competitive advantage and is connected with core competence. Environmental and social perspectives could be connected with core competence of a firm. Toyota has already suggested that and Body shop has also. These cases are landmark in markets and they play bottom line’s role. If such a big firm like Toyota suggests a new type of strategy, other firms in same industry imitate its strategy or think other strategies to compete with Toyota in new market like eco market which is found by Toyota.

A model for relationship between CSR and SCA at Body Shop

For presenting a model to show relation between SCA and CSR we need some factors. In our model we refer to market, employees, environment (customers, suppliers, investors and business partners), and society (communities, NGOs, business ethics and global issues). In this model we are trying to say that there is a strong link between different factors that can affect each other. Changing in one of them will cause change in another. As model shows we demonstrate if a firm like Body Shop wants to get CA over competitors it needs to apply both perspective and for that they must consider tangible and intangible resources to find their core competencies over competitors. The model shows that, as porter believes, firms must possess the best resources above-normal rates of return because of the comparative advantage of their resources. As we know, based on PBP, SCA, can be achieved from the ability to protect a suitable position within an industry so the model tell us to get that position a firm must consider its tangible and intangible resources and capital resources is the most important one among others. (See fig 1)

Resource based perspective gives us an open window to all resources that we have and guide us how to handle the external and internal environment. RBP is like a road map that illustrates all aspects of the resources from human capital to technological logistics. And presents a wide view in dealing with resources to get CA and be socially responsible. For that firms must care about whatever they claim. They must be as ethical as possible so they need to provide a chart of what they are believe in and act to them accordingly. If they do that they can be hopeful to get good
position in the market, make customers satisfied, have committed employees, keep good relations to the society, and being responsible to environment as Body Shop has done. So our model is a multi dimensions model that if be carried out well can help firms to handle their activities accurately.

Model for relation between CSR and CSA at Body Shop

![Diagram](image_url)

**PBP**: positioning based perspective

**RBP**: Resource based perspective

**DISCUSSION**

By providing a multi item measure of SCA and CSR, we empirically examined theoretical concepts in a model of both of them. As we mentioned earlier CA traditionally has been based on resources of a firm that enable it to take over others in the same industry. Sustainable competitive advantage is conservation-oriented as no organization has unlimited resources. Given such a limitation, conscious management of existing resources is necessary. Sustainable competitive advantage is future-oriented, placing itself beyond day-to-day management for the long-term development of resources to bring about strategic advantage. Strategic advantage is the standard for corporate renewal. It is highly dependent on, and influenced by, the development and timely introduction of strategic resources. The evolution of CSR in these developing economies shows widely varying results. As Warhurst (2001) points out, the major elements of CSR are product usage that is concentrated on contribution of industrial products which can help in well being and quality of life of the society, business practice which focuses on good corporate governance and gives high impetus for the environmental well being and equity which tries for distribution of profits equitably across different societies especially the host community. The paper provided a model based on PBP and RBP that is a multi dimensions model that if be carried out well can help firms to handle their activities accurately.

Resource based perspective gives us an open window to all resources that we have and guide us how to handle the external and internal environment. RBP is like a road map that illustrates all aspects of the resources from human capital to technological logistics. And presents a wide view in dealing with resources to get CA and be socially responsible. For that firms must care about whatever they claim. They must be as ethical as possible so they need to provide a chart of what
they are believe in and act to them accordingly. If they do that they can be hopeful to get good position in the market, make customers satisfied, have committed employees, keep good relations to the society, and being responsible to environment. For more research it could be great if someone start to look at the subject from different views and find out how we can make a model based of mathematic formula to prove the strong relations between CSR and SCA. Of course we concluded that there is a link between them but still we need to seek more to find other factors that may affect this relation. From the other hand doing a PESTEL analysis also can be another way to show the connection between them.

Having sociality and environmental consciousness is accepted in such a small market, leads to competitive advantage and is connected with core competence. Environmental and social perspectives could be connected with core competence of a firm.

Toyota has already suggested that and Body shop has also. These cases are landmark in markets and they play bottom line’s role.

**Conclusion:**

In this paper we are trying to find the significance of corporate social responsibility to achieve a desired condition for the companies that is sustainable competitive advantage (SCA). The case that have chosen as our sample for the study is body shop. Body Shop important priority was to use its knowledge and awareness about people and environment to get the best use of it as competitive advantage. Nowadays the contribution of CSR in SCA is more visible as it is directly related to society and people convenience that are the most important factor in competition. Actually we expect organizations, whether public or private, to be more coherent and transparent. Hopefully those standards will enable globalization process to go together with for human rights, to pay attention to social justice and to enhance the work. We really expect from CSR a practical reconciliation and a new balance especially between economic activities, labor relations and the environments in daily life. In this paper we are trying to say that there is a strong link between different factors that can affect each other. Changing in one of them will cause change in another. As model shows we demonstrate if a firm like Body Shop wants to get CA over competitors it needs to apply both perspective and for that they must consider tangible and intangible resources to find their core competencies over competitors. The model shows that, as porter believes, firms must possess the best resources above-normal rates of return because of the comparative advantage of their resources.

In this matter we analyzed that effectiveness of market and environment in CSR and in the other side employee and society. The nature of market is affecting the companies behavior to be socially responsible for their customers. Environment and society are the most important parts that are affected by CSR effectiveness and help companies to get CA if consider positively. The last factor that should be in consideration is the importance of members of the organization that the nature of their behavior and also their efficiency.

We concluded that despite the companies attempt to reach the advantages of SCA there are some external factors as society and market and environment that can affect the performance of organization as we call it CSR.
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DPI and it's impacts on employee's productivity

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Abstract
In today’s office environment, employers have a relatively new issue to deal with; employees wasting time online and putting business at risk. A large proportion of corporate web traffic is non-work related: gambling, music downloads, personal webmail, social networking and even pornography sites. This misuse of internet nowadays can be reduced and control by the help of a DEEP PACKET INSPECTION system(DPI). DPI is a system for analyzing network traffic to discover the type of application that sent the data. In order to prioritize traffic or filter out unwanted data, deep packet inspection can differentiate data, such as video, audio, chat, voice over IP (VoIP), e-mail and Web. Here, I am going to analyze the effects of DPI system and it’s merits and demerits for the organization, when it can be useful, when can be harmful. Then I will evaluate the performance of various organizations in case of using internet connection during the work hours and non-using of internet connection.

Keywords: DPI ; Impacts ; Employee's productivity

Introduction:
The use of internet technology has become more and more a common practice (even part of real life) in the workplace. To stay competitive, companies try to increase availability and accessibility of internet technology to support and enhance the internal and external communications among employees. Internet-enabled communication media, such as e-mail, instant messaging and IP phones, are enabling companies to conduct business anytime from anywhere, also virtual teams are a natural product of the ubiquity of internet technology to smooth the communication process for all member’s of new teams and conducting day-to-day business of all types (Greenfield and Davis, 2002), in addition the web has been known to enhance personal productivity, communication and education (Anandarajan, 2002) , greater flexibility, and new applications for work (Greenfield and Davis, 2002).
Literature review:
The importance of this study is to find a solution to prevent the inefficiencies of workers during working hours which leads to lower productivity and it gets translated into lower performance. Because employees are spending time surfing on the net or communicating with friends, relatives and counterparts during working hours (Ferris, 1990). More employees are checking their stock prices, shopping for travel bargains and exchanging personal e-mail via the Internet while at work - even though their companies prohibit these activities (Marsan, 2000).

With historical point of view organisational misbehaviour has been a prominent feature of organisational studies throughout the twentieth century and continues to command similar attention in the first decade of the twenty-first century.

For instance, from systematic soldiering identified by Taylor (1917/1967) at the beginning of the twentieth century, to quota restriction in the 1940s (Roy, 1952), to workplace fiddles and theft in the 1970s (Mars, 1994; Ditton, 1977), to employees resisting new forms of human resource management (HRM) in the 1990s (McKinlay and Taylor, 1996a, b), and more recently, with a range of studies conducted in the first few years of the twenty-first century that focus on employee misappropriation of the organisation’s internet capabilities (Block, 2001; Lim, 2002; Griffiths, 2003; Lara et al., 2006).

According to The new ePolicy Institute many bosses who fire employees for web misuse (abuse) in 2007 claim that 84% of them viewing, downloading or uploading of pornography and otherwise offensive or inappropriate material as the reason.

Obstacles to adopting and using various security and filtering systems like DPI, that developing country organisations also face, is slow, unreliable, insufficient, and expensive telecommunications services (World Bank, 2006).

Background of DPI:

Deep Packet Inspection (DPI) combines the functionality of an Intrusion Detection System (IDS) and an Intrusion Prevention System (IPS) with a traditional stateful firewall. This combination makes it possible to detect certain attacks that neither the IDS/IPS nor the stateful firewall can catch on their own. Stateful firewalls, while able to see the beginning and end of a packet flow, cannot on their own catch events that would be out of bounds for a particular application. While IDSs are able to detect intrusions, they have very little capability in blocking such an attack. DPIs are used to prevent attacks from viruses and worms at wire speeds. More specifically, DPI can be effective against buffer overflow attacks, Denial of Service (DoS) attacks, sophisticated intrusions, and a small percentage of worms that fit within a single packet.

A packet is the unit of data that is routed between an origin and a destination on the Internet or any other packet-switched network

Deep Packet Inspection (DPI) is a form of computer network packet filtering that examines the data part of a packet as it passes an inspection point, searching for viruses, spam, intrusions or predefined criteria to decide if the packet can pass or if it needs to be routed to a different destination, or for the purpose of collecting statistical information.
Importance of DPI for productivity of organization:
There are some important benefits that help to understand its necessities for organization. Suppose you are manager of a big organization, and you are trying to use your campus network and found it was very slow, so, you can not reach your job as fast as is necessary, or you may fail to do. This is because your staff are using the network to download music or watch youtube. Bandwidth-consuming applications such as file-sharing programs, internet phone service, and online video are able to clog and slow down corporate networks, degrading performance.

Deep Packet Inspection (DPI) (also called complete packet inspection) is a form of computer network packet filtering that examines the data part and possibly also the header of a packet as it passes an inspection point, searching for protocol non-compliance, viruses, spam, intrusions or predefined criteria to decide if the packet can pass or if it needs to be routed to a different destination, or for the purpose of collecting statistical information. This is in contrast to shallow packet inspection (usually called Stateful Packet Inspection) which just checks the header portion of a packet.

One of the good examples can be Ball State University in Muncie, Indiana, found its network had slowed because a small minority of students were using peer-to-peer file sharing programs to download movies and music. After that using a DPI system from Allot communications, Ball State was able to cap the amount of file sharing traffic and assign it a much lower priority. Ball State’s preferred network traffic speeded up (White, 2007).

To solve these type of problems a good technology like DPI can help. DPI examines data files and sorts out low-priority online material while assigning higher priority to business-critical files. Based on the priorities established by network’s operator, it decides whether a specific data packet can continue to its destination or should be blocked or delayed while more important traffic proceed.

How Deep Packet Inspection can help?

The DPI device looks at the first 5-100 packets in a packet stream. These packets are then evaluated against a rule list, are the packets going somewhere that is impermissible? is an application being used that we are disallowing? and then allowed to continue to their destination or not depending on what the rule set dictates. In the case of images/movies/songs it is possible, in the case of some devices, to quickly look at the first packets of a .mov, .jpeg, etc file and correlate that particular file with a particular digital ‘fingerprint’.

The evolution of network and application-layer security threats has significantly altered the requirements for a modern network security architecture.

DPI is a system that is able to prioritize traffic or filter out unwanted data, also it can differentiate data, such as video, audio, chat, voice over IP, e-mail and web. Inspecting the packets all the way up to layer 7.

It can be used to analyze anything and everything within the packet that is not encrypted. For example, it can determine not only that the packets contain the contents of a Web page, but also which Web site the page is from.
DPI and its impact on productivity:
The internet has a world wide broadcasting capability, a mechanism for information dissemination and a medium for collaboration and interaction between individuals and their computers without regard for geographic location.
However, the internet being an open media is susceptible to misuse. There has been rapid rise in the number of unsuitable websites dedicated to harmful and undesirable content.
So, there is an urgent need therefore to prevent the misuse of internet in the early stages and promote its ethical use through awareness and educational programmes and also some prevention tools to force those who are not accepting the educational programmes and continue their misuse of internet.
The sub-field of internet misbehaviour may vary, yet it is reasonably clear to see how such actions are a form of micro-resistance or sabotage. The social study of the internet is in its infancy (Wellman and Haythornthwaite, 2002) and where it does exist some say it quickly becomes obsolete (Cavanagh, 2007), therefore internet misbehaviour represents a very new and ongoing challenge for the contemporary scholar or practitioner.
There is also another issue that influence internet abuse which named internet addiction, Although many companies have corporate policies to deter the internet abuse, many users are addicted to internet activities and have little control of not using internet activities in the workplace.
Obviously internet abuse behaviors in the workplace are the natural extension of internet addiction behaviors (Stanton, 2002), a user who is accustomed to use online chatting services at home will instantly respond to any request of online chatters even in the workplace.
DPI is a system that help in this matter. Filtration of unwanted data and prevention techniques can help to make the organization more productive.
Because nowadays with the development in the industries and applying the internet that is necessary for each organization to be competitive, misuse of internet will prevent the workplace to be productive.
There are some reasons that we can say DPI will help the organizations to be more productive:

- **Network security:**
  DPI's ability to inspect data streams at such a granular level may prevent viruses and spyware from either gaining entrance to a network or leaving it
- **Network access:**
  DPI creates conditions where network-access rules are easy to enforce due to the deep inspection of packets
- **Quality of service:**
  peer to peer traffic gives ISPs a great deal of trouble. DPI would allow the ISP to instigate traffic control and bandwidth allocation
- **DRM enforcement:**
  DPI has the ability to filter traffic to remove copyrighted material. There's immense pressure from the music and film industries to make ISPs responsible for curtailing illegal distribution of copyrighted material
Finding and analysis:

DPI system has some advantages and disadvantages as new technology that we will see.

http://www.developingsecurity.com/.a/6a011279135bcf28a4011571f75946970b-pi

A lot of attention and discussion has been paid to Deep Packet Inspection. DPI has developed a bad reputation for its role in censorship, data mining and eavesdropping. It is seen by many as a threat to Net neutrality and online privacy. This is giving some uncertainty and reduced the trust of users while using the internet.

The depiction of DPI as a detrimental technology was highlighted during the recent unrest in some organization when the Wall Street Journal claimed that DPI was used to spy on citizens and block traffic deemed undesirable by the state. Several media outlets jumped on the bandwagon calling DPI "a technology ripe for abuse".

Because of the negative media coverage around Deep Packet Inspection several parties have tried to affirm that, like most technologies, DPI is neutral. As a tool it can be leveraged for good or evil.

Even when DPI is used for positive purposes like information security, reducing the traffic of internet, there is debate. Recently, several industry experts caution that for security controls like intrusion detection/prevention, web application firewalls and data leakage prevention, the necessary protocol parsing is a duplication of effort that may be evadable, or worse yet present additional vulnerabilities. Vendors work extremely hard to mitigate these concerns.

Despite the negative image being used on DPI it's important to remember that as a technology it plays a vital role in information security, since no alternative options exist that are as capable.

As far as the advantages of DPI system are concerned we can see the Justin Foster’s five reasons that security and filtering controls rely on DPI:

1. **Prevention** - The majority of today's data enters and exits systems through the network. While there are plenty of ways to detect malicious code or behavior once a system has been compromised (and in some cases remediate), network filtration provides an interception point suitable for true prevention.

2. **Ubiquity** - Some applications like browsers and email programs expose APIs that can be used for inspection and prevention of the fully normalized data. Unfortunately such programs are few and far between, and only cover data entering the system. The only way to 'see' most of the data entering or leaving the system is through the network layer (DLP is also concerned with information leaving systems on other forms of media).

3. **Altitude** - If applications universally provide inspection points there are still risks below that layer of the stack. For instance, vulnerabilities in the TCP/IP stack could be be used
to compromise the operating system. Higher up for example, in the pre-render hooks browsers provide, significant amounts of code has already parsed the data in the document. The higher you are on the software stack the more abstraction exists and the more chance the layers under you may be compromised.

4. **Choice** - DPI can be deployed host-based, on physical appliances, or using new options like cloud-based security as a service, third-party vSwitches or Hypervisor introspection APIs. Because all of the traffic is based on standards (defacto or otherwise) consumers can mix and match vendors and control types without difficulty.

5. **Layers** - DPI can be applied cleanly as a serial chain of filters.Traditionally a network starts with a Firewall, behind which any number of components are deployed (IDS/IPS, Web Proxy, Network Anti-Virus, Anti-Spam). These layers form a funnel of traffic without having to be aware of each other.

As a technology DPI should not be condemned for how it may be used; DPI itself is not inherently good or evil. Until there are alternative means of policing information exchange with these positive attributes, DPI will continue to be a necessary and useful technology.

**Conclusion:**

Productivity is an important issue in today's competitive and complex environment. Internet misbehavior represents a very new and ongoing challenge for the contemporary scholar or practitioner. Many companies have corporate policies to deter the internet abuse, many users are addicted to internet activities and have little control of not using internet activities in the workplace.

DPI as a short definition is a way for networks and third parties to determine what information users are surfing for on the web. But according to Markey who is the chairman of house telecommunication and internet subcommittee, the internet is like a delivery service and when DPI is abused is like a post office inspecting mail and even altering it.

Despite of disadvantages of DPI when it is used to manage traffic, root out viruses and for some law-enforcement purposes and also controlling the staffs and end users for misuse of internet we can see its efficiency.

Deep Packet Inspection (and filtering) enables advanced security functions as well as internet data mining, eavesdropping, and censorship. Advocates of net neutrality fear that DPI technology will be used to reduce the openness of the Internet. DPI is currently being used by the enterprise, service providers and governments in a wide range of applications.
In this paper the focus is to understand the importance of a good security system for controlling of the misuse of internet by workers and help the organizations to be more productive. The best system in this case is Deep Packet Inspection (DPI), the reason for its usage is that research has shown the employees are to an extent using the Internet gainfully in their daily work but they are also misusing the Internet for personal uses during office hours. This has become a prevalent problem that needs to be tackled to reduce the negative impact on productivity. The company’s should embark on a campaign to promote a policy of acceptable use in their respective companies as of using DPI so as to minimize the abuse due to ignorance. The employees must be told what acceptable use is and what is not acceptable during the working hours so as not to stifle productivity of those who genuinely need to do so as part of their jobs.
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The past, present and future of online Marketing

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Abstract
By emerging of worldwide web a great opportunity is provided for producers and customers to do their business in real time and directly without the role of a middleman. Business to business and business to customer are the results of such a technology that enables people to react very fast. Online shopping is a great opportunity for companies that want to have a competitive advantage over their competitors. In an online environment people make their decisions based on information provided on the site. From other hand traditional marketing relies on decisions in four basic controllable categories labeled the four “P’s”: Product, Price, Place and Promotion. This paper reviews the current approaches to Internet behavioral marketing and its shortcomings as well as biometrics and its potential for more effective Internet marketing. And found out that in current heavy competitive business market and in coming years the most important factors that can foster the growth of a firm is the level on mutual trust between consumers and suppliers and the degree in which suppliers can protect the information. Finally we review new technology based on biometric identification and found out that Biometric technology is still in the opening stages of commercial development.

Keywords: E-marketing, marketing, e-commerce, marketing principles

INTRODUCTION
“Internet Marketing is the process of promoting an organization using online media, typically with the goals of increasing sales and boosting profits. Everything you do to promote your business online is Internet marketing. For example, Internet marketing strategies include (but are not limited to) website design and content, search engine optimization, directory submissions, reciprocal linking strategies, online advertising, and email marketing. Internet marketing does not simply mean building or promoting a website nor does it mean simply putting a banner ad up on another Web site. Effective Internet Marketing requires a comprehensive strategy that synergizes a given company's business model and sales goes with their Web site function and appearance, focusing on their target market through proper choice of advertising type, media, and design”, reports Wikipedia, the digital space, the interactive place where consumers control interaction, connect with businesses, each other and their interest, the Internet platform is increasingly where marketing decisions are influenced and made.
This is confirmed by an Outsell Inc. survey: “spending on online advertising is encroaching on budgets allocated to traditional forms of advertising.” E-Marketer predicts that the share of total US media spending going to the Internet in 2008 will be 9.3% or $27.5 billion compared with 6% or $16.9 billion in 2006. In comparison, print spending is anticipated to grow just 3.3% and TV/radio 2.4% according to Outsell Inc. Currently, any amount of time an Internet user spends on the Internet will inevitably result in being prompted to create a username and password.

The purpose of this paper is to review the current Internet marketing approaches of gathering data, including their pros and cons. Secondly, examine biometrics in its potential for gathering information to help marketers determine their audience better at an individual user level. Then, review the current market for biometric technology and gain an understanding of where biometric technology for personal computers stands at the moment, and highlight some of the challenges that lie ahead. Finally we will consider the current and coming concerns regarding to the online marketing.

**Methodology**

As we earlier mentioned this study is a qualitative study so qualitative research is a method of inquiry appropriated in many different academic disciplines, traditionally in the social sciences, but also in market research and further contexts. Qualitative researchers aim to gather an in-depth understanding of human behavior and the reasons that govern such behavior. The qualitative method investigates the why and how of decision making, not just what, where, when. Hence, smaller but focused samples are more often needed, rather than large samples. It is not possible to accomplish the objectives of science or to acquire scientific knowledge without an appropriate methodology; in other words, the validity of a research is due to the method used in it, not the research topic.

Generally speaking, there are two perspectives with which researches may be classified:
- Research by purpose
- Research by method

Concerning its purpose, the present study is considered to be a conceptual one. On the other hand, by taking the methods into account, it is regarded as a survey aimed at rationalization. The conceptual studies are those which apply the theories, regulations, and compiled principles of basic researches in order to bring new ideas and knowledge. In researches as such, the most practical steps are stressed, while causes are less studied.

In the present research, the following method has been used to collect the data required: Review of literature and background of the study that benefit from library sources (i.e. the content of the books, papers, periodicals, dissertations, and the like) as well as the internet.

**Literature review**

For the third straight year, marketers are planning to spend significantly more on their content marketing efforts in 2010. For 2010, 59% of marketing professionals surveyed plan to increase their spending on content initiatives (as compared to 56% in 2009 and 42% in 2008). Only 7% are planning to decrease spending in this area. As a percentage of budgets, marketers are increasing their content marketing spending 11% from the 2008 study. That means that content marketing comprises 33% of the total marketing budget (29% in 2008).
From the marketing education standpoint, marketing professionals, almost across the board, “need to know” less about nearly every content product except for mobile content solutions, which rose 63% in 2010 from 2009.

Marketing is the collection of activities associated with identifying the particular wants and needs of a target market of customers, and then satisfying those customers better than one’s competitors. Good news for marketer is that the 1990s belong to the customer. But before that time we have been faces with emerging of marketing and especially online marketing. To provide an overview of the online marketing we must provide information about structure and function of a network. Arabie and Wind (1994) Iacobucci (1996) investigated that understanding the structure and function of networks whether in B to B or B to C for marketing is very important. And they expressed that it is not surprising that theories regarding to network are accepted very fast. And these theories are applied in wide range of issues in marketing. Duhan, Johnson Wilcox and Harrell (1997) Goldenberg, Libai and Muller (2001) argued that these areas include: word-of-mouth (WOM) communication, relationship marketing as Achrol (1997) says, and it is applied for information acquisition (Moorman and Matulich1993), and as Midgley, Morrison and Roberts (1992): Morrison, Roberts and Midgley (2000): Rogers (1995) found out it can be used for diffusion and adoption of new products and services. Regarding to this subject Porter (1985) investigated that marketing serves the purpose of developing competitive scope, which can have a powerful effect on competitive advantage because it forms the structure of the value chain. Therefore Wellman (1983) expressed as a marketer we need to analyze the network to understand how its structure can affect the behavior. According to the market research firm e-Marketer, by Holahan (2006) it is expected that $2.1 billion will be spent on behaviorally targeted advertising in 2008. Internet marketing in particular is evolving into more personalized advertisement approaches for strategic placements of advertisements to appeal to users’ preferences. However, as Internet marketing strategies move toward a more refined and personalized marketing approach, a better method of gathering user specific information is needed. Researchers have found the concept of ‘product life cycle’ for strategy development and implementation. There are normally a few numbers of firms which introduce product life cycle. In deed in some industries there are very few firms such as the pharmaceutical or biotechnology industries. The reason is because there is patent protection. Gotz (2002) in a survey pointed out that the numbers of entrants in each period of the product life cycle is limited and increases over time. Because new and improved products are introduced into the market, Chi and Liu (2001) investigated that due to technological obsolescence, an important trait of product life cycle is the decrease of the product’s market potential. Blattberg and Deighton [1991] laid out a good framework for Internet marketing where they argued consumers are addressable thus instead of treating them as homogeneous masses, managers need to indentify and communicate with each individual to improve their services on the web.

If a firm tries to interactive to the buyers properly, can use the technology advantages, as Wind and Rangaswamy (1999) pointed out that technological and manufactures improvements provide good opportunities for interactive marketing. They pointed to the customization by manufacturers that can be a power tool in hand of suppliers in e-shopping mall environment.
To implement a successful interactive marketing strategy, a firm must use information effectively. Many of the notions of interactive marketing have been refined in recent years by researchers studying direct marketing (Allenby, Leone, and Jen 1999; Bitran and Mondschein 1996; Bult and Wansbeek 1995; DeSarbo and Ramaswamy 1994; Gonul and Shi 1998).

Beside of this introduction about marketing in general, viral ideas, products, and media also make a new face of online marketing. For the first time Bill Wasik introduced ‘Flash mods’ as something between a social experiment and an art project, which this concept became popular in New York City in the summer of 2003, and then expanded to all around the world. At beginning of any new marketing approach there are some obstacles but nowadays, many of the barriers became lower in some industries because of e-commerce. Porter (2001) states that enhancements in technology and generally lowered entry barriers are believed to substantially increase the number of dot.com competitors. Bandyopadhyay (2001) says indeed, the low entry barriers have made the online market place easier to reach and of course it will increase the competition between businesses. For instance, in the past, Melewar and Navalekar (2002) investigated that, the most important barriers in the banking industry included the high infrastructure costs in order to establish geographical presence of the incumbents. However, now, the new Internet banks enjoy a low cost base because they do not have to have a physical infrastructure. In a study Hagel and Rayport (1997) pointed out that the internet banks are seen as a threat to the incumbent brick and mortar banks. Also another research by Pyun, Scruggs and Nam (2002) stated the same idea. Although there are barriers to get into the online marketing but firms need to use it. Connor (2000) mentioned that the purpose of marketing is to understand potential and promote the creativity required for product and service development. The term “biometric” and the concept of biometric identification, is originated before the digital era. But today, and presumably for the future, every form of biometric identification is based on the comparison of an image with information stored in a computer database. In 2001 VeriStar Corporation introduced the Smarttouch digital fingerprint system for use in fast food restaurants. According to a report in InformationWeek, “within the next few months, some McDonald’s customers will be able to charge BigMacs to their Visa cards simply by touching a finger to a screen”. Compared to a visual comparison of signatures or photo ID’s, biometric identification is less fallible and potentially much faster. This has prompted the use of biometrics for noncriminal governmental and commercial applications. James L. Wayman, Director of Biometrics Test Center at San Jose State University, mentions a number of such applications that were live as of May 1998, including immigration systems, airport security systems, employee time recording, social service benefits distribution, and driver’s licensing programs. “Disney World is using finger geometry with their season passes . . .”, he notes.
“Old” Internet Marketing

In the beginning, the Internet was cool. In a nod to modernization, many Global 2000 companies dabbled in the Web with experimental web sites, often nothing more than technology-little brochure sites. These experiments were purposely separated from day-to-day operations given all the unknowns relative to business impact, claiming dedicated people, business processes, technology, and information. The Web was commonly run by the jeans-wearing ponytail set as opposed to the blue suits carrying sales bags. Throw a pizza into the “conference-room-cum-web-lab” now and again and all was right with the world. Web marketing largely consisted of mass, outbound e-mail blasts and getting e-mail right became a huge focus of Internet marketing. E-mail technology jockeys found themselves acting as new-age marketers and it became more about crafting the perfect e-mail than about getting the right message to the right customer via the right channel. Thus the foundation was laid for the most critical mistake organizations have made with the Web to date: failing to integrate the Web into their overall channel structure.

Indeed we thought we were making things better by bifurcated marketing disciplines based on channel (e.g., online vs. offline) and formalizing the discipline of online or Internet marketing. We scoffed at the idea that a relationship or a brand could be enhanced through the Internet, and Internet marketing evolved separately from Relationship Marketing and Brand Marketing.

Traditional ‘word of mouth’ marketing (viral marketing)

Based on Bayus, (1985) definition, word of mouth implies that informal, ad hoc communication between individuals concerning products and services is taking place. Evans et al, (2006) believed this communication can be positive as well as negative, depending on the satisfaction levels of the individuals. In comparison to other forms of marketing communications, information dissemination and sharing among individuals is rapid when word-of-mouth occurs. Solomon, (2004) in a survey investigated that the behavior and views of individuals are significantly influenced by negative word of mouth communication, which tends to be weighted more heavily by consumers than positive communication. Based on a research he found that 90% of dissatisfied consumers do not purchase products or services of the company involved in the negative word-of-mouth communication. Equally importantly, these consumers will communicate their dissatisfaction to at least nine other people and 13% of these dissatisfied consumers will communicate their negative view to more than thirty people. Helm, (2000) argued that the Internet ‘word of mouth’ communication, i.e. viral marketing, is a far more effective, penetrating and faster medium compared to the traditional word-of-mouth communication. It is also a far more focused medium as consumers communicate their views in their social sphere (friends, colleagues etc) where their influence is more critical. Researchers such Helm, (2000), Porter & Golan, (2006) investigated that the short history of viral marketing is generally agreed to have been launched by Hotmail’s tagline “Get your private, free e-mail from Hotmail at http://www.hotmail.com” (and the resulting successful widespread diffusion of Hotmail. This tag line, added automatically to every email sent from a Hotmail account, was passed on from existing Hotmail users to the recipients of their email messages in the way that viruses spread, hence the term viral marketing. While for Welker (2002, p.7) viral marketing is nothing more than “a new
interpretation of the good old word-of-mouth-paradigm”, the use of the Internet for spreading the message clearly is a new concept that would not have been possible without the widespread diffusion of information and communication technologies. For the purposes of this study we will consider viral marketing as a technique which utilises the Internet to transmit and spread messages among individuals who will filter and forward the messages to their peers, who may be potentially interested in the message’s content. The communication style used for transmission is usually informal. Messages are spread through different channels such as email, chat rooms and discussion forums. They may contain various types of content ranging from text and images, to MS PowerPoint files, Adobe’s Flash animations and so on.

“New” Internet Marketing
We now know the Web experiment has succeeded, and the Internet as a commercial tool is here to stay. Consumers are purchasing goods and services more than ever via the Internet and marketing spend on media such as online classifieds, search marketing, and display advertising is fast following. Indeed spending on Internet marketing is projected to increase, depending on who you believe, between 7% (Winterberry Group) and 20%+ (e-Marketer) over the next 4 years. But just when we think we’ve got it figured out, consumers tell us otherwise. Customers understand that businesses operate through multiple channels, and they will leverage whichever channel is most appropriate to task. Studies show that Internet marketing is driving offline efforts; and there is a significant missed opportunity if all channels are not integrated. As such, organizations must begin to regard the Web (some call it the e-channel) as just another channel in its channel mix, as opposed to treating it as a separate business unit, operating company, or division. The integrated channel system itself must be economically optimized, versus optimizing the use of a single channel (e.g., the Web) within a channel system.

We also know that while the Web is a huge marketplace, 90%+ of the online purchasing and consideration process is occurring beyond the corporate website. Studies show that while customers may seek information from a corporate web site, the sale through this same channel rarely follows. So it would seem on the surface that the Web is an ineffective revenue-generating channel. If viewed in this way, an organization has the opportunity to influence purchase even if the Web isn’t the right channel for that consumer at that moment in time. In this model, the efficacy of the Web increases exponentially as it is causally linked to transactions in other channels. Indeed millions of these telling web interactions go unnoticed every week and harvesting this kind of information will lead to a more focused, productive marketing effort where coordinating online and offline marketing involvement drives mindshare and ultimately transactions across channels.

Therefore, today’s marketing executive needs to be continuously engaged in defining and refining the website’s objectives. Some of the performance questions include:
1. What is the first thing I want someone to do when they come to my website?
2. How am I directing that behavior?
3. Are the choices I am offering on my website – the buttons and navigation designed to lead to the behavior I want from the visitor?
4. What analytical data am I capturing that will help me analyze this behavior?
5. What tests am I conducting on the website to achieve the action I want the visitor to take?
6. Is my site text and keyword rich – persuasive and benefits-focused?
7. What are my “call to action” buttons?
8. Does the visitor understand how my site will solve their problem or deliver on their desire and need?
9. Is it clear why my website exists?
10. Is my website just an online brochure that is “us” focused instead of “you” focused?

Today, marketing executives must approach their website with an understanding of all aspects of Internet Marketing. A marketing plan designed to turn your website into a performance site not a static site requires measuring, testing and faith in metrics. Internet Marketing is here to stay as a part of the marketing mix. In short, the Internet platform requires a new kind of professional - one whose understanding of technology and marketing is integrated, creative and seamless.

**INTERNET MARKETING PROCESS**

There are four basic stages for internet marketing promotion research, plan, execute, and evaluate.

**Promotional research**
First of all, research is the first step to make internet marketing successful. Look at the online presence of your customers, competitors, and suppliers, made a first estimate of which methods might make sense. Check out the online services such as AOL, evaluate how companies advertise and how they place their ad, and ask some questions such as are they catching users when they first sigh on with a special offer? What types of ads appear on the news page? Then analyze sites that appear on the cool links or hot sites, determine which ads have the greatest pull. All these research can educate yourself about the variety of web sites, develop a sense for you find appealing.

**Writing plan**
Once a research has given you a lot of sense and information, the next step is evaluate your situation and make a plan. The plan should include goals and objectives, target audience, implementation methods, budgets for time and dollars, required personal, and schedule of activities. A written plan can communicate the objectives clearly to others, delegate responsibility for implementation and monitoring, and outline the results of different promotional methods. If there is a need, plan can use web marketing services. The web has spawned an industry of online promotion consultants, online agencies and specialized web marketing services, they can submit your site to multiple directories, search engines, and lists on a regular basis. Place your ads, coordinate web and other internet announcement with ad campaign, and plan and implement long-term strategic web marketing.

**Execute plan**
After the plan have been made, execute the plan step by step, and track all the details of the promotion plan. Be sure when launching a web site, announce special “opening day” or “inaugural week” site offer, through other internet venues or off-line, the will help drive web to traffic. If elect to use a web marketing provider, ask for references from
other clients. Evaluate these clients’ sites and contact the company to see if they are satisfied.

**Evaluating result**
Track the result of off-line and on-line advertising and promotional activities, then determine which ads have the greatest pull, track the result to see whether traffic builds and drops off, whether it increases steadily, or whether there is no difference, correlate web promotional activities with the traffic statistics, see whether sites carrying your ads can report click-through rates and impressions. From the evaluating result, you can get which links and ads are most successful. You can decide use the most effective methods and strategies within your budget.

**What’s Web 2.0 Got To Do With It?**
Web 2.0 is a buzzword referring to whatever is newly popular on the Web (e.g., blogs, podcasts); its meaning is still in flux. To be fair, Web 2.0 denotes an improved form of the Web, generally referring to a second generation of services that enable people to collaborate and share information online. It is important for marketers to understand the potential of this next-generation Web, as it provides the foundation for true (and seamless) cross-channel process and information integration. Web 2.0 enables marketers to predict and respond consistently to customer needs in every channel and across every stage of the commerce life cycle.

**Creating Pervasive Relationships**
The underlying features of Web 2.0 support the creation of pervasive, cross-channel customer relationships. A pervasive relationship is an “always on” conversation (“dialog”) which transcends individual transactions and interactions across all channels. The dialog is informed by the panoramic customer view and a customer’s strategic value, and is considered by the customer to be useful, unobtrusive, personal, and respectful. To get this right, marketing must become the “air traffic controller” of pervasive customer processes and interactions across every channel. In this way, all marketing disciplines work together to act on the panoramic customer view, providing the right information to the right channel at the right time.

The objective for multiple-channel programs is to make the sales, marketing, and service mix work together as a single, highly efficient execution system that delivers seamless service, rapid growth, and appropriate cost of sale/cost to serve. Facilitating multiple sales and service channels to work more closely requires new norms around channel compensation and tighter territory “rules of engagement.” Furthermore, the exponential growth in customer interaction points means that an understanding of customer interactions is as critical to a cross-channel strategy as are transactions for the following two reasons:
1) There is important behavioral information impounded in a customer interaction even if (or perhaps especially if) it does not result in a transaction; and
2) Organizations that do not tightly enforce consistency across every channel risk compromising their brand equity. Organizations must also assess channel efficiency economics as part of a cross-channel strategy.
The future of online marketing (Biometrics)

Koltzsch (2007) states the term biometrics derives its name from the Greek word “bios” (life) and “metron” (measure). As stated by Corcoran (1999), biometrics is used to measure something unique about individuals and later using those unique clues to identify them. More specifically, for this article, the term biometrics refers to the use of electronic hardware/software to verify the identity of a person by using human characteristics. Albrecht (2003) says that some of the common methods currently used include facial recognition, fingerprint pattern recognition, iris recognition, voice recognition and signature recognition. Currently, the main devices that are gaining attention in the market and becoming more available to businesses and individuals are fingerprint readers. Since this is the most common form found on the commercial market, the focus of this article is on fingerprint recognition.

For a consumer, the advantages of using biometric technology for identification are numerous. First, biometric technology is much more secure than common methods such as PIN numbers, passwords or security codes that are based on knowledge or possession. Koltzsch (2007) point out that while these can be lost or stolen, biometric recognition relies on unchangeable characteristics instead of knowledge and it cannot be lost or stolen. Secondly, biometric identification is more convenient and it is always accessible. After all, one does not have to remember to “carry” biometric identification. It is simply a part of the user. Finally, biometric characteristics are rather difficult to forge or replicate. Even though there are ways to duplicate these characteristics, they are not only very difficult but also very costly. Considering these advantages, it is obvious how using biometric technology can be more effective and efficient for Internet users as well as online service providers.

Sullivan (2006) found out that the growing number of identity theft and online fraud cases are forcing financial institutions, governments and other organizations to strengthen their Internet security. On October 12, 2005, the Federal Financial Institutions Examination Council (FFIEC) released updated guidance on the risks and risk management controls needed to authenticate customers accessing Internet-based financial services. Their guidance states that single-factor authentication (username/password) as the only control factor is inadequate for identification purposes for transactions involving access to customer information and the movement of funds. They state that “financial institutions should implement multifactor authentication, layered security, or other controls reasonably calculated to mitigate those risks” (Authentication in an Internet Banking Environment 2005). Biometric identification technology is stated in the guidance provided by the FFIEC as a control to strengthen online authentication. This indicates that there is already a potential demand for biometric technology for security purposes.

It is stated that most European Union nations include a biometric fingerprint on their national drivers’ licenses. As Europe and other countries move through the developments of biometric technology, this will inevitably result in the United States being more open to this technology. With the heightened security from the September 11th attacks, acceptance of biometrics in the US market has a great potential. With strong congressional interest, press coverage and public attention, biometrics has emerged as an
item of interest in public and private sectors of the market including financial services and health care (Concerns Spur Biometrics Growth 2001).

At the same time, the demand for personalized marketing is growing. As mentioned earlier, Tynan (2007) says according to e-Marketer, $1.5 billion will be spent in 2007 for behaviorally targeted advertisements and is expected to grow to more than $2 billion in 2008. Klaassen (2007) stated that the movement toward personalized advertisements gives marketers a new view of their audience rather than traditional marketing demographics.

Biometric technology is still in the opening stages of commercial development. Currently, the fingerprint readers (for e.g. Microsoft’s fingerprint reader) are marketed as convenience tools to identify a user logging into a personal computer or to store usernames/passwords for logging into a website. McMillan (2006) believes, they are used for convenience rather than security reasons. Alpert (2004) argued, several advances have been made to improve the effectiveness of the fingerprint reader devices such as matching fingerprints successfully even if a finger is placed in a different angle than the one when it was originally scanned, or if the fingerprint used is smudgy.

However, Alpert (2004) says advances in fingerprint readers are still needed. For example, the U.are.U 4000 sensor has a design goal of 1 in 50,000 chance of accepting the wrong fingerprint and a 1 in 100 chance of rejecting the correct fingerprint. While these are significant developments, continuous improvements are needed. After all, a password that consists of 6 letters or digits that contains numbers (10 different numbers) and letters (26 letters), means that the probability of someone guessing the right combination is 1 in 2,176,782,336. Obviously, there is a greater chance of the fingerprint reader accepting the wrong fingerprint than someone finding out the right password.

Also, with the emergence of new technologies, there are new crimes that develop and evolve to circumvent the controls that protect the consumer. Unfortunately, some crimes can become very violent and gruesome. For example, in March of 2005, a story from the United Kingdom’s BBC reported that some car thieves in Malaysia, armed with machetes, chopped off the finger of the owner of a Mercedes S-class that was protected with a fingerprint recognition system. They did this after they were unable to bypass the immobilizer that required the owner’s fingerprint. Although this case is extreme, this illustrates a challenge to owners of fingerprint recognition devices. As with all new technologies, companies will need to consider crimes such as this one when developing this new technology.

Additionally, in the US, the acceptance of biometric technology is growing, as is the demand. The stage is set for information technology experts to integrate biometrics into their websites to give marketers the edge to collect relevant data on Internet users and market to those users’ specific tastes and preferences.

A model that shows evolution of online marketing

In the beginning, the Internet was cool. In a nod to modernization, many Global 2000 companies dabbled in the Web with experimental web sites, often nothing more than technology-little brochure sites. These experiments were purposely separated from day-to-day operations given all the unknowns relative to business impact, claiming dedicated people, business processes, technology, and information. Based on Bayus, (1985) definition, word of mouth implies that informal, ad hoc communication between individuals concerning products and services is taking place. Evans et al, (2006) believed...
this communication can be positive as well as negative, depending on the satisfaction levels of the individuals. We now know the Web experiment has succeeded, and the Internet as a commercial tool is here to stay. Consumers are purchasing goods and services more than ever via the Internet and marketing spend on media such as online classifieds, search marketing, and display advertising is fast following. Indeed spending on Internet marketing is projected to increase, depending on who you believe, between 7% (Winterberry Group) and 20%+ (e-Marketer) over the next 4 years. But just when we think we’ve got it figured out, consumers tell us otherwise. Web 2.0 is a buzzword referring to whatever is newly popular on the Web (e.g., blogs, podcasts); its meaning is still in flux. To be fair, Web 2.0 denotes an improved form of the Web, generally referring to a second generation of services that enable people to collaborate and share information online. More specifically, for this article, the term biometrics refers to the use of electronic hardware/software to verify the identity of a person by using human characteristics. Albrecht (2003) says that some of the common methods currently used include facial recognition, fingerprint pattern recognition, iris recognition, voice recognition and signature recognition. Currently, the main devices that are gaining attention in the market and becoming more available to businesses and individuals are fingerprint readers. Since this is the most common form found on the commercial market, the focus of this article is on fingerprint recognition. As we mentioned above you can understand that online marketing began with web sites that were nothing but brochure sites. Then they became improved by technology enhancements. Viral marketing changed the face of web sites. Web 2.0 is another technology in which people are able to do new activities to introduce themselves and their products and services online. Now because of the importance of security biometrics characteristics are going to help us to make a new era of online marketing. Following is a model that shows how these components have evolved and how it can be used as a competitive advantage (see figure 1). The question is what is the role of managers regarding this evolution? And what can it do? Are these useful tools to be applied in business? The answers are positive what managers can take from these tools are more related to the present and the future of a business. If any firm has the new capabilities of the web can use them as a competitive advantage over its competitors. In mean time it will bring more power, profit and reputation to the firm, more trust and satisfaction for customers, more transparency to the owners, and of course it can help firms to communicate with their suppliers effectively (See figure 2). s

Conclusion

As we know, the internet can be used to varying degrees for an entire range of advertising, sale, and marketing activities that promise to extend a company’s relational with its prospects and customers. In this report, we studied an important stage of internet marketing— internet marketing promotion process, strategies and method, using these technologies effectively, you can get great number of hits, bring the target audiences to your site and ensure they get what they came for, and then the intent marketing will have the most successful solution. Viral marketing is a credible marketing tactic that can deliver positive ROI. When properly executed as a component of an overarching strategic plan. Marketers should utilize viral marketing when the messaging can coincide and support a measurable business goal. However, going online is not as easy as it sounds. Before starting out on this project, one needs to fully understand one’s own business, the web
and finally, how to use the web to their company’s advantage. It is important that every link in your value chain utilizes the Internet to increase the efficiency of your communications. For that, you need to figure out a strategy that is a unique mixture of both offline and online activities. The objective of using the web should be to gain a distinctive strategic positioning in the market.

Websites serve different purposes in different businesses depending on the market and the products they have on offer. For example, some companies use their websites just to get leads that will be followed up by their sales people whereas others sell directly on their websites. There is no one answer to strategy since all companies will have different markets, culture and objectives. But one thing that all companies have in common is the objective to make a profit. Simply stated, your strategy should be to combine all elements of your promotional mix to achieve the result you are looking for. As we reviewed in this paper, technology is improving in every day and companies are trying to be equipped with new innovations and technologies so they compete together to get new ways in business. In current market place internet is very important and most of the firms have a website to introduce themselves to customers so they need to be as creative as possible to get more customer. Using the internet marketing has changed already and its evolving every day. Using face book, flicker, blogs, email, wiki and other forms of web.2.0 tools can give every company one competitive advantage other the others. Even if companies employ a person who is experienced in IT can make them very professional in this area of internet. If people care about the market share, social responsibility, ethical issues and a lot of important issues in the business it’s the time to use internet in a variety of ways to introduce themselves and get new customer and make more profit in long term. The future is for the people who care about every tiny problem in handling the customers. So we believe that the game has started we need to get start right now so the way that we do our business is very important. We must use the internet to get the best use of it in business.

Even though this paper was specifically focused on one of the biometric recognition characteristics, the authors recognize the fact that the entire spectrum of the biometrics deserves an in-depth look in terms of its applications in various parts and aspects of online practices. It is hoped that the exploratory studies such as this one would provide the researchers with added incentives to conduct further investigations. After all, one needs to accept that fact that while the online marketing strategy is a popular one, it is still far from perfect.

More and more biometric technology is getting employed in order to detect and recognize individuals. Criminal investigation and intelligence are still the dominant areas of application, but it is becoming commonplace in the commercial sector and in the public. For example, scarce and/or valuable resources in everyday life are increasingly protected by video controls.

Governments enforce their immigration laws by taking fingerprints of certain people entering their countries. Companies, hospitals and organizations protect the entrances of their buildings, interior rooms, computers and safes by fingerprint readers. Some companies keep track of working hours by automatically recognizing incoming and outgoing employees. Banks monitor their tellers and ATMs in order to defeat theft and
credit card fraud. Car manufacturers are developing biometrically protected door locks and ignition locks in order to discourage theft and keep minors from driving. Drivers are getting video monitored when passing road tollbooths, bridges or tunnels. More sophisticated biometric technology will soon lead to non-transferable membership cards, passports, driver’s licenses, season tickets or election ballots.

Biometric technology tends to cost more than password or token-based systems, because the hardware required to sense and analyze biometric patterns is more complicated. However, biometrics provides a very high level of security because the authentication is directly related to a unique physiological or behavioral characteristic of the individual, which is more difficult to counterfeit. Recent technological advances have also helped to reduce the cost of biometrics. Moreover, biometric technology can be easier and more convenient to use than password or token-based systems. Biometric samples cannot be forgotten or lost, and they need not (and cannot) be changed on a regular basis.

In principle, biometric samples can be used more or less reliably to recognize individuals quickly, anywhere, and at any time throughout their entire life. So the technology opens the possibility to link all the political, economic and social roles and behaviors of an individual. How someone behaves as a customer, patient, car driver, member of the armed forces or as a tenant may have consequences on his treatment as an insurance policy holder, bank account owner, employee, or seeker of employment and vice versa.

If biometric technology gets deployed on a large scale basis and thus individuals cannot prevent the proliferation of their personal biometric data unless facing serious disadvantages in everyday life, then automatic biometric recognition becomes the default; avoiding it will require criminal activity. Another risk of biometric technology is that personal biometric data could be interpreted in medical terms and therefore may reveal certain medical diagnoses. Some methods of obtaining biometric data may even harm individuals. For example, taking blood samples may cause infection with debilitating diseases. The higher these risks are, the more invasive or intrusive the biometric method is called. Some governments and international organizations already acknowledge and address the risks of intrusive biometric methods by specific legislation.

Proven results, strong market growth, and demonstrable bottom line performance continue to drive mainstream adoption of biometric-based workforce management (WFM) solutions.

- Biometric time clocks provide accurate, reliable, and auditable real-time labor data.
- Biometric time clocks are the only effective means of directly linking an individual worker to their labor data while providing an irrefutable labor record.
- Biometric time clocks increase the integrity and security of labor records while reducing administrative costs of reviewing and updating payroll information.

No longer relegated to risky emerging technology or dismissed as high-tech gimmickry, are biometrically enabled time and attendance functionality essential to achieving maximum WFM effectiveness through the optimization and reduction of direct and indirect labor costs.

Biometrics is rapidly becoming mainstream technology that is routinely integrated into workforce management solutions. Biometrics is not only a viable method of controlling labor costs - with direct bottom line impact but the best available method of capturing accurate, reliable, and secure labor data.
Biometric time clock users consistently report significant reductions in overtime and payroll expense.

In the next ten years, the subjects that may be considered regarding biometric can be very different from shopping from big retailers without sales persons, tracking the goods by using biometrics technologies, biometric warehousing, to biometrics tags and so on. A lot of issues can be offered for further research. For example, we can handle some researches about using biometrics to improve shopping speed, save more money and get more profit. Even working on behavioral biometrics can be another area of research. Behavioral biometrics is used in an information security context to identify individuals by using unique features of activities they perform either consciously or unconsciously.
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Other related resources
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Peter C. Clemente, “The State of the Net”
http://www.doubleclick.net
http://www.AdSmart.com
http://www.ad-up.com
http://www.thinkinc.com
Viral marketing

Word of mouth
Positive vs. negative communication on the web
Hotmail

Web 2.0 and online marketing

Blogs
Wikis
Rss
Podcasts

Online marketing

Trust
Decision making
Loyalty and commitment

Current situations

Customers’ side
Businesses’ side

Future

Era of Biometrics (current characters and new tools as mentioned below)

Facial recognition
Voice recognition
Iris recognition
Finger recognition
Signature recognition

All above will make a competitive advantage, save costs and time

Figure 1
Figure 2

New web technologies in online marketing

Customers - Competitor - Suppliers - Stakeholders

Trust - SCA - Trust - Trust

Satisfaction (Time, Cost and Quality)

New challenge - Speedy transactions - Transparency

New opportunities - Save time and cost - Finance

New customers - More profit
We are living on the cost of our children

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Abstract
The strict assumptions of Ricardian Equivalence Hypothesis hoist the debates on this issue among different school of thoughts. Its validity entails certain assumptions which raise the doubts on its validity especially in the context of developing countries like Pakistan. The aim of this study is to check the validity of Ricardian Equivalence Hypothesis and its sources of deviation in case of Pakistan. The study use annual data for the period of 1973-2009. Engle and Granger and Johansen cointegration approaches depicts the long run relationship among variables. Generalized Method of Moment results shows that the presence of liquidity constraints and infinite horizons are the sources of failure of Ricardian Equivalence Hypothesis. These findings illustrate concentration towards the importance of fiscal policies in raising private consumption and controlling budget deficits, which are the prime goals of stabilization policies.

Key words: Fiscal policy; Ricardian Equivalence; Pakistan

1. Introduction
External sector’s structural imbalances and fiscal slippages pushed the economy towards persistent budget and current account deficit. The sustainability and consequences of these deficits are great challenge for policy makers of developing and developed countries. Pakistan has a bad history regarding budget deficits as a result borrow money from national and international sources. Along with other borrowing sources, Pakistan borrows from international monetary fund (IMF). Since 1988, Pakistan signed eleven loans agreements with IMF, in which seven of them were signed in the regime of Peoples Party Parliamentarian, two were in Pakistan Muslim League (N) and two were in Mushraf regime.

We are sleeping like rabbit and seem to be unaware of that thing that we have to repay this loan plus its interest rate. In the future when the loan maturity ends the government definitely levied new taxes on people for the repayment of this loan. Hence, the burden of loan will transfer to our next generation. The question arise here that are we enjoying our present on the cost of our children or we keep in mind the welfare of our children. This thought receives fame after the work of Barro (1974) on Ricardian Equivalence Hypothesis (REH). A tax-cut will not increase consumer’s private consumption expenditure because he deals government debt in the context of future tax liabilities. Hence, aggregate demand will be unaffected and private savings will increase. Consumers are rational and think about the welfare of their children’s in mind. That’s why they
purchase bonds and does not consider them as a net wealth. They behave like this because they don’t want to transfer the burden of debt on their children. They purchase bonds because after the loan maturity their children sell bonds and give the tax. This theory works in the presence of certain assumption like, infinite life horizons, lump-sum taxes, perfect capital markets, perfect substitutability among taxes & bonds, and consumers are rational & farsighted.

The other school of thought is of view that consumer’s prefer present on future and neglect the welfare of their children. So, in response to tax-cut they will increase consumption expenditures while, private savings will remain unaffected.

These two approaches actually enlighten about the effectiveness of fiscal policy. If consumers are Ricardian fiscal policy is ineffective and if they behave like Keynesian, fiscal policy is effective, but all this influence depends how consumer treat government debt in the context of net wealth. Therefore in order to design stabilization program a comprehensive research on the issue of REH is very essential. This study investigates the validity of REH and its main sources of failure12 in case of Pakistan.

The rest balance of study is planned as: part two explains the model specification, part three discuss about data and empirical methodology, part four investigates and interprets the empirical results. Finally, part five presents the conclusions of the study and also provides some policy implications.

2. Various Specifications of the REH

Ricardian equivalence hypothesis, by estimating structural consumption function has been criticized because of the use of current income rather than permanent income. Permanent income is used in some studies but they used one lag of current income as a proxy for permanent income. Secondly, this approach is failed to coexist with utility maximization problem and rational expectations. Flavin (1987) argues that first order condition from consumer optimization problem is compulsory condition to hold REH. Euler equation approach has a plus point because it is based on intertemporal optimization problem. From this approach REH is tested under two conditions, finiteness of planning horizon and excess sensitivity of consumption to current income. After criticizing Feldstein methodology Aschauer (1985) use first order condition and derived consumption function which is based on microeconomic model. Life time wealth is not measured in Aschauer’s model, which is actually a hard task. Moreover, Hall’s (1978) idea is adapted by Aschauer to measure permanent income, which states that one lag period deals as a permanent income. Aschauer’s consumption function is as follow;

\[ C_t = \alpha + \beta C_{t-1} - \theta E_{t-1} G_t + u_t \]

with

\[ G_t = \gamma + \varepsilon G_{t-1} + \ldots + \varepsilon G_{t-n} + \omega D_1 + \ldots + \omega D_m + v_t \]

C, G and D are per capita consumer expenditure, government expenditure and government deficit, respectively. Whereas, v and u are unexpected shocks and measures the substitution between per capita consumption expenditure and per capita government deficit, respectively.

12 Diamond (1965) said that this will be only possible if consumer lives forever, if consumer realizes that government will collect the tax after his death his consumption pattern definitely will changed. Bernheim (1987), King’s (1983) and Con and Jappeli (1990) results showed that consumer’s behavior is changed due to liquidity constraints. Feldstein (1988) said that uncertainty in parent’s future income fails REH.
expenditure. By using this consumption function Aschauer indicate that there is a substitution between government expenditure and private consumption expenditure. Moreover, REH and rational expectation holds. Graham (1993) criticizes Aschauer and argues that government spending is not used as aggregate measure because private consumption can be influence by government spending. Moreover, disposable income must be used in the model. Graham then introduce following model, in which in case of $\lambda = 0$ REH is accepted. The $\Delta$ shows first difference lag and error term is shown by $e$.

\[ \Delta C_t = \alpha - \theta \Delta G_t + \lambda \Delta Y_t + e_t \]

By using above equation Graham shows that Aschauer findings are only valid during certain time period. He found that REH does not hold because there is a significant relationship between disposable income and private consumption. The coefficient of $\theta$ has a wide range during test period. The wide range of $\theta$ may be due to different types of government purchases.

Aschauer replied in response to Graham comments that his emphasizes is to determine whether there is substitutability between government spending and private consumption or not. He also refuse the Graham’s assertion that change in disposable income will change private consumption is enough for supporting Keynesian view.

Aschauer developed another model in which he tried to highlight that whether change in taxes will change private consumption or not.

\[ \Delta C_t = \alpha - \theta \Delta G_t + \lambda \Delta Y_t - \phi \Delta T_t + e_t \]

Where $C$ shows private consumption, $G$ shows government spending, $Y$ is gross income and $T$ is level of taxes. By using same instruments used by Graham he concluded that their is narrow range of $\theta$ and variable tax is less statistically significant then aggregate government spending variable hence, REH is accepted.

In 1985 Blanchard includes both Ricardian and non-Ricardian case through parameter $\rho$ . Different values of $\rho$ shows different behaviors of the family. If $\rho$ equal to zero then successive generations of the family behaves in a continuous manner hence, exhibits REH. If $\rho$ is positive the expected life of an agent is finite and considers debt as a net wealth. He use total wealth ($A$), marginal propensity to consume with respect to total wealth ($\alpha$), constant real rate of interest ($r$) and real labor income after tax ($Y_t^l$) to check REH. His function is as follow

\[ CP_t = \alpha \left[ (1 + r)A_{t-1} + \sum_{j=0}^{\infty} \left( \frac{1-p}{1+r} \right)^j E_t Y_{t+j} \right] \]

With budget constraint

\[ A_t = (1 + r)A_{t-1} + Y_t^l - CP_t \]

Evans (1988) eliminates human wealth and introduces following consumption function, deduced from Blanchard’s (1985) model.

\[ CP_t = \left( \frac{1+r}{1-p} \right) \left( 1 - \alpha \right) CP_{t-1} - \alpha p \left( \frac{1+r}{1-p} \right) A_{t-1} + \alpha U_t \]
Where, key parameter is $\rho$ and $\rho > 0$ this shows finite horizons. Himarious (1995) argue that not only the finite horizons but also the existence of liquidity constraints is necessary for existence of REH. He modified Evan’s model and incorporate the possibilities of there being a percentage of family are the subject to liquidity constraints. In case of imperfect markets, the equation is as follow.

$$CP_t = \left(\frac{1+r}{1-\rho}\right)\left(1-\alpha\right)CP_{t-1} - \alpha p \left(\frac{1+r}{1-\rho}\right)A_{t-1} + \lambda Y_t - \lambda \left(\frac{1+r}{1-\rho}\right)(1-r)Y_{t-1} + U_t$$

The $\rho > 0$ and $1 > \lambda > 0$ shows the finite horizon and liquidity constraints respectively. Haug (1996) included government and family budget constraints in Blanchard’s (1985) model and derive new consumption function to check REH. Again parameter $\rho$ is the tool to check REH. If $\rho \neq 0$ then RE holds. Haug estimates following consumption function.

$$\log \left(\frac{CP_t}{Y_t - GP_t}\right) = 9 + \rho D_t + \frac{\alpha}{1-\alpha} \left(\frac{W_t - (Y_t - GP_t)}{CP_t}\right) + u_t$$

By using different specifications some studies favored REH$^{13}$, while some rejected$^{14}$ REH. The study firstly estimate Graham model (1993) in order to estimate the degree of substitutability between government expenditure and private consumption. Secondly, in order to investigate the validity of REH and its sources of deviation the Evans (1988) and Himirious (1995) models are used. These models investigate the two sources of deviation from Ricardian equivalence; finite horizons and liquidity constraints.

3. Data and Methodology

The study used time series data of Pakistan for the time period of 1973-2009, collected from international financial statistics (IFS) and different Economic Surveys of Pakistan. Government expenditure, private consumption expenditure, tax revenue, government debt, disposable income$^{15}$, government budget deficit and wealth$^{16}$ are the variables used in this analysis. All the variables are transformed into real per capita.

Before the estimation of time series analysis it is necessary to check the stationarity, long run and short run dynamics of the variables. To check the stationarity of data the study utilized Augmented Dickey Fuller (ADF), The Phillips-Perron (PP), and The Kwiatkowski, Phillips, Schmidt, and Shin test (KPSS) Unit Root Test. In econometric literature there are

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$^{15}$ A proxy variable of Gross National Income.

$^{16}$ By following Garcia and Ramajo (2003) this is a proxy variable computed by adding Government debt and M2.
lots of uni-variate\textsuperscript{17} and multi-variate\textsuperscript{18} cointegration techniques. The study used Engle and Granger and Johansen cointegration approaches to identify the log run and short run dynamics among variables.

To check the goodness of fit, diagnostic test like Serial correlation, functional form, normality and heteroskedasticity tests and stability test like Cumulative Sum of Recursive Residuals (CUSUM) and Cumulative Sum of Squares of Recursive Residuals (CUSUMsq.) are performed. The study used generalized method of moment (GMM) technique for estimation, introduced by Hansen (1982). This technique is based on assumption that there is no correlation among equation disturbances and instrumental variables. This method picks that parameters in which the correlation among equation disturbances and instrumental variables are as close to zero as possible. It does not require the exact information about the disturbances distribution.

\section{Empirical Findings}

\subsection{Unit root results}

To hold off the specious findings the study test the variables for unit root. Three methods of unit root are adopted, ADF, PP, and KPSS. The study test the stationarity of the variables under two models, with intercept and trend and secondly with intercept and no trend. All the variables are $I(1)$ under ADF test, except government expenditure. PP test result indicates that all the variables are $I(1)$. This time government expenditure is stationary at first difference. In the next model, which considers no trend in data, all the variables are $I(1)$ under ADF and PP tests. Under KPSS in the first model, with intercept and trend, all the variables are stationary $I(1)$. In the second model, with intercept but no trend, government expenditures, debt, budget deficit and wealth are stationary at $I(1)$. Keeping in view the results of three unit roots tests the study deals the variable at $I(1)$. (See table 4.1)

After checking the stationarity of data we come to know that all the variables are $I(1)$, so Johansen and Juselius (1990) cointegration technique is applied. In JJ approach the first step is to identify the order of VAR. On the basis of AIC and SBC lag length of VAR is selected.

\textsuperscript{17} Engle&Granger, (1987) and Phillips& Hansen’s FMOLS procedures (1990).
Table 4.1: Unit root results

<table>
<thead>
<tr>
<th>Variables</th>
<th>ADF Level</th>
<th>ADP Difference</th>
<th>PP Level</th>
<th>PP Difference</th>
<th>KPSS Level</th>
<th>KPSS Difference</th>
<th>K* Level</th>
<th>KPSS Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>With trend</td>
<td></td>
<td>Without trend</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PC</td>
<td>-0.858332</td>
<td>1</td>
<td>-0.858332</td>
<td>1</td>
<td>-4.515745***</td>
<td>1</td>
<td>-0.584438</td>
<td>4</td>
</tr>
<tr>
<td>GE</td>
<td>-1.342801</td>
<td>2</td>
<td>-2.784593</td>
<td>3</td>
<td>-2.304910</td>
<td>2</td>
<td>-3.218326*</td>
<td>4</td>
</tr>
<tr>
<td>YD</td>
<td>-2.747007</td>
<td>2</td>
<td>-4.522433***</td>
<td>3</td>
<td>-3.218326*</td>
<td>4</td>
<td>-7.297097***</td>
<td>3</td>
</tr>
<tr>
<td>TR</td>
<td>-1.271937</td>
<td>1</td>
<td>-3.659333**</td>
<td>1</td>
<td>-1.561125</td>
<td>1</td>
<td>-6.420874***</td>
<td>1</td>
</tr>
<tr>
<td>DEF</td>
<td>-2.683816</td>
<td>2</td>
<td>-4.230137***</td>
<td>3</td>
<td>-2.983838</td>
<td>2</td>
<td>-7.110698***</td>
<td>3</td>
</tr>
<tr>
<td>DEBT</td>
<td>-1.613855</td>
<td>1</td>
<td>-4.518221***</td>
<td>2</td>
<td>-1.588650</td>
<td>4</td>
<td>-4.795103***</td>
<td>2</td>
</tr>
<tr>
<td>WEALTH</td>
<td>-1.650663</td>
<td>2</td>
<td>-4.727188***</td>
<td>3</td>
<td>-1.654569</td>
<td>3</td>
<td>-4.813364***</td>
<td>3</td>
</tr>
<tr>
<td>PC</td>
<td>1.184270</td>
<td>2</td>
<td>-4.054984***</td>
<td>1</td>
<td>1.284736</td>
<td>5</td>
<td>-4.820169***</td>
<td>3</td>
</tr>
<tr>
<td>GE</td>
<td>-1.632770</td>
<td>1</td>
<td>-2.744416**</td>
<td>3</td>
<td>-2.240563</td>
<td>3</td>
<td>-8.875123***</td>
<td>2</td>
</tr>
<tr>
<td>YD</td>
<td>-1.958120</td>
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<td>-4.583472***</td>
<td>2</td>
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<td>4</td>
<td>-7.396841***</td>
<td>3</td>
</tr>
<tr>
<td>TR</td>
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<td>-3.802040***</td>
<td>3</td>
<td>-2.053105</td>
<td>1</td>
<td>-6.235366***</td>
<td>1</td>
</tr>
<tr>
<td>DEF</td>
<td>-2.727850</td>
<td>3</td>
<td>-4.291479***</td>
<td>1</td>
<td>-3.033944</td>
<td>3</td>
<td>-7.226039***</td>
<td>4</td>
</tr>
<tr>
<td>DEBT</td>
<td>-1.223381</td>
<td>1</td>
<td>-4.414068***</td>
<td>3</td>
<td>-0.891449</td>
<td>1</td>
<td>-4.857441***</td>
<td>3</td>
</tr>
<tr>
<td>WEALTH</td>
<td>-1.180424</td>
<td>2</td>
<td>-4.545826***</td>
<td>4</td>
<td>-0.766281</td>
<td>4</td>
<td>-4.837684***</td>
<td>4</td>
</tr>
</tbody>
</table>

Notes: PC is real per capita private consumption; GE is real per capita Government expenditure; YD is real per capita disposable income; TR is real per capita tax revenue; DEF is real per capita budget deficit; DEBT is real per capita debt; WEALTH is real per capita wealth. P* shows the maximum lag length, as determined by using AIC. Under PP test Q* and K* in KPSS test shows Newey-West Bandwith, as determined by Bartlett-Kernel. *** shows 1% significance level; ** shows 5% significance level and * represents 10% significance level.
4.2 Euler equation

4.2.1: Graham Model

In order to check whether government expenditure and private consumption are substitutes or complements, Graham introduced following function.

\[ C_t = \alpha - \theta G_t + \lambda Y_t + \varepsilon_t \]

To hold REH the restriction \((\lambda = 0)\) must be fulfill. The sign of \(\theta\) indicate whether government expenditures and private consumption are compliments or substitutes.

Variables used in the Graham model are \(I(1)\), so we apply Johansen and Juselius (1990) cointegration technique. Based on the AIC lag length of VAR are four but under SBC lag length of VAR are three. The study preferred SBC and set the lag length of VAR three.

**Table 4.2: Lag length selection criterion**

<table>
<thead>
<tr>
<th>Order</th>
<th>LL</th>
<th>AIC</th>
<th>SBC</th>
<th>LR test</th>
<th>Adjusted LR</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>-463.80</td>
<td>-466.80</td>
<td>-469.04</td>
<td>19.33[0.22]</td>
<td>11.72[0.00]</td>
</tr>
<tr>
<td>1</td>
<td>-390.08</td>
<td>-402.08</td>
<td>-411.05</td>
<td>44.49[0.00]</td>
<td>26.96[0.00]</td>
</tr>
<tr>
<td>2</td>
<td>-382.59</td>
<td>-403.59</td>
<td>-419.30</td>
<td>59.47[0.00]</td>
<td>36.04[0.00]</td>
</tr>
<tr>
<td>3</td>
<td>-370.01</td>
<td>-400.01</td>
<td>-422.46</td>
<td>206.91[0.00]</td>
<td>125.40[0.00]</td>
</tr>
<tr>
<td>4</td>
<td>-360.34</td>
<td>-399.34</td>
<td>-428.52</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Pantula Principal is used to identify the model of cointegration. The model with unrestricted intercept and no trend is selected, among the five cointegration models. Both Eigen value and Trace statistic reject the null hypothesis of no cointegration. Eigen values and Trace statistics showed that there is one cointegrating vector.

**Table 4.3: Johansen Maximum Likelihood Test for Cointegration**

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Trace test</th>
<th>5% critical values</th>
<th>Prob-value</th>
<th>Hypotheses</th>
<th>Max-Eigen Statistic</th>
<th>5% critical value</th>
<th>Prob-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>(R = 0)</td>
<td>36.21</td>
<td>31.54</td>
<td>28.78</td>
<td>(R = 0)</td>
<td>26.53</td>
<td>21.12</td>
<td>19.02</td>
</tr>
<tr>
<td>(R \leq 1)</td>
<td>9.68</td>
<td>17.86</td>
<td>15.75</td>
<td>(R = 1)</td>
<td>6.71</td>
<td>14.88</td>
<td>12.98</td>
</tr>
<tr>
<td>(R \leq 2)</td>
<td>2.96</td>
<td>8.07</td>
<td>6.50</td>
<td>(R = 2)</td>
<td>2.96</td>
<td>8.07</td>
<td>6.50</td>
</tr>
</tbody>
</table>

Error correction model is estimated to dig out the short run dynamics among variables. Error correction term shows the slow speed of convergence towards equilibrium. Moreover, disposable income and government expenditures are positively significantly related with private consumption.

**Table 4.4: ECM regression results**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficients</th>
<th>t-values</th>
<th>Prob-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>11.864</td>
<td>1.5656</td>
<td>0.132</td>
</tr>
<tr>
<td>(\Delta YD)</td>
<td>0.0156</td>
<td>3.4166</td>
<td>0.000</td>
</tr>
<tr>
<td>(\Delta GE)</td>
<td>0.5471</td>
<td>1.6286</td>
<td>0.115</td>
</tr>
<tr>
<td>(\Delta ECM(-1))</td>
<td>-0.4314</td>
<td>2.5077</td>
<td>0.000</td>
</tr>
<tr>
<td>R-Squared</td>
<td>0.399</td>
<td>Adjusted R-Squared</td>
<td>0.364</td>
</tr>
<tr>
<td>S.E. of Regression</td>
<td>4.496</td>
<td>DW-statistic</td>
<td>2.083</td>
</tr>
<tr>
<td>Log-likelihood</td>
<td>364.77</td>
<td>F-stat</td>
<td>3.547[0.038]</td>
</tr>
</tbody>
</table>

Following graphs of CUSUM CUSUMSQ shows the stability of model for whole sample because the residuals are within 5% critical bonds.
The study used a constant and the variables PC, GE and YD lagged by first periods, as instruments. The null hypothesis that model is over identified is not rejected by the J-test. The restriction of the model is rejected by the data, hence REH does not hold in Pakistan’s economy. The variable of government expenditure is negatively significantly related with private consumption which means that government spending and private spending are the substitutes to each other. Moreover, disposable income is positively significantly related with private consumption, which states that when the disposable income of the consumer increases he will increase his consumption expenditures and behave as opponents of REH.

Table 4.5: Graham Models Results

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficients</th>
<th>Std. Error</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>ΔPC is dependant variable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>3.657</td>
<td>0.925</td>
<td>3.953</td>
</tr>
<tr>
<td>ΔYD</td>
<td>0.012</td>
<td>0.006</td>
<td>2.000</td>
</tr>
<tr>
<td>ΔGE</td>
<td>-0.858</td>
<td>0.299</td>
<td>2.869</td>
</tr>
<tr>
<td>$\lambda = 0$</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$\lambda^2(1) = 8.36 \ [0.005]$</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R-square</td>
<td>0.481</td>
<td>D.W</td>
<td>1.803</td>
</tr>
<tr>
<td>SER</td>
<td>9.602</td>
<td>J-test Prob.-value</td>
<td>0.026</td>
</tr>
<tr>
<td>F-stat</td>
<td>9.563 [0.000]</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.2.2: Evans Model

In order to find the sources of deviation from the study utilize following Evans model.

\[
CP_t = \left( \frac{1+r}{1-\rho} \right)(1-\alpha)CP_{t-1} - \alpha p \left( \frac{1+r}{1-\rho} \right) A_{t-1} + \alpha U_t
\]

Where, key parameter is \( \rho \). To test REH \( \rho > 0 \) this shows finite horizons.

In Evans model all the variables are \( I(1) \). Engle-Granger (1987) cointegration approach is adopted to check the cointegration among variables. This approach is divided into three steps. In first step cointegration equation is estimated by using OLS and residuals of regression are used to find out the cointegration. In second step stationarity test is applied in the residuals. The study use ADF test and rejected the null of no cointegration which concludes that there is cointegration among variables.

### Table 4.6: Engle-Granger cointegration result

<table>
<thead>
<tr>
<th>ADF Test Statistic</th>
<th>-4.516 [0.000]</th>
<th>1% Critical Value*</th>
<th>-4.250</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>5% Critical Value</td>
<td>-3.546</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10% Critical Value</td>
<td>-3.205</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.469</td>
<td>F-statistic</td>
<td>8.852 [0.000]</td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.416</td>
<td>Durbin-Watson stat</td>
<td>1.916</td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>7.716</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*MacKinnon critical values for rejection of hypothesis of a unit root.

Null Hypothesis: RES has a unit root

The third step of EG approach is to find out the short run dynamics of variables. Results show that private wealth is positively significantly related with private consumption.

### Table 4.7: ECM regression results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>3.402</td>
<td>2.067</td>
<td>0.047</td>
</tr>
<tr>
<td>DW(-1)</td>
<td>0.070</td>
<td>1.669</td>
<td>0.118</td>
</tr>
<tr>
<td>ECM(-1)</td>
<td>-0.082</td>
<td>5.493</td>
<td>0.000</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.367</td>
<td>F-statistic</td>
<td>4.719</td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.320</td>
<td>Prob(F-statistic)</td>
<td>0.000</td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>8.027</td>
<td>Durbin-Watson stat</td>
<td>1.977</td>
</tr>
</tbody>
</table>

Dependent variable is DPC.
The study used a constant and variables PC, W, and DEF as instruments\(^{19}\). The null hypothesis that model is over-identified is not rejected by the J-test. Durbin-h statistic rejects the null hypothesis of autocorrelation. The results imply the presence of finite planning horizons because the null hypothesis of finite horizon is not rejected. These results are in line with the literature on developing countries (Ghatak and Ghatak, 1996; Khalid, 1996). Wealth is negatively significantly related with private consumption. Permanent income is positively related private consumption which depicts that as permanent income of consumer increases his consumption expenditures also will increase. Hence in case of Pakistan finite horizon is one of the sources of deviation of REH.

### Table 4.8: Evans Models Results

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficients</th>
<th>Std. Error</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>(\Delta PC)</td>
<td>3.127</td>
<td>2.113</td>
<td>1.479</td>
</tr>
<tr>
<td>(\Delta PC(-1))</td>
<td>0.373</td>
<td>0.177</td>
<td>2.107</td>
</tr>
<tr>
<td>(\Delta W)</td>
<td>-0.202</td>
<td>0.099</td>
<td>2.040</td>
</tr>
</tbody>
</table>

\(\rho > 0\)

\(\lambda^2 (5) = 0.462 [0.496]\)

<table>
<thead>
<tr>
<th>R-square</th>
<th>0.290</th>
<th>Durbin-h</th>
<th>0.369</th>
</tr>
</thead>
<tbody>
<tr>
<td>SER</td>
<td>9.142</td>
<td>J-test Prob.-value</td>
<td>0.016</td>
</tr>
<tr>
<td>F-stat</td>
<td>5.666 [0.000]</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 4.2.3: Himarios Model

The beauty of Himarios model is that it indicates the two sources of deviations of REH, finite horizons and liquidity constraints. By using GMM technique the study estimates following model.

\[
CP_t = \left(\frac{1+r}{1-p}\right)(1-\alpha)CP_{t-1} - \alpha p \left(\frac{1+r}{1-p}\right)A_{t-1} + \lambda Y^l_t - \lambda \left(\frac{1+r}{1-p}\right)(1-r)Y^l_{t-1} + U_t
\]

In Himarios model all the variables are \(I(1)\), so Johansen and Juselius (1990) cointegration technique is applied. AIC shows that the lag length of VAR should be four but SBC shows that it should be two. By using SBC lag length of VAR is selected.

### Table 4.9: Lag length selection criterion

<table>
<thead>
<tr>
<th>Order</th>
<th>LL</th>
<th>AIC</th>
<th>SBC</th>
<th>LR test</th>
<th>Adjusted LR</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>-528.41</td>
<td>-531.41</td>
<td>-533.65</td>
<td>242.69 [0.00]</td>
<td>147.09 [0.00]</td>
</tr>
<tr>
<td>1</td>
<td>-428.30</td>
<td>-440.30</td>
<td>-449.28</td>
<td>42.47 [0.03]</td>
<td>25.74 [0.53]</td>
</tr>
<tr>
<td>2</td>
<td>-422.65</td>
<td>-443.65</td>
<td>-459.36</td>
<td>31.17 [0.02]</td>
<td>18.89 [0.39]</td>
</tr>
<tr>
<td>3</td>
<td>-418.42</td>
<td>-448.42</td>
<td>-470.87</td>
<td>22.72 [0.00]</td>
<td>13.77 [0.14]</td>
</tr>
<tr>
<td>4</td>
<td>-407.06</td>
<td>439.06</td>
<td>-475.24</td>
<td>---------</td>
<td>-------------</td>
</tr>
</tbody>
</table>

\(^{19}\) Lagged by first period.
By using Pantula Principal the model with unrestricted intercept and no trend is selected, among the five Cointegration models. Both Eigen value and Trace statistic reject the null hypothesis of no Cointegration. There is one cointegrating vector, based on the Eigen values and Trace statistics.

### Table 4.10: Johansen Maximum Likelihood Test for Cointegration

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Trace test</th>
<th>5% critical values</th>
<th>1% critical values</th>
</tr>
</thead>
<tbody>
<tr>
<td>$R = 0$</td>
<td>37.13</td>
<td>31.54</td>
<td>28.78</td>
</tr>
<tr>
<td>$R \leq 1$</td>
<td>13.88</td>
<td>17.86</td>
<td>15.75</td>
</tr>
<tr>
<td>$R \leq 2$</td>
<td>1.37</td>
<td>8.07</td>
<td>6.50</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Max-Eigen Statistic</th>
<th>5% critical value</th>
<th>1% critical values</th>
</tr>
</thead>
<tbody>
<tr>
<td>$R = 0$</td>
<td>23.24</td>
<td>21.12</td>
<td>19.02</td>
</tr>
<tr>
<td>$R = 1$</td>
<td>12.51</td>
<td>14.88</td>
<td>12.98</td>
</tr>
<tr>
<td>$R = 2$</td>
<td>1.37</td>
<td>8.07</td>
<td>6.50</td>
</tr>
</tbody>
</table>

ECM model results indicate that disposable income is negatively insignificantly related to private consumption, while wealth is positively insignificantly related to private consumption. Error correction term is significant at 10% significance level and shows the fast speed of convergence towards equilibrium.

### Table 4.11: ECM regression results

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficients</th>
<th>t-values</th>
<th>Prob-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>3.225</td>
<td>0.761</td>
<td>0.454</td>
</tr>
<tr>
<td>$\Delta YD$</td>
<td>-0.018</td>
<td>0.573</td>
<td>0.572</td>
</tr>
<tr>
<td>$\Delta WEALTH$</td>
<td>0.064</td>
<td>0.508</td>
<td>0.616</td>
</tr>
<tr>
<td>$\Delta ECM(-1)$</td>
<td>-0.898</td>
<td>1.782</td>
<td>0.199</td>
</tr>
<tr>
<td>R-Squared</td>
<td>0.297</td>
<td></td>
<td>0.266</td>
</tr>
<tr>
<td>S.E. of Regression</td>
<td>8.503</td>
<td>DW-statistic</td>
<td>2.089</td>
</tr>
<tr>
<td>Log-likelihood</td>
<td>414.006</td>
<td>F-stat</td>
<td>3.542[0.041]</td>
</tr>
</tbody>
</table>

Graphs of CUSUM CUSUMSQ show the stability of model for whole sample because the residuals are within 5% critical bonds.

**Fig 4.3: Cumulative Sum of Recursive Residual**

Plot of Cumulative Sum of Recursive Residual

The straight line represent critical bonds at 5% significance level
Fig 4.4: Cumulative Sum of Square Recursive Residual

Plot of Cumulative Sum of Square Recursive Residual

The straight line represent critical bonds at 5% significance level

Following table shows the results of Himarios model, with instruments a constant and variables PC, W, YD, and DEF by first lag. The null hypothesis that model is over identified is not rejected by the J-test. All the variables are significant and Durbin-$h$ statistic reject the null hypothesis of autocorrelation. Wald test results shows that the null hypotheses of finite horizon and liquidity constraints are not rejected. These results validates the result of Evans model that finite horizon is one of reasons of deviation from REH. Himarios model investigate that not only the finite horizons but the imperfect capital markets distress the Pakistani consumer to not being a Ricardian. With the existing text on developing countries these results are in line with Haque, 1988; Ghatak and Ghatak, 1996; and Khalid, 1996.

Table 4.12: Himarios Models Results

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficients</th>
<th>t-values</th>
<th>Prob-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\Delta PC$ is dependant variable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>-0.193</td>
<td>0.117</td>
<td>0.894</td>
</tr>
<tr>
<td>$\Delta PC(-1)$</td>
<td>0.734</td>
<td>2.360</td>
<td>0.000</td>
</tr>
<tr>
<td>$\Delta W$</td>
<td>0.346</td>
<td>2.907</td>
<td>0.000</td>
</tr>
<tr>
<td>$\Delta YD$</td>
<td>0.044</td>
<td>1.761</td>
<td>0.200</td>
</tr>
<tr>
<td>$\Delta YD(-1)$</td>
<td>-0.036</td>
<td>1.384</td>
<td>0.356</td>
</tr>
<tr>
<td>$\rho &gt; 0$</td>
<td>$\lambda^2(1)=1.779 [0.182]$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$1 &gt; \lambda &gt; 0$</td>
<td>$\lambda^2(1)=1.869 [0.171]$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R-square</td>
<td>0.762</td>
<td>Durbin-$h$</td>
<td>0.214</td>
</tr>
<tr>
<td>SER</td>
<td>8.22</td>
<td>J-Prob.value</td>
<td>0.008</td>
</tr>
<tr>
<td>F-stat</td>
<td>7.894 [0.000]</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. Conclusion and Policy Options
The aim of this study is to inspect the REH and its sources of failure by using the annual data of Pakistan from 1973-2009. Graham (1993), Evans (1988) and Himarios (1995) models are used to investigate the sources of deviation from REH. ADF, PP and KPSS unit root results shows that all the variables are $I(1)$. JJ and EG approaches of cointegration
investigates the long run relationship among the variables. Evans (1988) and Himarios (1995) model results show that the finite planning horizons and the imperfect capital markets distress the Pakistani consumer to not being a Ricardian.

The findings of the study confirm the effectiveness of fiscal policy because consumers treat government debt as a net wealth. Thus fiscal policies should be used as major policy instruments in order to boost private consumption and control trade deficits, which are the prime goal of stabilization policies in Pakistan. Moreover, the issuance of bonds for Public Works Programs is fruitful because consumers treat government bonds as a net wealth. The findings, about the crowding out consequence or substitutability among public and private expenditure show that the public spending either has no crowding out effect or is a poor substitute for private consumption. This advocates the possibility of expansionary effects of government spending on aggregate demand even if the Ricardian Equivalence holds.
References


CAMEL Rating Application

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Abstract
The study was conducted to check the safety and soundness of banking sector of Pakistan. This study focused on six commercial banks; two from each area i.e. Domestic, International and Islamic. CAMEL Framework was applied on the financial data for the last three years of selected banks to analyze them. The final result shows that despite economic problems worldwide, Pakistan has a healthy and sound financial system to support its economy.


1. Introduction
Financial Sector all over the world has evolved into one of the biggest service industry of the world. From the last one decade the banking sector in Pakistan has also shown a huge growth and impact on the Pakistan’s Economy. The study assessed the safety and soundness of the banking sector of Pakistan.

2. Objective
The objective of the study was to check the soundness of Domestic, International, and Islamic Banks in Pakistan. The study checked whether the banks are following regulations defined by the Central Bank of Pakistan and are safe for the investors and customers for investment and deposit purposes respectively.

3. Significance of Analysis
The analysis will benefit the following:

The Central Bank: The study will help the State Bank in finding whether the Banks are following its regulations. It is related to the first pillar of BASEL II which is compulsory now for all banks in Pakistan to follow. It can be used as a tool to foster a sound and dynamic financial system in Pakistan.

The Banks: The study will help the banks in better following the regulations and standards. It will help them in making their position better and compete with other banks.

Individuals (Customers, Investors): The study can be used by individuals to find which banks are better to invest and deposit.
4. Data

There are total forty five Scheduled Banks in Pakistan. For this study 2 banks were chosen from each area i.e. Domestic, International and Islamic. For evaluation, three years data was taken from each bank. The source of each data was the banks website and their annual reports respectively. The Banks selected were as follows:

☑ Habib Bank Limited-HBL (Domestic)
☑ National Bank of Pakistan-NBP (Domestic)
☑ Bank Alfalah-BAL (International)
☑ Standard Chartered-SCB (International)
☑ Meezan Bank Limited-MBL (Islamic)
☑ Bank Islamic Pakistan Limited-BIPL (Islamic)

In the domestic side National Bank of Pakistan was chosen because it's the biggest Government owned Bank now existing in the country. Habib Bank Limited was taken as it is one of the largest privatized Banks of Pakistan. In the International side Bank Alfalah and Standard Chartered Bank were chosen because they have the largest Banking Network in Pakistan. In Islamic side Meezan Bank and Bank Islami were taken as in the Islamic side data was available for these two Banks only. All other Islamic Banks have started their operation in late 2006 and 2007 so they don’t have sufficient data available for analysis.

5. Methodology

CAMEL Framework was applied to check the safety and soundness of banking sector of Pakistan. It covers all the objectives as the factors capital adequacy, asset quality, management, earnings and liquidity meets the requirements of all the regulators, investors and depositors criteria. The main reason for applying the CAMEL Framework was that CAMEL Rating System has become very much important nowadays, as BASEL-II guidelines are being implemented worldwide including Pakistan. CAMEL Framework is strongly correlated with BASEL-II. BASEL-II is a supervision accord which is being implemented by the central banks all over the world including Pakistan. There is a very strong relationship between BASEL-II and CAMEL. There is strong relationship between every factor of CAMEL and pillar of BASEL-II. There are three pillars of BASEL-II: Minimum Regulatory Capital, Supervisory Review, and Market Disclosure.

- (C) Capital adequacy (Capital / Risk-Weighted Assets),
- (A) Asset quality (Non-Performing Loans / Total Advances),
- (M) Management (Qualitative),
- (E) Earnings (Net Income / Average Assets),
- (L) Liquidity (Advances / Deposits).

*Under management following sections of the banks are analyzed i.e. Banks Financial Performance, Banks internal controls such as its audit program, segregation of duties, succession planning etc. and Bank’s management conduct.
CAMEL Framework is used to measure soundness of a bank on a scale of 1 to 5. Banks with a rating of 1 are considered most stable; banks with a rating of 2 or 3 are considered average, and those with rating of 4 or 5 are considered below average, and are closely monitored to ensure their viability.

Different standard defined by central banks and credit unions worldwide under CAMEL rating are shown below in Table 1.1:

<table>
<thead>
<tr>
<th>CAMEL Rating Standards</th>
<th>Rating 1</th>
<th>Rating 2</th>
<th>Rating 3</th>
<th>Rating 4</th>
<th>Rating 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Adequacy Ratio</td>
<td>&gt;11%</td>
<td>8% - 11%</td>
<td>4% - 8%</td>
<td>1% - 4%</td>
<td>&lt;=1%</td>
</tr>
<tr>
<td>Asset Quality</td>
<td>&lt;1.5%</td>
<td>1.5% - 3.5%</td>
<td>3.5% - 7%</td>
<td>7% - 9.5%</td>
<td>&gt;9.5%</td>
</tr>
<tr>
<td>Earnings</td>
<td>&gt;1.25%</td>
<td>0.9% - 1.25%</td>
<td>0.4% - 0.9%</td>
<td>0.2% - 0.4%</td>
<td>&lt;0.2%</td>
</tr>
<tr>
<td>Liquidity</td>
<td>&lt;60%</td>
<td>60% - 65%</td>
<td>65% - 70%</td>
<td>70% - 80%</td>
<td>&gt;80%</td>
</tr>
</tbody>
</table>

Table 1.1

Source: (Letter No. 161: NCUA Letter To Credit Unions, December 1994)

* Management has not been included in the table 1.1 as it is qualitative factor for analysis.

6. Results & Recommendations:

The results found from the analysis of Banks are given below. The results are based on the three years average calculations.

6.1 Domestic:

The CAMEL Ratings for National Bank of Pakistan are given below in table 2.1:

<table>
<thead>
<tr>
<th>NBP</th>
<th>Capital Adequacy</th>
<th>Asset Quality</th>
<th>Management</th>
<th>Earnings</th>
<th>Liquidity</th>
<th>Overall CAMEL Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result</td>
<td>17.3%</td>
<td>11.1%</td>
<td>-</td>
<td>3.0%</td>
<td>60.0%</td>
<td>2</td>
</tr>
<tr>
<td>CAMEL Rating</td>
<td>1</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

Table 2.1

The CAMEL Ratings for Habib Bank Limited are given below in table 2.2:
The domestic banks are excellent with their capital adequacy ratio, their earnings and management but they have serious problems with their asset quality. So they should make their procedures and policies regarding lending of loans and advances more clear and make lending policies more stringent.

6.2 International Banks:

The CAMEL Ratings for Bank Alfalah Limited are given below in table 2.3:

<table>
<thead>
<tr>
<th>BAFL</th>
<th>Capital Adequacy</th>
<th>Asset Quality</th>
<th>Management</th>
<th>Earnings</th>
<th>Liquidity</th>
<th>Overall CAMEL Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result</td>
<td>9.5%</td>
<td>1.8%</td>
<td>-</td>
<td>0.8%</td>
<td>60.0%</td>
<td>2</td>
</tr>
<tr>
<td>CAMEL Rating</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

Table 2.3

The CAMEL Ratings for Standard Chartered Bank Limited are given below in table 2.4:

<table>
<thead>
<tr>
<th>SCB</th>
<th>Capital Adequacy</th>
<th>Asset Quality</th>
<th>Management</th>
<th>Earnings</th>
<th>Liquidity</th>
<th>Overall CAMEL Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result</td>
<td>12.4%</td>
<td>5.0%</td>
<td>-</td>
<td>2.6%</td>
<td>70.0%</td>
<td>2</td>
</tr>
<tr>
<td>CAMEL Rating</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td></td>
</tr>
</tbody>
</table>

Table 2.4

The internationally held banks are very good with their capital adequacy ratio, asset quality, liquidity, and management but they have a little bit problems with their earnings. The main reason behind that is that their lending policies are very stringent and lending criteria is very strict. Standard chartered Bank in later is having problem with asset quality as it took over a domestic bank (Union Bank Limited) in late 2006.
6.3 Islamic Banks:
The CAMEL Ratings for Meezan Bank Limited are given below in table 2.5:

<table>
<thead>
<tr>
<th>MBL</th>
<th>Capital Adequacy</th>
<th>Asset Quality</th>
<th>Management</th>
<th>Earnings</th>
<th>Liquidity</th>
<th>Overall CAMEL Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result</td>
<td>11.4%</td>
<td>1.3%</td>
<td>-</td>
<td>1.5%</td>
<td>76.0%</td>
<td>2</td>
</tr>
<tr>
<td>CAMEL Rating</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>

Table 2.5

The CAMEL Ratings for Bank Islami Pakistan Limited are given below in table 2.6:

<table>
<thead>
<tr>
<th>BIPL</th>
<th>Capital Adequacy</th>
<th>Asset Quality</th>
<th>Management</th>
<th>Earnings</th>
<th>Liquidity</th>
<th>Overall CAMEL Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result</td>
<td>42.6%</td>
<td>1.6%</td>
<td>-</td>
<td>-0.3%</td>
<td>49.0%</td>
<td>3</td>
</tr>
<tr>
<td>CAMEL Rating</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>5</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

Table 2.6

The banks that run their operations on the principles of Shariah are having a mix trend. Meezan Bank as first Islamic Bank in Pakistan is very good with all aspects except the liquidity which is also been now improved. Bank Islami and other new Islamic Banks are finding it very difficult in earn their part of earnings in a huge conventional environment and main reason behind that is lack of proper management.

7 Overall Conclusion
The study shows that the banking industry of Pakistan is running safely and soundly. None of the analyzed banks had a CAMEL rating of 4 or 5 in any of its operating year. The rating results are shown in fig 1.1.

The Pakistani Banks were indicating very good performance and were consistently providing safe and sound operations. Their historical trends were mostly positive. They were resistant to external financial and economic change that is the main reason the internal recession did not impacted the Pakistani Banks so badly. They were of least supervisory concern. Only few new banks and some with new takeovers were having problems and were giving flawed performance to some degree, they were just at marginal level and need supervisory concern to some extent.
References


Personality influences Advertisement Likeness

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Abstract
The aim of this paper is to explore the influence of consumer personality on likeness of humorous advertising themes. Research data were collected through a survey from undergraduate and postgraduate students of different universities. The research instrument includes the Goldberg’s Big-Five personality construct. Two more constructs were used to measure the respondent’s attitude towards advertising likeness and it’s by showing them five different humorous advertisements. Factor analyses were used to validate the constructs while regression analyses were conducted to describe the respondent’s attitude towards likeness of humorous advertising themes. The final outcome shows that the extraversion dimension of consumer personality explains a significant variance in advertising likeness for humorous advertising themes. Two standard practices of psychological studies i.e. involving students as subjects and self reporting questionnaire using paper and pen are subject to criticisms from different quarters. Study adds a significant and valuable information in this research area as this was not done before.

Keywords: Personality, Five-Factor Model, Advertising, Advertisement Likeness

I. INTRODUCTION
With the growth of in world’s markets and adoption of sophisticated marketing techniques, the customers have more choices for where they get their products and services. This implies more challenges to marketers who now need more information about their customers their behaviors. This paper discusses the influence of consumer’s personality factors in predicting the advertisement likeness of humorous advertising themes.

II. LITERATURE REVIEW
Much has been written on personality factors/facets and their predictability for social and behavioural intercourse (Larsen & Buss, 2005; Cheng & Furnham, 2003; Steel & Ones, 2003; Yik & Russell, 2001; Silverthome, 2001; Judge & Bono, 2000; Bono & Judge, 2004; Chamorro-Premuzic & Furnham, 2003; Watson, 2001; Trobst, Herbst, Masters, & Costa, 2002; Paunonen, 2003; Egan & Stelmack, 2003; Clower & Bothwell, 2001). There are numerous reasons for its predictive capability. First, the personality factors/facets remain
stable in adulthood (Costa & McCrae, 1992a); second, these are dimensions, not types, so people vary continuously on them (Costa & McCrae, 1992a); third, the factors and their specific facets are heritable (Loehlin, McCrae, Costa, & John, 1998); fourth, the factors probably had adaptive value in a prehistoric environment (Buss, 1996); fifth, the factors are considered universal, having been recovered throughout the world (McCrae & Costa, 1997); finally, and most importantly knowing one's placement on the factors/facets is useful for insight and diagnosis (Costa & McCrae, 1992b).

The contemporary advertising uses various themes to communicate the advertising message to its respective target audience and one of these themes is humor. On the other hand modern society cannot live without humor, as a realistic approach humor is a significant source of receiving attention, increasing its, aiding in learning names and situations and method will be required for human-machine contact in upcoming years to handle it (Stock & Strapparava, 2005). Apparently humor may enhance the likeness of advertisements, but the effectiveness of this relationship is determined by likeness of advertisement by target audiences in which the humor is perceived (Gelb & Pickett, 1983). Presence of humor in an advertisement doesn’t guarantee a successful advertisement but the effectiveness can be enhanced by carefully choosing the target audience, situation and type of humor to be used (Weinberger & Gulas, 1992). When humor is linked to the message and it’s also strong, the ads are unforgettable and this contact is interceded by attention and mood. Strong humor appeals also influence higher recall among persons with a high "need for humor" (Cline & Kellaris, 2007). Humor in advertising was considered risky, partially due to its possibility for failure of advertisements in getting proper likeness from target audience or causing offense (Beard, 2008).

Research on humorous advertising themes has different approaches and different authors have given different point of views regarding humorous advertising themes. But research failed to explain variance within same target audiences for likeness of similar humorous advertisements. Most research in advertising has ignored the extent to which the psychographic variables like a consumer’s personality, or demographic variables such as age or education, contribute as predicting advertisement likeness. A careful examination of the previous literature suggests that systematic research on the predicting role of consumer personality on likeness of humorous advertising themes is largely absent.

III. RESEARCH METHODOLOGY

For this research the students of graduate and post graduate were selected through a simple random sampling method from different institutions out of which 251 were males and 105 were females aged between 20 and 24 years (N=356). The criteria of choosing the respondents from institutions was, randomly selecting two classes from each institution as every students studying there had an equal chance to be the part of this research. It was ensured that classes chosen for this study at least have 10 students and they have completed their one year of study in respective discipline.

The questionnaire was divided into three parts. Part – I uses Goldberg’s 120 item IPIP scale to measure the respondent’s personality The second part of the questionnaire was the most interesting part of the research exercise. Five different humorous advertisements were shown to respondents four question were used for measuring the likeness of each humorous advertisement themes. Humorous ads tend to be more productive for the electronic media as compared to print media (Madden & Weinberger, 1982) therefore electronic advertisements were shown of this research.

Five hundred questionnaire were distributed out of which one forty four questionnaire were rejected during screening process, because of having high percentage of missing values and having less or no variation in them as it was affecting the reliability of the results. The rejected questionnaires were discarded before entering the data. SPSS software was used for entering the data and analyzing the results.
IV. ANALYSES

The data was analysed in three steps. First, exploratory factor analysis, using the Principal Component Analysis Extraction Method and Varimax Rotation Method with Kaiser Normalization, was used to determine the factor structure of 25 items related to advertisement likeness for humorous advertising themes. Second confirmatory factor analysis using 120 items of Goldberg’s IPIP-NEO using the Principal Component Analysis Extraction Method and Varimax Rotation Method, was used to confirm that the items loaded on the respective factors as prescribed by previous studies (Goldberg, 1993). Finally, using the resulting factors from Goldberg’s personality inventory and advertisement likeness factors, multiple regression was used to investigate the effects of consumer’s personality on the likeness of advertisement for humorous advertising themes.

At first step the analyses resulted in a five factor solution, consists of a total of 25 items. All items related to one advertisement were loaded on one factor (Table 1). These items were analysed using double qualifying criteria. First, a priori knowledge was used which is critical for any factor analysis (Byrne, 1998) and based on theoretical underpinning and empirical research, relations between the observed variables and the underlying factors were postulated a priori. This a priori knowledge was also supported by the use of the Kaiser criterion (eigenvalues ≥1) and scree test to determine the number of factors. Secondly, the factor loading criteria were applied which required that (a) a factor must have at least 2 salient item loadings greater than 0.3, (b) individual items must have at least one factor loading greater than 0.3 and (c) any item loading on more than one factor when the final solution is obtained will be placed only in the factor on which it loads most highly. Items were factor analysed using the principal component analysis method of extraction and varimax rotation. Overall scores were created by summing item scores creating one-dimensional factors scores, one for each factor. The resulting value was then divided by the number of items in that factor, making overall scores relative and comparable. Participant’s potential overall scores on each factor ranged from 1 to 5. The second order factor analysis was performed and all five factors were loaded on a single factor which shows that underlying structure of all five factors was measuring a single concept i.e., likeness of humor.

Using a priori knowledge about Goldberg’s IP-IP inventory, five high order factors i.e., Neuroticism, Extraversion, Openness to experience, Agreeableness and Conscientiousness were factor analysed separately. These factor analyses were performed using 24 items related to each factor and hence making the five separate analyses for all 120 items in the IP-IP inventory (Table-2). The second order confirmatory factor analyses were performed and all 30 facets were loaded on Big Five factors as expected (Table 2).

The multiple regression analyses were performed to explore the relationships between personality factors (as predictor variables) and advertisement likeness for humorous advertisements variables (as criterion variables). The likeness of humorous advertising themes as criterion variables were regressed on the Big Five personality dimensions as predictor variables in stepwise regression analyses. Stepwise multiple regressions was undertaken in order to obtain the best possible prediction of criterion variable (Table 3).

It shows that personality factor Extraversion predicted likeness for humorous advertising themes with a β of 0.13 and an adjusted R^2 of 0.56. Thus the proportion of variance in likeness for humorous advertising themes predicted by the personality factor Extraversion was 0.56 (56%). Positive Beta values reflect that these two variables are directly correlated with each other. Multi-colinearity diagnostics were examined and it was revealed that condition indices in all three analyses were less than 30 and none of the factors have a variance proportion of .50 or higher on a factor with a high condition index.
Table 1  Factor Analysis: Likeness for humorous advertisements (N=356)

<table>
<thead>
<tr>
<th>Items</th>
<th>Factor loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>I laugh a lot on this ad.</td>
<td>.89</td>
</tr>
<tr>
<td>This ad. is really funny.</td>
<td>.87</td>
</tr>
<tr>
<td>I will never forget this ad.</td>
<td>.84</td>
</tr>
<tr>
<td>I like the ad.</td>
<td>.80</td>
</tr>
<tr>
<td>Extraction Method: Principal Component Analysis.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Items</th>
<th>Factor loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>I laugh a lot on this ad.</td>
<td>.87</td>
</tr>
<tr>
<td>This ad. is really funny.</td>
<td>.86</td>
</tr>
<tr>
<td>I like the ad.</td>
<td>.83</td>
</tr>
<tr>
<td>I will never forget this ad.</td>
<td>.79</td>
</tr>
</tbody>
</table>

Table 1. Factor Analysis: Likeness for humorous advertisements (N=356)

<table>
<thead>
<tr>
<th>First-Order Factors</th>
<th>Second-Order Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ad1</td>
<td>Ad2</td>
</tr>
<tr>
<td>-------</td>
<td>-----</td>
</tr>
<tr>
<td>Eigenvalue</td>
<td>6.22</td>
</tr>
<tr>
<td>Variance explained</td>
<td>31.17</td>
</tr>
<tr>
<td>M</td>
<td>15.83</td>
</tr>
<tr>
<td>SD</td>
<td>3.33</td>
</tr>
<tr>
<td>KMO</td>
<td>.86</td>
</tr>
<tr>
<td>Cronbach Alpha</td>
<td>.88</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Facets</th>
<th>#</th>
<th>α</th>
<th>EV</th>
<th>VE</th>
<th>M</th>
<th>SD</th>
<th>Factors</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depression</td>
<td>2</td>
<td>0.91</td>
<td>5.23</td>
<td>21.8</td>
<td>2.66</td>
<td>0.55</td>
<td>Neuroticism</td>
<td>0.79</td>
<td>2.56</td>
</tr>
<tr>
<td>Anxiety</td>
<td>3</td>
<td>0.86</td>
<td>3.09</td>
<td>12.9</td>
<td>2.79</td>
<td>0.87</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anger</td>
<td>3</td>
<td>0.82</td>
<td>2.39</td>
<td>9.98</td>
<td>2.54</td>
<td>0.67</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Self-Consciousness</td>
<td>3</td>
<td>0.79</td>
<td>2.28</td>
<td>9.53</td>
<td>2.13</td>
<td>1.14</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Immoderation</td>
<td>2</td>
<td>0.72</td>
<td>1.87</td>
<td>7.81</td>
<td>1.85</td>
<td>0.79</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vulnerability</td>
<td>3</td>
<td>0.64</td>
<td>1.8</td>
<td>7.5</td>
<td>3.41</td>
<td>0.81</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depression</td>
<td>2</td>
<td>0.92</td>
<td>5.29</td>
<td>26.5</td>
<td>2.69</td>
<td>0.69</td>
<td>Extraversion</td>
<td>0.84</td>
<td>2.92</td>
</tr>
<tr>
<td>Activity Level</td>
<td>2</td>
<td>0.91</td>
<td>2.74</td>
<td>13.7</td>
<td>2.58</td>
<td>0.99</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Friendliness</td>
<td>2</td>
<td>0.88</td>
<td>1.97</td>
<td>9.87</td>
<td>3.42</td>
<td>0.86</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gregariousness</td>
<td>3</td>
<td>0.87</td>
<td>1.74</td>
<td>8.7</td>
<td>2.74</td>
<td>1.21</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assertiveness</td>
<td>2</td>
<td>0.72</td>
<td>1.49</td>
<td>7.47</td>
<td>2.68</td>
<td>0.96</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cheerfulness</td>
<td>3</td>
<td>0.71</td>
<td>1.27</td>
<td>6.38</td>
<td>3.43</td>
<td>0.86</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cooperation</td>
<td>2</td>
<td>0.93</td>
<td>5.29</td>
<td>26.5</td>
<td>2.96</td>
<td>0.99</td>
<td>Agreeableness</td>
<td>0.83</td>
<td>2.62</td>
</tr>
<tr>
<td>Altruism</td>
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<td>0.88</td>
<td>2.74</td>
<td>13.7</td>
<td>2.58</td>
<td>1.07</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust</td>
<td>3</td>
<td>0.84</td>
<td>1.97</td>
<td>9.87</td>
<td>2.68</td>
<td>0.52</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Modesty</td>
<td>2</td>
<td>0.8</td>
<td>1.74</td>
<td>8.7</td>
<td>2.81</td>
<td>0.84</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Morality</td>
<td>2</td>
<td>0.79</td>
<td>1.49</td>
<td>7.47</td>
<td>2.56</td>
<td>0.64</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sympathy</td>
<td>2</td>
<td>0.73</td>
<td>1.27</td>
<td>6.38</td>
<td>2.15</td>
<td>1.11</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cautiousness</td>
<td>3</td>
<td>0.84</td>
<td>4.32</td>
<td>20.6</td>
<td>1.87</td>
<td>0.76</td>
<td>Conscientious</td>
<td>0.74</td>
<td>2.80</td>
</tr>
<tr>
<td>Self-Efficacy</td>
<td>2</td>
<td>0.81</td>
<td>3.29</td>
<td>15.7</td>
<td>3.43</td>
<td>0.78</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Self-Discipline</td>
<td>2</td>
<td>0.79</td>
<td>2.56</td>
<td>12.2</td>
<td>2.71</td>
<td>0.66</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orderliness</td>
<td>2</td>
<td>0.74</td>
<td>2.11</td>
<td>10.1</td>
<td>2.6</td>
<td>0.96</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dutifulness</td>
<td>3</td>
<td>0.67</td>
<td>1.46</td>
<td>6.95</td>
<td>3.44</td>
<td>0.83</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Achievement</td>
<td>2</td>
<td>0.61</td>
<td>1.22</td>
<td>5.84</td>
<td>2.76</td>
<td>1.18</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liberalism</td>
<td>2</td>
<td>0.82</td>
<td>3.69</td>
<td>15.4</td>
<td>2.7</td>
<td>0.93</td>
<td>Openness</td>
<td>0.77</td>
<td>2.88</td>
</tr>
<tr>
<td>Adventurousness</td>
<td>2</td>
<td>0.81</td>
<td>3.17</td>
<td>13.2</td>
<td>3.45</td>
<td>0.83</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emotionality</td>
<td>2</td>
<td>0.8</td>
<td>2.49</td>
<td>10.4</td>
<td>2.98</td>
<td>0.96</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imagination</td>
<td>3</td>
<td>0.78</td>
<td>2.34</td>
<td>9.76</td>
<td>2.6</td>
<td>1.04</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intellect</td>
<td>2</td>
<td>0.72</td>
<td>2.03</td>
<td>8.46</td>
<td>2.7</td>
<td>0.49</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Artistic Interests</td>
<td>3</td>
<td>0.68</td>
<td>1.56</td>
<td>6.5</td>
<td>2.83</td>
<td>0.81</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

# - No. of items loaded; α - Alpha; EV - Eigenvalue; VE - % variance explained
Table 3
Regression Analysis showing predictor of Advertisement likeness (N=356)

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Predictor</th>
<th>Adj.R².</th>
<th>β</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertisement likeness</td>
<td>Extraversion</td>
<td>.56</td>
<td>.13</td>
<td>228.56</td>
<td>.000</td>
</tr>
</tbody>
</table>

V. FINDINGS
This research finding explains variance within same target audiences for likeness of similar humorous advertisements. As personality factor Extraversion explained a significant variance in likeness for humorous advertisement theme, illustrates that persons watching same advertisement or similar advertisement theme may behave differently based on their personality factors. It also support that Extraverts have relatively higher tendency to experience positive emotions such as joy, happiness, love and excitement (Costa & McCrae, 1992) and tend to be happier, and are most at ease in the company of other extraverts (Fleeson, Malanos, & Achille, 2002).

VI. LIMITATIONS
The results obtained from this empirical work must be interpreted in the light of the study’s limitations. A few strengths of personality research; the universal use of self-reporting questionnaires, and use of students in the research process, which make the process robust and economically feasible, are actually highly criticised in different non-academic quarters.

VII. IMPLICATIONS
The availability of more and better information will enable a more productive analysis of customer profiles which, in turn, will affect behavioural and evaluation outcomes. The implication is obvious for segmentation strategies. Demographic variables such as age, sex, marital status, only identify ‘who’ is in the segment. Behavioural consequences and attitudinal information indicate ‘why’ the customer is in a particular segment and ‘why’ that customer demonstrates a particular behaviour towards a particular advertisement. The ‘why’ information constitutes a more powerful marketing tool, since it provides insight into the reasons behind customer decisions and evaluations. Therefore, by having access to both types of information, managers would be able to use their existing resources in a more efficient manner to access their target customers and deliver appropriate messages.
References


An exploratory study for measuring consumers awareness and perceptions towards halal food in Pakistan

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Abstract

Purpose – The purpose of this study is to measure the awareness and perception of halal food in Pakistan which is predominantly a Muslim country. Design/methodology/approach – The study is exploratory in nature and cross sectional data has been obtained from 528 respondents belonging to two major clusters-university students and corporate sector. Empirical data was collected through survey methodology. Three statistical tools have been used for data analysis; (a) Cronbach’s alpha; (b) Confirmatory Factor Analysis and; (c) Pearson product correlation matrix. Findings – The author purports that; (a) religion is the omnipotent source of religious beliefs for Muslims Consumers; (b) Beliefs are closely knitted with religious commitment; (c) People who are highly religious may not necessarily have high level of awareness about halal food; (d) Attitude towards halal food is closely akin to the notion of beliefs; (e) The dogma of identity is more linked with intrinsic rather than extrinsic forces. Research limitations/implications – The study focuses on two major clusters and the data is obtained through cluster sampling. The researcher measures general awareness and perceptions of consumers regarding halal food. However further research is suggested to nudge deeply in the concept of halal logo and dimension of halal brand amongst the Muslim consumers. Practical implications- Although Pakistani is a by and large a Muslim country but there is very little awareness regarding Halal food unlike other Muslim states such as Indonesia and Malaysia. The country has no formal Halal certification issuing body. The findings of this research will be of great significance to the marketers and food manufactures in Pakistan who will find new avenues to delve into halal food certification business, and endeavor into Muslim markets as the producers of certified halal food. Originality/value – Although Islamic marketing is the new buzz word but religion and consumer behavior largely remains untapped by academic researchers. There is lack of empirically tested knowledge about the awareness and perceptions towards Halal foods among Pakistani consumers. The research will be a valuable addition in propagation of knowledge on the subject area.

Keywords: Consumer behavior, perceptions, awareness, halal, religion, Muslim consumer, Islamic Market
1.0 Introduction

There is a growing concern amongst the Muslims about the “Halal” food and ingredients which has led to a stimulus in demand for “Halal” food (Sungkar, 2010). The global “Halal” food market potential could rise to USD 500 billion by 2010 (Dagha, 2011). Such lucrative figures points towards growing awareness about “Halal” food amongst Muslim consumers. This awareness regarding “Halal” food is not only restricted to Muslim minority countries but also is getting momentum in Muslim dominant countries. However so far no significant literature is available that reflects upon the awareness and perceptions of halal food amongst the Muslims.

1.1 Study Objective

The basic objective of the study is to measure the awareness and perception of Muslim consumers in Pakistan towards halal food. Pakistan is an Islamic country where more than 95% population is Muslim. It is therefore imperative to explore the impact of religiosity on consumer behaviour with regards to Islamic dietary laws.

1.2 Significance of the Study

The primary motivation for this study is the desire to fill the gap in knowledge about the Awareness and perception of the Halal food in Pakistan. Traditional research reflects on the global concerns about Halal food amongst the Muslim consumers; however there is paucity of data that is specifically targeted towards measuring the consumer behavior towards consuming Halal food. Some of the aspects of these researches are; (a) Most of the studies conducted globally are confined to the concept of Halal food with respect to the usage of meat products only; (b) Much of the available studies are confined to general Islamic marketing practices; (c) One commonality between most of the researches is need and “importance of Halal labeling”. Most importantly, major work has been done in non-Muslim countries and was then assumed to be universal. At present, there is a little meaningful research in Pakistan that empirically measures the consumer perceptions and behaviors towards Halal food. A major motivation is the curiosity about how Pakistani consumers perceive the element of “Halal-ness” in the food they purchase.

This study will also be great significance to the Marketers and food manufacturers in Pakistan. Although Pakistan is predominantly a Muslim country but there is very little awareness regarding Halal food certification unlike other Muslim states such as Indonesia and Malaysia. The country has no formal Halal certificate issuing body. Halal Development Council (HDC) is the only registered NGO in Pakistan dedicated to the development of Halal Economy thereby increasing trade and business within the country and exports from Pakistan. This study can be a starting point for the marketers to understand the need of halal food certification through an accredited body because many local and imported food products available in Pakistan have halal logo but it has no traceability.

2.0 Literature Review

Food items that are “Halal” not only abide with Islamic law but also are healthy for human consumption because the way they are prepared and processed. However all “Halal” food may not be perceived as “Halal” until they are not endorsed by “Halal food certifications” or “Halal food clerics” because of the probability of adulteration in food. Muslims consider it as a religious obligation to consume food that is permitted by Allah and falls under the jurisdiction of Islamic law and is considered “Halal”. In Islam “Halal” generally refers to all such deeds and acts that are in accordance with the sayings of Almighty Allah and Prophet Mohammad (may peace be upon him). Islamic law commonly known as “Shariya” designates the term “Halal” specifically to the
food items and products that are permissible, lawful and are unobjectionable to consume. The opposite of “Halal” is “Haram” which in context of food items refer to the products that are forbidden, prohibited and their consumption is liable to punishment in an Islamic country. Almighty Allah clearly states:

“He has forbidden you only the Maitah (dead animal), and blood and the flesh of swine, and that which is slaughtered as a sacrifice for others than Allah (or has been slaughtered for idols, on which Allah’s Name has not been mentioned while slaughtering). But if one is forced by necessity without willful disobedience, nor transgressing due limits,- then is no sin on him. Truly, Allah is Oft-forgiving Most Merciful. (Qur'an 2:173, pp, 34 Hilali & Khan).

Food that is considered Haram (forbidden) for Muslims are Pork and all its products, animals that have been immolated in name of anyone other than Almighty Allah, alcoholic drinks including all forms of intoxicants, carnivorous animals, birds of prey and any food contaminated with any of these products (FIANCÉ, 2010).

2.1 Halal food perceptions in non-Muslim countries

Considerable literature reflects the work of different academic scholars who suggest that Muslim consumer’s behavior shows a visible inclination towards consuming halal meat in non-Muslim countries. One such research is conducted by Ahmed (2008) in which he claims that Muslims in UK prefer to buy meat sold in their local shops rather than the supermarkets. Similar work is contributed by Bonne, Blacker and Verbeke (2007). They have used the theory of planned behavior to explain Muslim consumer’s behavior towards meat consumption in the light of their religious obligations (Bonne, Blacker & Verbeke, 2007).

2.2 Halal Food Perceptions in Muslim countries

There is growing literature on Halal Food consumption in Muslim countries. Malaysia is moving towards becoming the hub of “Halal” food industry and a significant portion of research on halal food consumption. Academicians in other Muslim countries have also done some meaningful researches in the same demeanor (Lada & Tanakinjal and Amin, 2009; Wilson & Liu, 2010; Shaharudin, Pani, Mansor, Elias and Sadek, 2010; Musaiger, H1993); such as the concept of halal food are opening new vistas and avenues for the marketers and is emerging as a new brand concept (Lada, et al., 2009); using the theory of reasoned action (Fishbein & Icek Ajzen, 1975 & 1980) they provided the insight into the halal products selection among Malaysian consumers; another interesting yet thin literature is also available on halal branding. Pioneering work extended the concept of brand to halal food (Wilson & Liu, 2010); religion, beliefs, food preferences gender discrimination, education and women employment are found to have affect food consumption patterns in Arab region (Musaiger, 1993); choice of sensitive products were also in compliance with religious values (Khraim, 2010); Islamic ideology mirrors the food consumption habits of Malay Muslims (John Fischer, 2008). As per our religious obligation Muslims are required to strictly adhere to Islamic dietary laws and consume only those food and ingredients considered permissible by Islamic law.

2.3 Factors affecting halal food perceptions

2.3.1 Religious commitment

Literature suggests that religion is ascribed as having a paramount importance in consumption patterns of Muslims in non-Muslims countries. Religion provides guidelines for not only Muslim consumers but also channel the behavior of non-Muslims consumers (Delener, 1994); religious impact is greater on the Asian consumer as compared their British counterparts (Lindridge, 2005); the impact of religion has an internal influence on the lives of individuals and guides
different rituals and behaviors (Loser, Klein and Dollahite, 2008); religious affiliation and religious commitment has been identified as two important aspects of religiosity and are found to impact consumer behavior (Mokhlis, 2009); there is a positive relation between religious commitment, store loyalty and consumer complaints (Swimberghe, Sharma, & Flurry, 2009); religion is observed to be an inspiring factor in choosing food amongst the Norwegian consumers (Honkenan, Oslen & Verplanken, 2005); inclination towards religion also affects alcohol consumption among adolescents in Iceland specially females (Bjarnason & Thorlindsson & Sigfusdotti and Welch, 2005); and similarly mothers religiousness leads to their children asceticism in drinking alcohol in rural regions of Finland (Winter, Karvonen, & Rose, 2002).

2.3.2 “Self-Identity”

Literature also suggests that consumer’s behavior towards certain products tend to be predisposed by the notion of “self concept” (Biddle, Bank & Slavings, 1987; Govers & Schoormans, 2005; Granzin & Bahn, 1982; Lindridge, 2002; Lindridge & Dibb, 2003; Bonne, Blecker, Verbeke, 2007). The literal meaning of “Self identity” is awareness about oneself and can be depicted as perception and portrayal of One-self (Biddle, et al., 1987). Self identity as a “Muslim” means individual has a pressure to act in a manner that is acceptable in Muslim society. Previous studies enumerate upon the fact that in collectivistic societies where individuals are influenced by other members of a reference group, behavioral traits attribute to the religious spiritual origins (Lindridge, 2002; Lindridge & Dibb, 2003). Self identity issue also affects Muslim consumers’ awareness to consume halal meat in Belgium (Bonne, Verbeke & Vermeir, 2009). Bonne, Blacker and Verbeke (2007) have identified that Muslims with strong Islamic identity tends to be more religious and influenced by the members of their association. Factors such as self image can also impact on consumers buying behavior; people like to connect their self-worth with the product they purchase (Govers & Schoormans, 2005). Muslims are entangled in a web of relationship that constantly guides and influence their social behavior. Consuming “non-Halal” food can lead to isolation from a Muslim community or else can also affect their relations with friends, peers and family that may treat them as a social “outcast”.

Figure 1. Based on previous studies, awareness & perception of halal food is found to be correlated to religious beliefs, religious commitment, attitude towards halal food and the concept of self-identity.
2.4 Islamic marketing dynamics in Muslim countries

The above text has roped in the works of various academicians on the subject of “Halal” food its consumption, awareness and factors that shapes the consumer behavior. A lean amount of text is available that focuses specifically on halal food. Researchers from various schools of thought contemplate on the Islamic marketing practices among Muslim consumers and a general observation is that religion is the driving force behind Muslim consumers’ behavior; (Hashim & Mizerski, Khraim, Moschis & Ong, Muhamad & Mizerski, Rehman & Shabbir and Safiek); Muslim consumers in Malaysia realize the importance of business being conducted in Islamic way but they were uncertain whether the businessmen in Malaysia were adhering to Islamic laws and regulations in running their affairs (Abdullah, 2010); Fatwa (Islamic religious ruling by religious scholar and not mandatory to follow) verdicts are coupled with Malaysian Muslim consumers choice of selection for certain product category, gender of respondent and religious bearing (Hashim & Mizerski, 2010); age factor and religious inclination are to some extent positively correlated but nevertheless there exist little evidence to support the fact that consumer’s brand preference and store loyalty are effected by religious proclivity (Moschis & Ong, 2011); number of factors such as commitment, motivation, affiliation, knowledge about a religion and awareness of the social consequence of following a religion mediate on the consumers’ market place behavior (Muhamad & Mizerski, 2010); religious stanchness also impacts upon the shopping itinerary of Muslim consumers (Mokhlis, 2009) and on the same note religious beliefs also maneuver the New product adoption behavior for Muslim consumers (Rehman & Shabbir, 2010).

3.0 Research Methodology

3.1 Research design

The study is primarily exploratory in nature and following tools have been used for data collection; (a) desk research; (b) In-depth interviews; (c) Focus group; (d) Surveys through questionnaire and (e) Hypothesis developing and testing.

3.2 Sample selection

Sample of respondents were chosen from two major clusters; (a) corporate world associates: they are a suitable candidate for the research because they are the opinion leaders of the society and their insights can be generalized; (b) university students; evidence from past researches shows that university students have been used for data collection in many psychological researches.

3.3 Sample size

Sample size was 600 respondents. We assume that larger the sample size more generalized will be the findings. 95% population of Pakistan is Muslims; therefore the target population for this study is presupposed to be homogenous (CIA - The World FactBook, 2011). Out of 600 questionnaires distributed around 550 were returned. Response rate was thus 91%. Of these 550 questionnaires 22 were incomplete and rejected. To sum up 96 % (528) questionnaires were accepted and analysed.

3.4 Research instrument

The research instrument was systematically designed having structured and unstructured questions. The questionnaire was framed to measure five important constructs which were derived through literature review; (a) Religious Believes, an example of this construct is “I believe in Allah, Muhammad (PBUH) as his last prophet, Quran & Sunnah; (b) Religious Commitment, some of the items to measure Religious commitment have been developed through using “Religious Commitment Inventory” (Worthington & Wade & Ripley & McCullough & Berry and Schmitt, 2003). An example for this concept is “I often read books and magazines about my religion”; (c) Awareness about Halal Food, sample items is “I am aware that there might be some non-halal food items also available in local market”; (d) Attitude towards Halal Food is measured through questions like “I read all the ingredients before buying the food products” and (e) Identity. Example item for this construct is “I purchase halal food just because
of social pressures”. All responses are measured on a five point Likert scale with “1” as strongly disagree and “5” as strongly agree. The survey also included respondent’s profile which includes data pertaining to their education, age, marital status, cast and sex. Respondent’s perception towards halal foods was measured through open ended question at the end.

3.5 Data collection
The questionnaires were not personally administered and student volunteers were hired to assist in the whole process. The whole procedure of data collection was done meticulously and a pack of 30 questionnaires were dispatched for each chosen sample from representative clusters.

3.6 Hypothesis
With the help of secondary data and insights from the in-depth interviews and focus group hypothesis were generated to test the correlation amongst five constructs;(a) religious beliefs;(b) religious commitment;(c) awareness towards halal food;(d) attitude towards halal food;(e) identity.

4.0 Data analysis
4.1 Reliability Analysis
Data has been analyzed using SPSS version 19. The internal consistency was measured through Cronbach’s Alpha or Coefficient alpha ranges from 0-1. Researchers generally consider an alpha of 0.7 as minimum however lower values are also acceptable depending upon the situation (Hair & Babin & Money and Samouel, 2005). In one of the previous researches whereby linking religiosity with consumer behavior Moschis & Ong (2011) have measured religious commitment, beliefs and behavior using a four item scale that measures various dimensions of religiosity. Based on the findings of reliability scores from past researches we can safely infer that items measuring religious beliefs, religious commitment and attitude towards halal food have high internal consistencies. Awareness of halal food and identity indicates lower reliability but a Cronbach’s alpha coefficient of 0.5 or higher is also acceptable in some social science studies (Kerlinger & Lee 2000).

Table 1: Instrument’s Reliability

<table>
<thead>
<tr>
<th>Construct</th>
<th>No of items</th>
<th>α</th>
</tr>
</thead>
<tbody>
<tr>
<td>Religious belief</td>
<td>5</td>
<td>0.76</td>
</tr>
<tr>
<td>Religious commitment</td>
<td>5</td>
<td>0.71</td>
</tr>
<tr>
<td>Awareness of halal food</td>
<td>8</td>
<td>0.58</td>
</tr>
<tr>
<td>Attitude towards halal food</td>
<td>9</td>
<td>0.81</td>
</tr>
<tr>
<td>Identity</td>
<td>7</td>
<td>0.54</td>
</tr>
</tbody>
</table>

4.2 Instrument Validity
The five constructs that have been used to measure religiosity are based on significant findings from earlier studies, in-depth interviews and focus group discussions. Religious beliefs are based on the five basic pillars of Islam; Oneness of Allah and Mohammad (saw) as his last prophet, Salah (prayers), Fasting in the holy month of Ramadan, Zakat (giving alms to the poor) and pilgrimage to Holy Mecca. According to sayings of holy prophet (peace be upon him): Narrated Ibn ‘Umar: Allah's Apostle said: Islam is based on (the following) five (principles):

- To testify that none has the right to be worshipped but Allah and Muhammad is Allah's Apostle.
- To offer the (compulsory congregational) prayers dutifully and perfectly.
- To observe fast during the month of Ramadan.
- To pay Zakat (i.e. obligatory charity).
- To perform Hajj. (i.e. Pilgrimage to Mecca)

(Abed al Latif-al-Zabidi, 2006)
Face validity was achieved as a result of agreement between the professionals that this scale accurately measures what it purports to measure. The questionnaires were also pretested before actual data collection procedure.

4.3 Confirmatory Factor Analysis

Confirmatory factor analysis is multivariate statistical technique used to parsimony i.e. reduce large number of variables into a manageable number of factors (Zikmund, 2002). Separate factor analyses were performed for religious beliefs, religious commitment, awareness towards halal food, attitude towards halal food and identity. The decision to retain the number of factors depended on two most widely used methods: latent root or Eigen values and percentage of variance explained criteria. Factors with Eigen values greater than one were retained and factors having explained variance less than 50% were reckoned insignificant. Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was computed to assess the sufficiency of the correlation matrices for factor analysis. A KMO greater than 0.5 is considered good for sample size (Hutcheson & Sofroniou, 1999). Descriptive stats were used through the computation of mean and standard deviations. The matrices of the final solutions were than drafted, based on the following criteria: (a) each factor must have at least three item loadings greater than 0.3; (b) individual items must have at least one factor loading greater than 0.3; (c) any item loading on more than one factor when the final solution is obtained will be placed only in the factor on which it loads most highly. Table below depicts the Confirmatory Factor Analysis of the five constructs: Religious beliefs; Religious commitment; Awareness of halal food; Attitude towards halal food; and Identity.

Table 2: CFA For Religious Beliefs

<table>
<thead>
<tr>
<th>Items</th>
<th>Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>I read my namaz five times a day.</td>
<td>0.81</td>
</tr>
<tr>
<td>I believe in Allah, Muhammad (PBUH) as his last prophet, Quran &amp; Sunnah.</td>
<td>0.76</td>
</tr>
<tr>
<td>I will perform (have performed ) my Hajj whenever I will have sustainability</td>
<td>0.75</td>
</tr>
<tr>
<td>I happily and willingly pay my zakat on time.</td>
<td>0.73</td>
</tr>
<tr>
<td>I read my namaz five times a day.</td>
<td>0.64</td>
</tr>
</tbody>
</table>

The variable religious belief was measured through five items. All the statements were loaded thus determining religious beliefs, with variance explained of 55.51% and Eigen Value 2.77. Alpha is 0.77 and measures the reliability of instrument. The mean score was 4.49 with a standards deviation of 0.59 and KMO was 0.80.

Table 3: CFA For Religious Commitment

<table>
<thead>
<tr>
<th>Items</th>
<th>Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>I often read books and magazines about my religion.</td>
<td>0.80</td>
</tr>
<tr>
<td>I make financial contribution to my place of worship /religious organizations</td>
<td>0.78</td>
</tr>
<tr>
<td>I enjoy spending time with others of my religious affiliation.</td>
<td>0.78</td>
</tr>
<tr>
<td>I have my religious beliefs lie behind my whole approach to life.</td>
<td>0.71</td>
</tr>
</tbody>
</table>
For the concept religious commitment four items were loaded on factor analysis. The Eigen value is 2.45 with variance explained of 50%. Cronbach’s alpha for reliability is 0.71. Mean score was 3.81 with standard deviation and KMO of 0.75 and 0.76 respectively.

Table 4: CFA For Awareness Of Halal Food

<table>
<thead>
<tr>
<th>Items</th>
<th>Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food items coming from Muslim countries are necessarily halal.</td>
<td>0.86</td>
</tr>
<tr>
<td>Food items with Islamic names are necessarily halal.</td>
<td>0.78</td>
</tr>
<tr>
<td>Halal logo on food item means it is necessarily halal.</td>
<td>0.73</td>
</tr>
<tr>
<td>I think that whatever food is available in Pakistan is halal.</td>
<td>0.68</td>
</tr>
</tbody>
</table>

Awareness regarding halal food is measured through four statements. All these items were loaded on factor analysis with explained variance of 58.88% and Eigenvalue was 2.35. The reliability alpha was 0.58. Mean score was 3.32. Standards deviation was 0.85 with KMO as 0.72.

Table 5: CFA For Attitude Towards Halal Food

<table>
<thead>
<tr>
<th>Items</th>
<th>Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>I don’t eat pork or haram meat.</td>
<td>0.86</td>
</tr>
<tr>
<td>I don’t buy any food with haram ingredients.</td>
<td>0.80</td>
</tr>
<tr>
<td>I don’t drink alcohol.</td>
<td>0.75</td>
</tr>
<tr>
<td>I may drive extra miles to buy halal food, if I am in a non-Muslim country.</td>
<td>0.70</td>
</tr>
<tr>
<td>I will not buy a food product, if doubts are raised about it by my peers and family.</td>
<td>0.55</td>
</tr>
<tr>
<td>I am willing to pay more for food that has halal logo on it.</td>
<td>0.45</td>
</tr>
</tbody>
</table>

Table 5 shows the attitude towards halal food items. Six factors were loaded with Eigenvalue of 3.0 and 50.86% explained variance. Reliability alpha was 0.81. Mean score for this variable was 4.31 with a 0.68 standard deviation. KMO was 0.76.

Table 6: CFA For Identity

<table>
<thead>
<tr>
<th>Items</th>
<th>Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>My family and friends always use halal foods.</td>
<td>0.82</td>
</tr>
<tr>
<td>My parents/siblings will stop visiting my house, if they will find non-halal items in my house.</td>
<td>0.72</td>
</tr>
<tr>
<td>Muslims have to follow a set of dietary laws as ascribed by their religion.</td>
<td>0.70</td>
</tr>
</tbody>
</table>
The above table depicts CFA for the identity construct. Three items were loaded measuring the variable. Eigenvalue was computed as 1.69 giving an explained variance of 56.5%. Coefficient alpha was 0.54; mean score was 4.29 with standard deviation of 0.69. The KMO was 0.58.

4.5 Pearson Product Correlation Matrix

A correlation matrix is used to report correlations results among the five constructs used in the instrument to collect data for this study. This matrix assumes interval data, a linear relationship and normal distribution.

<table>
<thead>
<tr>
<th>Scales</th>
<th>Belief</th>
<th>Commitment</th>
<th>Awareness</th>
<th>Attitude</th>
<th>Identity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belief</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commitment</td>
<td>0.560**</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Awareness</td>
<td>0.046</td>
<td>0.076</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attitude</td>
<td>0.394**</td>
<td>0.357**</td>
<td>0.168</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Identity</td>
<td>0.329**</td>
<td>0.333**</td>
<td>0.133</td>
<td>0.522**</td>
<td>1.000</td>
</tr>
</tbody>
</table>

**Correlation is significant at .01 level

4.6 Decision Rule

Based on the scores of above matrix we can infer correlation coefficient between religious beliefs and religious commitment is 0.56 and at .01 significant levels it is statistically significant. Hence forth, religious beliefs and religious commitment are significantly correlated. The calculated correlation coefficient between religious beliefs and awareness towards halal food is 0.046 and at .01 significant levels it is not statistically significant. It represents a very weak correlation. There is not much evidence to prove that the two variables share some association in the population. Therefore, religious beliefs and religious commitment are not significantly correlated.

The correlation coefficient between religious beliefs and attitude towards halal food is 0.394 and at .01 significant levels it is statistically significant indicating that religious beliefs and attitude towards halal food are significantly correlated. The computed coefficient scores between religious beliefs and identity as Muslims is 0.329 and at .01 significant levels it is statistically significant. It is therefore inferred that religious beliefs and identity as Muslims are significantly correlated. The calculated correlation coefficient between religious commitment and awareness towards halal food is 0.076 and at .01 significant levels it is not statistically significant. It indicates a very weak correlation between the two constructs. Religious commitments and attitude towards halal indicates a correlation of 0.357 and at .01 significant levels it is statistically significant. The correlation coefficient between religious commitments and identity as Muslims is 0.333 and at .01 significant levels it is statistically significant. Therefore religious commitment and identity as Muslims are significantly correlated. The correlation coefficient between awareness towards halal food and attitude towards halal food is not statistically significant reporting a score of 0.168. We conclude that there is not much evidence to prove that the two variables share some association in the population. Hence forth, awareness towards halal food and attitude towards halal food are not significantly correlated. Awareness towards halal food and identity as Muslims is representing a very weak correlation with scores of 0.133. Lastly the calculated correlation coefficient between attitude towards halal food and identity as Muslims
is 0.52 and at .01 significant levels it is statistically significant. We therefore conclude with some degree of confidence that the two variables share some association in the population.

5.0 Discussion & Findings

The basic contention for this study was to measure the perception and awareness of halal food among the Pakistani consumers. In addition to this a preliminary investigation was made to unveil the conundrum of religiosity and consumer behavior and trace how former influences the latter. Considering the empirical findings of data analysis we infer that:

(a) Religion is the omnipotent source of religious beliefs for Muslims Consumers.
(b) Beliefs are closely knitted with religious commitments.
(c) People who are highly religious may not necessarily have high level of awareness about halal food.
(d) Attitude towards halal food is closely akin to the notion of beliefs.

The dogma of identity is more linked with intrinsic rather than extrinsic forces. Findings of this study generally suggest that Muslims consumer behavior is largely predisposed by their Islamic ideology. However, data supports the fact that a staunch believer and a highly committed Muslim may not necessarily be aware about the fact that whatever food is available in Pakistan is halal or not. Respondents are more concerned towards food as being halal rather than looking for negative connotation of haram element in the food item. In other words as long as the food does not overtly contain a haram item people will not mind consuming it. This may be due to the fact that Pakistan is named as “The Islamic Republic of Pakistan” based on Islamic ideology. Another important finding of this study is the notion of Self identity and its relationship with awareness and attitude towards halal food. Previous studies have suggested meaningful relationship between the self worth and consumer behavior (Biddle,1987; Govers & Schoormans, 2005; Granzin & Bahn,1982; Lindridge, 2002; Lindridge & Dibb 2003; Bonne et al., 2007) and have enumerated on the fact that social influences, pressures and strong Islamic identity have a bearing on our behavior. Our data does not support the fact and indicates a weak correlation amongst the notion of self-identity and awareness towards halal food. Although belonging to a collectivistic society (Hofstede,1984) where we are bound to act in a socially desirable manner, religion is deemed as a private affair and the decision to consume halal/non-halal food is solely based on intrinsic values rather than extrinsic.

Findings of the study also suggest that consumers generally perceive two things to be haram (forbidden) ; (a) pork and related products ; (b) alcohol and alcoholic beverages. Mixed responses were reported for other non-halal food items which again strengthen our claim for frugality regarding the awareness of halal food in Pakistan.

5.1 Need for further research

On academic level some general attempts are being made by researchers to delineate the importance and role of various religions such as Christianity, Islam, Hinduism, Judaism and other faiths in consumer behavior. Nevertheless, individual preferences and product choices based on religious inclinations have been rarely a focal point for marketers. It is only very recently that the potential of this lucrative yet untapped consumer segment has captured attention of the business world. However this segment has many behavioral intricacies enveloped by religious creed. There is a need to deeply probe into the normal perceptions of consumers towards halal logo and halal as a brand. It is also desirable to investigate into how the elements of branding concept can be incorporated with the notion of halal. Lastly, what would be the degree of acceptability and penetration of halal brands in Pakistani market as compared to normal brands?

5.2 Implications for marketers

Religion has been traditionally considered as one’s private affair with no linkage to commercial activities. However with evolving facets of consumers there is an impetus in demand for
products and services that adhere to the physical and spiritual need of individuals. Religious conviction is no more a private affair restricted to mode of worship but has provided a playing field to the marketers. It is gaining momentum as a dominant force behind consumer buying behavior and decision making processes. This study can be a starting point for the marketers in Pakistan to understand the need of halal food certification through an accredited body because many local and imported food products available in Pakistan have halal logo but it has no traceability.
References


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Abstract
Purpose: To explore the effect of internal and external mandate on the new product development process in fast food industry of Pakistan. Design/Methodology: The total sample of 40 fast food outlets was selected to conduct study. All the owners of selected fast food outlets were given questionnaires for the concern study and results were analyzed through SPSS 17.0. Regression Analysis, F-Statistics, Correlation Matrix, ANOVA and Cronbach Alpha were run to compute the values of results. Findings: The results show that there exist positive correlation between the internal mandate and external mandate with the performance of NP process of fast food industry in Pakistan. The proposed model explores 57.4% variance in performance of NP process. Future Study: Future study is needed to be done in cultural aspects, communication gap between the top management and their employees, by improving society combined needs for NP Process, and by focusing on long term achievements for their successful product. Originality/ Value: The results of this study may help the fast food new entrants. It provides the internal and external fit between

Key Words: NP Process, Internal Mandate, External Mandate, Fast Food Industry.

1: Introduction:
According to Prince (2002) the concept of a food worldwide is changing significantly due to healthy eating habits, weight concerns and time constraints.
Busy schedules and eating pattern change is one of the major causes of transformation in the overall perception of food (Prince 2002). The only way to make the customer loyal is to respond to change the preferences of customers by a new product (Jeffery 1998). New Product development Process is a way to transform the customer preferences into a product (Meybodi, 2003). Henry et al. (1989) and Ramaseshan, Caruana, and Loo (2002) reported that NPD process provide a reason to an organization to be alive. According to the recommendation of Jeffery (1998) adoption of NPD process should be in accordance with the changes in market condition. Several studies have explored different aspects of NPD in different framework. Some studies show varying aspect of NPD practices and NPD factor consideration from country to country. Besides there are many research which has considered importance of different factors for NPD success such as Adis and Razli (2009) explored the impact of environment on NPD in relation with some other factors like strategic orientation, marketing strategy, market research activities
in the context of Malaysia. Factors recommended by Ramaseshan, et al., (2002) are customer orientation, cross functional integration, and proficiency of the new product team

Whether it is developed or developing country, NPD is a critical factor for success for any competitive industry like food industry (Suwannaporn, 2002). No other study has taken into consideration the NPD Process in the country of Pakistan which can analyze the practices of NPD in the fast food industry of Pakistan. This paper provides a theoretical framework with regard to NPD process by which the course of NPD can be estimated in the developing nation. This paper plays a role of pioneering study which has the contribution in practical framework as well. By this research NPD performance and consideration can be compared in developed and developing countries. This study assists strategically not only in the perspective of Pakistani environment but also guides to entrepreneurs whom are interested to invest in fast food industry of Pakistan so this paper has significant at international level.

The objective of this study is to observe the NPD practices in the fast food industry of Pakistan. To what extend NPD process has been accepted by this industry when it is required to bring a new product in the market? Furthermore this study also considers the factors, which have significant contribution in NPD process and can affect the success or failure of this process in the fast food industry of Pakistan. This research is going to address the following questions:

1. To what extend NPD process is being practicing in the fast food industry of Pakistan?
2. What are the key components in the internal environment which can affect NPD Process?
3. What is the influence of the external factors such as suppliers, customers, competitors and technology on NPD process in fast food industry of Pakistan?

2: Literature Review:

The history of product innovation as Charles M. Mayo states can be divided into three stages, first the product-oriented or technology-pushed stage, second stage market as the driver of innovation and final stage as skills required for making new products more complex. As earlier it is stated by the Henry et al. (1989) and Ramaseshan, Caruana, and Loo (2002) that NPD process leads to the healthy life of a organization because in this dynamic world of success old ideas get obsolete at their earlier stages whenever new idea takes a birth. So for this there is a complete process for the organization to keep their customer with them whether they are in a same industry meting same needs but with some new ideas. There are different steps of NPD process defined by different authors and scholars but the theme and stream of NPD process remains the same. As Koen et al. (2001, pp. 47–51) defined five different elements of NPD process.

1. Opportunity Identification
2. Opportunity Analysis
3. Idea Genesis
4. Idea Selection
5. Concept and Technology Development
Later on Cooper and Edgett (2008) asserts the following pattern of NPD process:

1. Preliminary market assessment.
2. Technical assessment.
3. Source-of-supply-assessment: suppliers and partners or alliances.
4. Market research: Product concept testing
5. Value-to-the customer assessment
6. Product definition
7. Business and financial analysis.

In a paper by Husig, Kohn and Huskela (2005) proposed a conceptual model for NPD which comprises of few phases of Innovation and three phases and three gates for NPD model:

- Phase 1: Environmental screening or opportunity identification stage in which external changes will be analyzed and translated into potential business opportunities.
- Phase 2: Preliminary definition of an idea or concept.
- Phase 3: Detailed product, project or concept definition, and Business planning.
The gates are:

- Opportunity screening;
- Idea evaluation;
- Go/No-Go for development


McGinnis and Vallopra (1998) have explored the way by which NPD process can be improved by the contribution of supplier, NPD success rate can be increased by three significant factors that are direction given by managers, policy of business and taking initiative in the purchase decision. NPD process must take from the perspective of consumer as new product is for consumer so consumer can guide in the better way the orientation of new product and new product that is consumer-oriented have more chances to be successful in the market (Bogue, Hofler & Sorenson 2005).

Moskowitz, Beckley, Mascuch and McKenna explore that segmentation enhance the understanding of consumer preferences by which product development process can be improved. Moreover they assume consumer’s knowledge about the product is more important than all other factors. High rate of failure in the new products is a common phenomenon that’s why new product decision must consider the alteration in cultural preferences and careful strategy development by management (Winger & Wall, 2006).

Winger & Wall, (2006) also said that market size is one of the most important determinants that lead to new product, by creating an opportunity for supplier, in an industry. New product development is a way by which an organization can create a competitive edge within an industry but hazard of failure is involved along with, which can be minimized by proper control by management and the tools of control can be careful screening and monitoring the whole program (Francis & Bessant, 1997). Bigliardi et al. (2010) suggests that involvement of R&D in every step of NPD can give you the idea about failure or success of new product before launch as R&D assists you to cope up customers as well as competitor response. Adis and Razli (2009) has enhanced the literary understanding of NPD process by assessing the nature of relationship between strategic orientation and NPD process that is significant which shows that new product performance can be moved up by exploiting technological enhancement, execution with the voice of customers, and understanding the competitive surroundings. Armstrong and Kotler (2005) reported that responsibility of a marketer is to be aware of the needs of customers and fulfill their requirement, by offering the product that can create superior value along with taking
into account the effective pricing and distribution strategy. Hung and Sung (2011) has considered
the applicability of six sigma in fast food industry by studying the practices of one of the fast
food industries of Taiwan and concluded that concept of six sigma is not practicable in fast food
industry, as this industry is very slow to respond to customers’ requirements. Soldatos and Hardy
(2007) has studied the impact of size of organization on NPD in the context of Australia in which
he explored that influence of management is greater in large size companies that pressurize to
reduce the expenses on the other hand in case of medium companies NPD process is not
implemented thoroughly due to insufficient resources. On the basis of the above literature the
hypothesis statements for testing are as follows

**H1:** Internal mandate is significantly and positively related to the performance of NP process of
fast food industry in Pakistan.

**H2:** External mandate is significantly and positively related to the performance of NP process of
fast food industry in Pakistan

3: Theoretical Framework:

![Theoretical Framework Diagram]

4: Methodology:

This study is a quantitative study. Questionnaire was adapted from past researches authored by
Lord (2000) and Suwannaporn & Speece, (2002) scales were used for NP process and for
Internal and external mandates. A total of 100 questionnaires were filled by the fast food
managers, sales persons and head of outlets.
4.1 Population:
The sample was derived from the population of fast food restaurants and outlets in Pakistan, because they experience the day by day progress of their existing products and need of new innovative products.

4.2 Scale Used:
The responses of participants were measured by 5-point likert scale in which 1 represent strongly disagree and 5 represent strongly agree.

5: Statistical Measurement (Data Analysis):
From the data entry to the Mean, Descriptive analysis, Regression analysis, correlation Matrix, ANOVAs, coefficients matrix SPSS 17.0 software was used and following results were deducted which shows the relationship of Internal and external mandate with the NP process of fast food industry in Pakistan.

5.1 Descriptive Statistics:
The table reveals the mean values of all the three variables which show the positive response of respondents towards the questions asked.

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>NP Success</td>
<td>4.2770</td>
<td>40</td>
</tr>
<tr>
<td>EXTERNAL</td>
<td>3.8021</td>
<td>40</td>
</tr>
<tr>
<td>INTERNAL</td>
<td>4.2605</td>
<td>40</td>
</tr>
</tbody>
</table>

5.2 Reliability:
Cronbach Alpha reliability test was run as table 2 shows the overall scale reliability which is .686.

Table 2: Reliability Statistics

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>.686</td>
<td>3</td>
</tr>
</tbody>
</table>
5.3 Correlation Matrix:
Table 3 reveals that there exists positive correlation between all the three variable of this study. All are significant at 0.01 levels.

Table 3: Correlations

<table>
<thead>
<tr>
<th></th>
<th>NP</th>
<th>EXTERNAL</th>
<th>INTERNAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>NP Success</td>
<td>Pearson Correlation</td>
<td>.723**</td>
<td>.620**</td>
</tr>
<tr>
<td>Sig.</td>
<td>.000</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>EXTERNAL Mandate</td>
<td>Pearson Correlation</td>
<td>.723**</td>
<td>1</td>
</tr>
<tr>
<td>Sig.</td>
<td>.000</td>
<td>.000</td>
<td>.544**</td>
</tr>
<tr>
<td>INTERNAL Mandate</td>
<td>Pearson Correlation</td>
<td>.620**</td>
<td></td>
</tr>
<tr>
<td>Sig.</td>
<td>.000</td>
<td>.000</td>
<td>1</td>
</tr>
</tbody>
</table>

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

**p ≤ 0.01, n=100
NP Success, Internal Mandate, External Mandate

5.4 Regression Analysis:
The value of Adjusted R² revealed from table 4 shows that more than 50 % variance has been explained by this model.

Table 4: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.772*</td>
<td>.595</td>
<td>.574</td>
<td>.26388</td>
</tr>
</tbody>
</table>

The results indicate the correlation (.772, R) and the r-square which is the explained variance (.595 as seen above), are providing the model summary of the R square value.

5.5 ANOVA:
Table 5: ANOVA\(^b\)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>3.791</td>
<td>2</td>
<td>1.896</td>
<td>27.223</td>
<td>.000(^a)</td>
</tr>
<tr>
<td>Residual</td>
<td>2.576</td>
<td>37</td>
<td>.070</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>6.368</td>
<td>39</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^a\) Predictors: (Constant), INTERNAL, EXTERNAL

The value shown in last column of the table given indicates that there are one or more significant predictors. As the significance value of regression is .000 that is less then F value of regression which is 27.223 thus I can say that the Internal and External Mandate are the significant predictors of dependent variable Performance of the NP Process. The df (degree of freedom) column shows the first value which is 2 which shows that there are two independent variables, second value of 37 shows total number of complete responses for all the variables in the equation minus number of independent variables. The F statistics produced at (F=27.223) is significant at .000 level.

5.6 Coefficients:

Table 6: Coefficients\(^a\)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>2.416</td>
<td>.393</td>
<td>6.145</td>
</tr>
<tr>
<td></td>
<td>EXTERNAL</td>
<td>.182</td>
<td>.041</td>
<td>.548</td>
</tr>
<tr>
<td></td>
<td>INTERNAL</td>
<td>.275</td>
<td>.106</td>
<td>.322</td>
</tr>
</tbody>
</table>

\(^a\) Dependent Variable: NP

6: Results Discussion:

External mandate was found to have positive and significant relationship with performance of NP process (r=.723(**), **.p<0.01). It shows that in context of Pakistan external mandate is also a very elegant factor in the performance of NP Process. There was also found positive and significant relationship between internal mandate and performance of NP process (r=.620(**), **.p<0.01), because the internal mandate is considered as valuable asset of any firm. This shows that it is an important factor which contributes to the success of NP Process.
Also the internal mandate was found to have positive and significant relationship with the external mandate ($r=.544(**)$, **$p<0.01$) which shows that strong combine relationship of both the internal and external mandate contribute in increasing the performance of the NP Process. So, all the three variables confirm the theoretical hypothesis.

The above discussion shows that this study will be helpful for the new entrants. As in Pakistan the fast food trend is growing day by day so the owners of fast food should recognize the internal and external facilitators to grow better and best.

6: Recommendations and Future Implications:

After the deep study of fast food industry, this study has analyzed some problems faced by this industry.

- One of the area in which this industry lacks is the similar core competency of different restaurants this industry of Pakistan. Due to the similar foundations, players in this industry don’t come up with unique ideas. There are almost similar products in which all the restaurants deal with. The future area of research reveal by this limitation which is associated to the identification of the way that how the troupe of this industry alter the pattern of imitation which they have been adopting since the growth of this industry.

- Secondly, there exists communication gap between the top management and employees working here. Literature is the evident that employees can be a great source of many of good ideas for new product. Particularly the employees who serve customers, if encouraged, can be a considerable asset of the organizations because most of the time they are the first knower of the complaints of customers. This gap calls for the attention of researcher to identify bring this issue under the concern of this industry.

- Thirdly, Another substantial phenomenon is concerned with the acceptance of the NPD process which is dependent upon the factor that how much their potential customers are influenced by the society in which they are living because society influence a lot in selection of whether to buy any product or not so the future implication for this limitation is that the NPD team must be able this industry to improve their new product success by improving their product on the basis of the society combined needs so to increase the adoption level of their product.

- Fourthly, most of the fast food companies rely on the achievement of their current objectives of fulfilling their customer need and does not focus on the long term achievement of their successful product. Future area of this deficiency is the study that can increase the awareness of Pakistan fast food industry to the importance of future insight.

- Finally, another important aspect is the culture of the different people living in a country that affect the success of the new fast food product. Future based research is the recipe to cook cultural food in a different manner.
References


Figure 1 by Charles M. Mayo


JOHN B. LORD, J. B. (2000)”New Product Failure and Success”
Impact of Employee Empowerment on Employee’s Job Satisfaction and Commitment with the Organization

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Abstract
This Study focused on employee empowerment and how empowerment is related to job satisfaction and employee’s commitment with the organization in the banking sector of Pakistan. It also evaluates the empowerment given to employees in banking sector of Pakistan, their satisfaction, and commitment level. Hypothesis statements contend that employee empowerment positively affects the job satisfaction and employee’s commitment. Data was collected from 334 employees from the different branches of banks in Lahore. Findings of the study support the hypothesis. In addition, it is also found that job satisfaction has a positive impact on employee’s commitment with the organization. Employee empowerment offers organizations an invaluable tool in their quest for organizational competitiveness.

Keywords: Employee Empowerment, Job Satisfaction, Employee Commitment

1. INTRODUCTION

Effective management is the foundation for creating high morale, high productivity, a sense of meaning and belonging for the employees and also for the organization. The success of an organization depends on the ability of the organization to continuously nourish the satisfaction of its employees so that they can perform their best for the organization. There are a number of job characteristics which are considered crucial to the employee satisfaction and all these variables (characteristics) are linked with each other as all of them influence the way employees feel about their job and organization.

A workplace phenomenon, employee empowerment, continues to cultivate the attention of business administrators, organizational socialists, Human Resource professionals, and psychologists. It is one of those terms that everyone thinks that they understand it but in reality only a few of them knows what actually it is. If different people are asked about the question “What is employee empowerment?” then everyone will be having a different answer to this question. In fact, if we research a dozen of organizational theories then there will be as many answers to the same question. In other words, the organizations, which have empowerment policies in their management, define empowerment according to their own usefulness and scope in practice.

Over the centuries, our working lives are explained by the concepts of hierarchy, power, and bureaucracy. But now due to the concept of empowerment, the vertical hierarchy, authority, and power are delegated up to some extend to untie the employees from many of the limitations of organized power relationships in the organization.

“Empowerment is a human resources term that involves a power transfer from higher levels of employees to lower levels of employees within an organization.” (Cunningghham, 1996). When
most people refer to employee empowerment they do not only mean delegation but it is more than that and that is the reason that there are a numerous studies which has defined empowerment in different aspects.

Some of these definitions are vague and meant to be so. (Block, 1987) describes empowerment as "a state of mind as well as a result of position, policies, and practices”.

2. OBJECTIVES
The objective of this study was to answer the following questions.

How does empowerment relate to the job satisfaction of the employees?
How does empowerment relate to the commitment of the employees with the organization?
How does satisfaction of employees regarding to their jobs relate to the commitment of employees with the organization?

The purpose of this study was to highlight the relationship between Employee Empowerment, Job satisfaction, and Employee’s Commitment with the organization. The findings will provide the management of the organizations the direction to understand the balance of performance elements with employees and trust their employees by empowering them to make them satisfied and committed and to help the organization as well.

3. LITERATURE REVIEW
In this section, literature review on Employee Empowerment and Job Satisfaction is discussed. The researches done by different researchers and models are described.

3.1 Employee Empowerment:
Creating a working environment where employees are allowed to make decisions on their own regarding specific work related situations is employee empowerment. The decisions taken by employees could be small or large and the effects of those decisions is depend upon the employer that how much authority he has given to the employee.

Every organization has its own way to describe and implement empowerment according to its usefulness and scope in practice. Even though it is very difficult to assign an exact definition to empowerment but a few more definitions are:

Empowerment means giving people their head. It means that the management is delegating the authority to the employees while commanding less (Rock, 1994). In management point of view, empowerment is “giving up some control to the employees and sharing information regarding company goals and achievements of the employees, its acceptance of risk by taking more responsibility” (Lorette, 1991). “When employees are encouraged to take decisions and initiate actions with less control and direction from their manager then that means they are empowered by their manager” (Handy, 1993). Empowerment is a process in which the feelings of self efficacy are enhanced in the employees of the organization by identifying the conditions which promotes powerlessness and by removing those conditions by formal organizational practices and informal techniques of providing effective information throughout the organization (Conger & Kanungo, 1988). For the purpose of this thesis study, the definition of empowerment which was given by Conger and Kanungo will be taken as the basic definition.

The concept of employee empowerment is not fairly used when it is compared with the size of employee population and it can also be easily misconstrued by the organization as every
A straightforward model has laid out for organizational empowerment by Blanchard. In this model, he contends that “empowerment is not a magic but it consists of some simple steps to be followed and a lot of persistence by the management” (Blanchard, 1996).

Communication, creating autonomy and self-directed work teams are the keys on which Blanchard’s model is based. (i) Communication is the first key to empower the employees and to make them feel like the owner of the organization, it is important to share information with them. Sharing information encourages them to act in the best way (Blanchard, 1996, p. 27). (ii) Autonomy is the second key to empower employees in the organization. “Employee autonomy is the degree to which employee has substantial autonomy to perform the job and he has freedom, independence and discretion in scheduling the work and in determining the procedures to carry out the job” (Hackman J. & Oldham, 1998, p. 162).

According to (De Jonge, 1995, p. 13), “employee autonomy is the independence, self determination, and freedom of the worker to determine different factors of the task”. Bary claimed that “employee autonomy is important for the employees as well as they want to have freedom and independence in determining the factors related to their work in their own way” (Brey, 1999, p. 15). (iii) Self Directed work teams is the third key to empower the employees is to replace the hierarchy of layers (Blanchard, 1996, p. 57). In the concept of self directed work teams, the employees from the lower level can form teams to perform the task and in this way they will be able to perform in a better way. These teams have the responsibility of an entire process from start to end stage. A number of employees make a team and they select a leader among themselves so they all feel equally powered and share responsibility. They do not need a manager to supervise as they make one by themselves. Thus, the employees feel less dependent on the manager or supervisor and feel themselves empowered teams. These empowered teams can perform better than the empowered individuals but it is necessary that they should know how to work in self-directed teams. All these three keys must interact with each other in order to implement a successful empowerment in the organization. Empowering all employees means they all should work together in a way by which the organization can become the best.

Two aspects have been developed from Conger and Kanungo’s work (1988) with an addition to Thomas and Velthouse’s work (1990). First aspect is organizational empowerment which is also named as multi-dimensional perspective. This aspect is basically about the supervisor’s behavior regarding empowerment and also related to the policies which includes top-down level in the organization. Organizational empowerment is regarding the responsibility of organization and managers to help their employees delegate the responsibility to them and share the information with them (Bryman, Dainty, Greasley, Price, Soetanto, & King, 2005); (Cole & Diaz, 2003); (Koh, 2001); (Spreitzer, 1995). The other aspect is regarding employee empowerment or intrinsic motivational dimensions. This aspect of empowerment is regarding, how an individual perceives empowerment. It has also been related to bottom-up polities of organization (Bryman,
As this aspect deals with the employee’s perception and experience about empowerment and this study is also related to employee empowerment and the satisfaction so the focus will be now on this aspect.

Employees can be empowered in two different ways either by supporting an environment which build competencies, motivation and knowledge sharing or by giving them authority and autonomy. (i) Psychological empowerment relates to the internal beliefs of the employee. It is the feeling of being in control of one’s future, of being able to make choices about how when and where the skills can be get advanced and where one can use those new skills. When employees get their skills advanced, they become confident about their work and they will get opportunities to apply those skills and new knowledge. Psychological empowerment has been described as a vehicle for instilling motivated behavior throughout organizations (Conger & Kanungo, 1988). (ii) Discretionary empowerment means that employees have the decision making power and they have the power to make changes in their work environment and also they can access the ones who have decision making authority. Primary discretionary empowerment is a broader concept as compared to the structural empowerment as there is an indication that authority which is beyond current role boundaries is given to the employees where as “structural empowerment involves transfer of power from the higher authorities to those who are below in hierarchy and it is also term as delegation of power” (Ozaralli, 2003). So, employees can be empowered by giving them authority to undertake assigned roles.

3.2 Job Satisfaction:

When an employee is empowered by the management then he or she may change their attitudes regarding their job which may affect their job satisfaction level. There are numerous articles which are published on job satisfaction. This section will look at some definitions given by different researchers about job satisfaction and also look at some of those articles.

Job satisfaction is the pleasurable emotional state of an employee regarding his or her job duties, supervisor, working situations and the organization. Additional research was done on satisfaction and dissatisfaction of employees and it was find out that “those employees who are dissatisfied with their job are more likely to leave the organization for some better opportunity or place as compared to the satisfied employees” (Mobley, 1979). Dubinsky and Skinner (1984) argue that “if an employee is satisfied with the job then he or she will show commitment to the organization, the higher the job satisfaction the more the commitment” (Dubinsky, 1984).

A research involving non-supervisory hospitality employees was done by LaLopa (1997) which indicated that “employee’s job satisfaction is the most important factor in the study of turnover intentions because it plays a very important role in turnover process. It shows the intentions of an employee, to quit or stay with the organization” (LaLopa, 1997).

For a service industry employee, job satisfaction is a very important factor because it is usually assumed that if an employee is satisfied with his job in service industry then he or she will have satisfied customers. And job satisfaction also contributes in decreasing the turnover rate and increasing the commitment level of the employee.

An organization can increase the employee performance and satisfaction and decrease then turnover and absenteeism by evaluating the job satisfaction. If the management evaluates the value perception of employees then it can create a work environment which will lead to satisfied employees.
According to an employee loyalty specialist, Marc Drizin, “employees are the assets with feel. They are the only resources which a company has to make a conscious decision to return the next day” (Modic). A survey regarding Power and Associates concluded that “there are not only the obvious customers who are needed to be satisfied but the employees of the organization are also needed to satisfied in order to get customer satisfaction” (Kash, 2003).

There are a number of effects which job satisfaction has on an organization. The most relevant and profitable effects are described below:

According to the results of different studies, “the businesses which are doing extremely well in achieving the job satisfaction of their employees reduce their turnover by 50% from norm, increase customer satisfaction to an average of 95%, lower labor cost by 12% and increase the profit margins by an average of 4%” (Carpitella, 2003).

Employee turnover, customer satisfaction, labor costs, and pretax margins are not only the factors which improve by job satisfaction. But it also affects the products, customers, and company in a positive way.

“If the company has productive, loyal, and satisfied employees, employees who are committed to the organization and who have a sense of team work then they will give the best service to the customers. In this way the customer perception of the value of service will be influenced heavily in a positive way and that will cause customer satisfaction. Customer satisfaction has direct affect on customer loyalty and when an organization has loyal customers then it will have profits and growth as well” (surveys.(n.d.)).

A theory was developed by Herzberg (1959) which is known as “motivator hygiene theory”. The main purpose of the theory was to convey the idea that job satisfaction and dissatisfaction are not the reverse of each other but these two are entirely different concepts. According to Herzberg (1959), the opposite of job satisfaction is no satisfaction and opposite of dissatisfaction is no dissatisfaction. The main difference between job satisfaction and dissatisfaction is that job satisfaction is the feeling of an individual about the content of the job where as dissatisfaction is due to the feelings of an employee regarding the context or environment in which his or her work is accomplished. “In this theory, the motivator is the variables that relate to actual content of the job such as recognition or achievement. Motivators are basically more related to the satisfaction side of the job. Hygiene aspect is basically regarding the context of the job. It includes the aspects such as employee benefits. Hygiene factors are more towards the dissatisfaction side of the job” (Herzberg, 1965).

Job satisfaction is also described in traditional theory which was given by Hazer (1976). The theory was given in contrast to Herzberg (1959) “Motivator hygiene theory”. This theory represents job satisfaction and dissatisfaction at the same platform. Traditional theory looks at the feeling of an individual as a whole, including the job related factors and the environment related factors. “Traditional theory gives a spectrum of neutrality according to which an individual is neither satisfied nor dissatisfied with his or her job or position. But satisfaction and dissatisfaction are polar opposite. This theory is not given by a single person but it is evolved as a traditional view” (Hazer, 1976).

To choose the definition of job satisfaction, the search field was divided. There are a number of people who believe and support motivator hygiene theory but there are also many who feel the evidence support the traditional theory. But there is another group of people and according to them neither motivator hygiene theory nor the traditional theory is correct regarding the feelings...
of an employee towards his or her job. They believe that one simple attitude cannot measure the job satisfaction.

There are a number of factors which affect the job satisfaction. (i) Employee turnover and absenteeism is the first factor which affects the job satisfaction. Different studies have been done on it and it has been revealed through them that usually if “people like what they do but do not like where they do it then this will cause the turnover of the employee” (surveys.(n.d.).) . (ii) Voice employee participation is the second factor that affects the job satisfaction. It is the responsibility of the management that they find out whether the employees are happy and if they are not then what are the reasons behind that.

Management needs to find out them and then solve them in order to make their employees happy with the working environment. Foy (2004) gave different ideas to help the management how to give voice to the employees to tell what is going in the organization. He suggests that “if the employees want to remain anonymous so that there would be no offense to the boss then for such employees there is a suggestion box. And they can put their problem or suggestion in that” (Foy, 2004). (iii) Valued employees are the third factor which effects the job satisfaction.

A study was conducted by “Big Builder” in 2003 on “employee satisfaction” reported that “according to the responses, there is a clear need to give employees a greater role in the decision making” (Leibowitz, 2003). “Employees feel themselves valuable when they participate and when they see that the results stemming from their actions” (Calder, 1999). (iv) The fourth factor is to give opportunities of training and to increase the knowledge. According to Clark (2001), there are two ways for the companies “either to invest and provide training and growth opportunities or to pay the costs of the turnover later” (Clark, 2001). (v) Leaders/ Supervisors/ Management are the fifth factor which affects the job satisfaction.

A national workforce retention survey was done by the Daniels Group, an executive search firm. According to the results of that survey, the management of an organization plays a very important role in increasing the satisfaction of the employees. Supervisors are a determining factor in employee satisfaction and to support this finding, 64% of committed employees were surveyed by the Hay Group. According to that survey, it was reported that the employees found satisfaction with coaching and feedback. So, coaching and feedback are one of the top factors that lead to the employee satisfaction.

NBRI surveyed 15,000, largely white collar, employees nationwide from all levels of participating organizations... There were 20% managers/supervisors, 91% worked full time, the average age was 33 and even proportion of males and females.

NBRI (National Business Research Institute, Inc.) (2005) identified six factors that influence job satisfaction, as a part of a large project whose goal was to create employee driven survey improvement process. When there is positive increase in these factors then job satisfaction also increases and when these six factors are low then job satisfaction also decreases. These six factors are (i) Opportunity: Employee survey studies show that when employees get challenging opportunities at work then they possess more job satisfaction. (ii) Stress: The most important factor that affects the job satisfaction of employees is stress level. When stress level is high that means employees have low job satisfaction. (iii) Leadership: Data from employee satisfaction survey shows when employees have good leaders then they show more job satisfaction. (iv) Work Standards: NBRI survey data concluded when the employees take pride of the quality of work performed by the work group, then they possess more job satisfaction. (v) Reward:
Employees have more job satisfaction when they feel that they are rewarded fairly for the tasks they have performed. (vi) Adequate Authority: When the employees have freedom to take decisions on their own up to some extent then they feel satisfied. Management should give adequate authority to their employees in order to make them satisfied and committed.

3.3 Employee Commitment:

Defining and creating employee commitment is an evolving topic currently receiving considerable attention. It had been identified as a multi-dimensional concept which had important impacts on an organization through its effects on employee performance, turnover, and absence, and via its influence on customer attitudes to the bottom line.

“Commitment was divided into five components, each of which was created by different factors which were Affiliative, Associative, Moral, Affective, Structural.” (Allen N, 1990).

Affective commitment is the form that has most potential benefit for an organization, as it directly influences how employees perform their jobs. This form of commitment is increasingly referred to as ‘engagement’ among HR professionals and is the form most usually measured by organizations. Organizations that take positive steps to create commitment appreciate that it is a vital component of business success. They recognize that it can take various forms and are able to concentrate on the ones that are relevant to themselves. Commitment is a two way process which the organization itself has to initiate. This can be done by creating a clear employer brand and group identity so that the right people are recruited. The organization then needs to ensure that the values of its brand image are delivered, by treating employees fairly and maintaining trust.

Job satisfaction is an important component of commitment, but should not be perceived as equivalent to it. Commitment has more positive outcomes for the organization in terms of employee performance. Job satisfaction can be promoted by making work as enjoyable as possible, providing growth and development opportunities and making provisions for staff to assist them in balancing their work and personal lives. Once established, commitment has to be maintained by ensuring staff has clear roles and responsibilities, and an understanding of what is required of them in their jobs. Good communication and openness throughout the organization is vital, especially in times of change. The role of line managers should be recognized and positively supported, as it is a vital component in the creation and maintenance of employee commitment.

3.3.1 Benefits of Employee Commitment:

The performance benefits accrued from increased employee commitment have been widely demonstrated in the literature. To list but a few, these include:

- increased job satisfaction (Lance, 1992)
- increased job performance (Mathieu J, 1990)
- increased total return to shareholders (Walker Information Inc., 2000)
- increased sales (Barber et al., 1999)
- decreased employee turnover (A, 1991)
- decreased intention to leave (Balfour & Wechsler, 1996)
- decreased intention to search for alternative employers (A, 1992)
With this in mind, employee commitment should be viewed as a business necessity. Organizations who have difficulty in retaining and replacing competent employees will find it hard to optimize performance. There are not only the immediate expenses of the recruitment process, but other hidden costs such as management time and lost productivity as new employees take time to become effective in their roles.

4. METHODOLOGY

4.1 Questionnaire Designing

Study conducted was explanatory and cross sectional, basically its purpose was to find the relationship among three variables that were Employee Empowerment, Job Satisfaction, and Employee’s Commitment. Questionnaire was used for the process of data collection.

The questionnaire was consisted on four parts including (1) Personnel Information; (2) Job Satisfaction of the Employee, (3) Employee Empowerment, the employee was having on the workplace and (4) Employee Commitment with the Organization. The responses were measured by using five point Likert Scale. Collection of data was done by handing over the questionnaires to the employees personally and some of them were mailed also. After receiving all the questionnaires, the scored data was entered into the SPSS 15.0 for data analysis.

Pre-testing of this questionnaire was done by distributing the questionnaire among employees of a randomly selected bank branches, so that the reliability and validity of the questionnaire could be measured. SPSS version 14 was used for the analysis of the data.

From the Service sector, banking sector was selected being one of the biggest and fastest growing sectors in Pakistan. Sample size was limited to 334 working employees, both male & females, considering the time and financial constraints. Twelve Commercial banks selected for the study include MCB, Allied Bank Limited, Meezan Bank Limited, Bank of Punjab, Standard Chartered Bank, United Bank Limited, Silk Bank Limited, Askari Bank Limited, Bank Alfalah, Habib Bank Limited, Faysal Bank Limited and Bank-Al Habib Limited.

4.2 Sampling Technique

Multi stage random sampling was used for the study. To start with from service sectors, banking sector was selected based on the objective of the study. At first stage 12 banks were selected randomly from the list of more than 35 local and international banks working in Pakistan. At Second stage, Lahore based 18 branches of the randomly selected 12 banks were selected randomly based on the list of branches. At third and last stage, Lists of employees of the selected branches were obtained and 334 bank employees were selected randomly for data collection.

5. HYPOTHESIS

The hypothesis statements made for the study were:

1. Employee Empowerment has a positive impact on employee Job Satisfaction.

According to this Hypothesis, if the employees are empowered then they will be more satisfied with their jobs as compared to those employees who are not empowered. To find out this relationship between Employee Empowerment and Job Satisfaction, this hypothesis was made.
2. Employee Empowerment has a positive impact on Employee Commitment.

The second Hypothesis explains that if employees are empowered then they will possess high commitment level with their organization and if the employees do not have empowerment then they will have a low commitment level with the organization they are working for. To find out this relationship this hypothesis was made.

3. Job Satisfaction has a positive impact on Employee Commitment.

If the employees are satisfied with their jobs then they will be committed to the organization and will less likely to shift to another organization. To find out whether there is positive relationship between Employee Commitment and Job Satisfaction, this hypothesis was made by the researcher.

As the aim was to find out the relationship between these three variables, these hypothesis statements were made. For each hypothesis statement the dependent and independent variable was different.

In the first hypothesis statement, where the objective was to find out the relation between Employee Empowerment and Job Satisfaction, the dependent variable was Job Satisfaction where as Independent variable was Employee Empowerment.

For the second hypothesis statement where the objective was to find out relation between Employee Empowerment and Employee Commitment with the organization, the dependent variable was Employee Commitment and the independent variable was Employee Empowerment.

The third hypothesis was about the relationship between Job Satisfaction and Employee Commitment with the organization and for that the dependent variable was Employee Commitment and the independent variable was Job Satisfaction.

As the literature review suggested different other factors other than Employee Empowerment which could had an impact on Job Satisfaction and Employee Commitment, to find out the only impact of employee Empowerment on the other two factors, all the other factors which had impact on Job Satisfaction and Employee Commitment were held constant for the study.

6. STATISTICAL TOOLS

Regression analysis was used in order to test the hypothesis statements and to find out whether there is any linear relationship exists and that is positive or negative. Linear equation was sued to represent the relationship.

\[ Y = a + bx + e \]

Where \( Y \) is the dependent variable, \( x \) is the independent variable, ‘a’ is a constant, ‘b’ is the slope of the line, and it tells the intercept and coefficient for each independent variable.

Coefficient of Determination \((R^2)\) was also used which tells how well the model is explained by the data. The value of \( R^2 \) tells what percentage of variances occurred in dependent variable is due to the independent variable.

7. DATA ANALYSIS

After collecting the data, it was analyzed. SPSS was used for the analysis of the data. The analysis of demographic data represents the analysis of different characteristics of the respondents participated in the study.
Table 1: Demographic data analysis

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>232</th>
<th>69.5%</th>
<th>Female</th>
<th>102</th>
<th>30.5%</th>
<th>Total</th>
<th>334</th>
<th>100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marital Status</td>
<td>Married</td>
<td>179</td>
<td>53.6%</td>
<td>Un-married</td>
<td>155</td>
<td>46.4%</td>
<td>Total</td>
<td>334</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of Organization</th>
<th>Private Ltd.</th>
<th>115</th>
<th>34.4%</th>
<th>Public Ltd.</th>
<th>188</th>
<th>56.3%</th>
<th>Government</th>
<th>6</th>
<th>1.8%</th>
<th>Semi Government</th>
<th>Total</th>
<th>334</th>
<th>100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>18 – 26 years</td>
<td>105</td>
<td>31.4%</td>
<td>27 – 42 years</td>
<td>185</td>
<td>55.4%</td>
<td>43 – 63 years</td>
<td>44</td>
<td>13.2%</td>
<td>Total</td>
<td>334</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current Job Tenure</th>
<th>Less than 1 year</th>
<th>61</th>
<th>18.3%</th>
<th>1 – 5 Years</th>
<th>204</th>
<th>61.1%</th>
<th>6 – 10 Years</th>
<th>51</th>
<th>15.3%</th>
<th>More than 10 Years</th>
<th>18</th>
<th>5.4%</th>
<th>Total</th>
<th>334</th>
<th>100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Professional Period</td>
<td>Less than 1 year</td>
<td>14</td>
<td>4.2%</td>
<td>1 – 5 Years</td>
<td>159</td>
<td>47.6%</td>
<td>6 – 10 Years</td>
<td>116</td>
<td>34.7%</td>
<td>More than 10 Years</td>
<td>45</td>
<td>13.5%</td>
<td>Total</td>
<td>334</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Level of Management</th>
<th>Top Level Management</th>
<th>32</th>
<th>9.6%</th>
<th>Middle Level Management</th>
<th>197</th>
<th>59%</th>
<th>Officer</th>
<th>105</th>
<th>31.4%</th>
<th>Total</th>
<th>334</th>
<th>100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of Current Job</td>
<td>Customer Dealing</td>
<td>42</td>
<td>12.6%</td>
<td>Office work only</td>
<td>169</td>
<td>50.6%</td>
<td>Both of above</td>
<td>123</td>
<td>36.8%</td>
<td>Total</td>
<td>334</td>
<td>100</td>
</tr>
</tbody>
</table>

| Range of Salary | Less than 25000 | 76 | 22.8% | 26000 – 40000 | 173 | 51.8% | 40000 – 60000 | 63 | 18.9% | More than 60000 | 22 | 6.6% | Total | 334 | 100 |

Majority of the respondents, 263 out of total sample of 334, 78.7%, had shifted their jobs due to different reasons. Different reasons which included Work environment, Salary, No career advancement opportunities, Lack of job clarity, Better opportunity, were asked in order to find
out the major reason behind shift in the job. Frequency distribution was used in order to find out the main reason. Different respondents mentioned different reasons and for a few of them there were multiple reasons behind shifting their previous jobs. Frequency distribution was used in order to find out the main reason. Different respondents mentioned different reasons and for a few of them there were multiple reasons behind shifting their previous jobs.

After analysis the major reasons found behind shifting the jobs were working environment and to find out better opportunity. After these two reasons salary was one the third number as a reason for shift in the job. No career advancement opportunity and lack of job clarity were found at the lowest level to be a major reason for shift in the job.

To determine the factors which are most important for the employees while working for an organization, respondents were also asked to give their preference level regarding different work related factors which included working environment, Level of authority, Pay package and bonuses, Job clarity and Designation.

<table>
<thead>
<tr>
<th>Factors</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working Environment</td>
<td>2.36</td>
</tr>
<tr>
<td>Level of authority</td>
<td>2.92</td>
</tr>
<tr>
<td>Pay package and bonuses</td>
<td>2.47</td>
</tr>
<tr>
<td>Job clarity</td>
<td>2.47</td>
</tr>
<tr>
<td>Superior subordinate relationship (respect)</td>
<td>2.75</td>
</tr>
<tr>
<td>Designation</td>
<td>3.12</td>
</tr>
</tbody>
</table>

By comparing the means of all the factors according to the scale mentioned in scoring criteria, it was found that working environment, pay package and bonuses and job clarity having means 2.36, 2.47 and 2.47 respectively are the factors which were preferred by most of the respondents whereas level of authority, superior subordinate relationship (respect) and designation having means 2.92, 2.75 and 3.12 respectively are the factors which were more towards does not matter or neutral opinion by the respondents.

For the statistical analysis Regression analysis and correlation was used to find out the relationship between the variables.

7.1 HYPOTHESIS 1:

Employee Empowerment has a positive impact on employee Job Satisfaction.

The independent variable was Employee Empowerment and dependent variable was Job Satisfaction.

Model Summary (Employee Empowerment and Employee’s Job Satisfaction):

<table>
<thead>
<tr>
<th>R</th>
<th>R²</th>
<th>(Regression Coefficients)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Correlation)</td>
<td>a</td>
</tr>
<tr>
<td>H₁</td>
<td>0.817(a)</td>
<td>0.791</td>
</tr>
</tbody>
</table>

The independent variable (a) is Employee Empowerment.
(Relation between Employee Empowerment and Job Satisfaction):

Table -4

<table>
<thead>
<tr>
<th>Categories</th>
<th>R (Correlation)</th>
<th>R²</th>
<th>(Regression Coefficients)</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>a</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>B</td>
<td></td>
</tr>
<tr>
<td>GENDER:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>0.826</td>
<td>68.3%</td>
<td>0.742</td>
<td>0.747</td>
</tr>
<tr>
<td>Female</td>
<td>0.962</td>
<td>92.5%</td>
<td>-0.035</td>
<td>1.002</td>
</tr>
<tr>
<td>TYPE OF ORGANIZATION:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private and Public Org.</td>
<td>0.858</td>
<td>73.7%</td>
<td>0.570</td>
<td>0.805</td>
</tr>
<tr>
<td>Gov. and Semi Gov. Org.</td>
<td>0.869</td>
<td>75.5%</td>
<td>0.454</td>
<td>0.867</td>
</tr>
<tr>
<td>LEVEL OF MANAGEMENT:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Top level Management</td>
<td>0.875</td>
<td>76.5%</td>
<td>0.208</td>
<td>0.919</td>
</tr>
<tr>
<td>Middle level Management</td>
<td>0.848</td>
<td>71.9%</td>
<td>0.520</td>
<td>0.824</td>
</tr>
<tr>
<td>Officers</td>
<td>0.864</td>
<td>74.7%</td>
<td>0.711</td>
<td>0.758</td>
</tr>
</tbody>
</table>

* Significant at .001 level of significance

For all categories the independent variable was Employee Empowerment and the dependent variable was Job Satisfaction.

The relationship was found positive and significant between Employee Empowerment and Employee’s Job Satisfaction. The first hypothesis was also analyzed for different categories separately which were Gender, Type of Organization and Level of Management, to find out in which category the relationship was strongest between Employee Empowerment and Job Satisfaction and to see the variations in the need of Empowerment and Job Satisfaction through different categories.

7.11 Research findings for Hypothesis 1:

H1 was not rejected at 0.000 significance level (P value < 0.001). The value of correlation was found 0.817 and 66.8% of variation in Job Satisfaction was due to Employee Empowerment. There was a positive relationship between Employee Empowerment and Job Satisfaction and with every one unit increase in Employee Empowerment there was 0.736 unit increase in Job Satisfaction. It was found that the respondents under the study were more towards neutral and disagree opinion regarding having Empowerment and Job Satisfaction.

A strong and positive relation between Employee Empowerment and Job Satisfaction was observed under the above mentioned categories also. The empirical finding for the gender wise analysis showed that Empowerment had stronger impact on Job satisfaction for females as compared to males. Female employees were found to get more satisfied in the presence of Empowerment as compared to male employees and also in the absence of Employee empowerment, female employees were found dissatisfied with their jobs which meant female
employees were more interested in Employee Empowerment. In the comparison of types of the organizations, it was found that the employees in Gov. and Semi Gov. Organizations were found more interested in having empowerment to be satisfied with the jobs as compared to the employees working in Private and Public organization. Similarly the Top level management was found more towards having empowerment so that they can be satisfied with their jobs as compared to the middle level management and the officers.

7.2 HYPOTHESIS 2
Employee Empowerment has a positive impact on employee’s Commitment with the organization.

The independent variable was Employee Empowerment and dependent variable was employee’s Commitment with the organization.

Model Summary
(Employee Empowerment and Employee’s Commitment)

<table>
<thead>
<tr>
<th>H2</th>
<th>R (Correlation)</th>
<th>R²</th>
<th>(Regression Coefficients)</th>
<th>P-value</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.752(a)</td>
<td>56.5%</td>
<td>0.282</td>
<td>0.896</td>
<td>0.000</td>
</tr>
</tbody>
</table>

R shows the correlation between the two variables and either the correlation is positive and negative. R² tells the goodness of model. A is constant, B tells the intercept and coefficient for each independent variable, P-Value is the Significance level which describes that the relation of two variables is real or not. The relation is considered real for P Value < 0.1. Mean is based on the scoring criteria (1 to 5) and it tells the opinion of the sample population about having Empowerment and Employee’s Commitment with the organization.

The independent variable (a) is Employee Empowerment.

The relationship was found positive and significant between Employee Empowerment and Employee’s commitment with the organization. Hypothesis was also analyzed for different categories separately which were Gender, Type of Organization and Level of Management, to find out in which category the relationship was strongest between Employee Empowerment and employee’s Commitment with the organization and to see the variations in the need of Empowerment to get committed with the organization through different categories.
Category wise Analysis

(Relation between Employee Empowerment and Employee Commitment)

Table -6

<table>
<thead>
<tr>
<th>Categories</th>
<th>R (Correlation)</th>
<th>R²</th>
<th>(Regression Coefficients)</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>a</td>
<td>B</td>
</tr>
<tr>
<td>Gender:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>0.733</td>
<td>53.7%</td>
<td>0.440</td>
<td>0.853</td>
</tr>
<tr>
<td>Female</td>
<td>0.929</td>
<td>86.3%</td>
<td>0.030</td>
<td>0.991</td>
</tr>
<tr>
<td>Type of Organization:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private and Public Org.</td>
<td>0.759</td>
<td>57.7%</td>
<td>0.501</td>
<td>0.837</td>
</tr>
<tr>
<td>Gov. and Semi Gov. Org.</td>
<td>0.719</td>
<td>51.6%</td>
<td>0.735</td>
<td>0.799</td>
</tr>
<tr>
<td>Level of management:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Top level Management</td>
<td>0.954</td>
<td>91.1%</td>
<td>-0.368</td>
<td>1.367</td>
</tr>
<tr>
<td>Middle level Management</td>
<td>0.662</td>
<td>43.9%</td>
<td>1.098</td>
<td>0.667</td>
</tr>
<tr>
<td>Officers</td>
<td>0.818</td>
<td>66.9%</td>
<td>0.197</td>
<td>0.930</td>
</tr>
</tbody>
</table>

* Significant at .001 level of significance

For all categories the independent variable was Employee Empowerment and the dependent variable was Employee’s Commitment with the organization.

7.21 Research findings for Hypothesis 2:

H2 was accepted at significance level of 0.000 (p value < 0.001). 56.4% of the variations in the Employee Commitment were due to the Employee Empowerment. There was a positive relationship between Employee Empowerment and Employee Commitment as with an increase of one unit in the Employee Empowerment there was 0.896 unit increases in the Employee Commitment to the organization.

A strong and positive relation between Employee Empowerment and commitment with the organization was observed under the above mentioned categories also. The empirical finding for the gender wise analysis showed that Empowerment had stronger impact on commitment of female employees with the organization as compared to the commitment of male employees. Female employees were found more committed with their organizations in the presence of Empowerment as compared to male employees. In the comparison of types of the organizations, it was found that the employees in Private and Public organizations were found more interested in having empowerment to be committed with their organizations as compared to the employees working in Gov. and semi Gov. Organizations. Similarly the Top level management was found more towards having empowerment so that they can be committed with their organizations as compared to the middle level management and the officers and it was also found that in the absence of Empowerment, the Top level Management showed no commitment with the organization.
7.3 HYPOTHESIS 3:

Employee’s Job Satisfaction has a positive impact on employee’s Commitment with the Organization.

The independent variable was Employee’s Job Satisfaction where as the dependent variable was employee’s Commitment with the organization.

Model Summary

Table -7 (Employee’s Job Satisfaction and Employee’s Commitment)

<table>
<thead>
<tr>
<th></th>
<th>R (Correlation)</th>
<th>R²</th>
<th>(Regression Coefficients)</th>
<th>P-value</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>H₃</td>
<td>0.730(a)</td>
<td>53.4%</td>
<td>0.109</td>
<td>0.966</td>
<td>0.000</td>
</tr>
</tbody>
</table>

R shows the correlation between the two variables and either the correlation is positive and negative. R² tells the goodness of model. A is constant, B tells the intercept and coefficient for each independent variable, P-Value is the Significance level which describes that the relation of two variables is real or not. The relation is considered real for P Value < 0.1. Mean is based on the scoring criteria (1 to 5) and it tells the opinion of the sample population about having Job Satisfaction and Commitment with the organization.

The independent variable (a) is Employee’s Job Satisfaction.

The relationship was found positive and significant between Employee’s Job Satisfaction and employee’s Commitment with the organization. The Hypothesis was also analyzed for different categories separately which were Gender, Type of Organization and Level of Management, to find out in which category the relationship was strongest between Job Satisfaction and employee’s Commitment with the organization and to see the variations in the need of Job Satisfaction to be committed with the organizations through different categories.

Category wise Analysis

( Relation between Job Satisfaction and Employee Commitment)

Table -8

<table>
<thead>
<tr>
<th>Categories</th>
<th>R (Correlation)</th>
<th>R²</th>
<th>(Regression Coefficients)</th>
<th>P-value</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>a</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>b</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gender:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>0.733</td>
<td>53.7%</td>
<td>0.440</td>
<td>0.853</td>
<td>0.000</td>
</tr>
<tr>
<td>Female</td>
<td>0.929</td>
<td>86.3%</td>
<td>0.030</td>
<td>0.991</td>
<td>0.000</td>
</tr>
<tr>
<td>Type of Organization:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private and Public Org.</td>
<td>0.717</td>
<td>51.5%</td>
<td>0.526</td>
<td>0.844</td>
<td>0.000</td>
</tr>
<tr>
<td>Gov. and Semi Gov. Org.</td>
<td>0.902</td>
<td>81.3%</td>
<td>0.047</td>
<td>1.005</td>
<td>0.000</td>
</tr>
<tr>
<td>Level of management:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Top level Management</td>
<td>0.926</td>
<td>85.8%</td>
<td>-0.951</td>
<td>1.263</td>
<td>0.000</td>
</tr>
<tr>
<td>Middle level Management</td>
<td>0.732</td>
<td>53.6%</td>
<td>0.838</td>
<td>0.758</td>
<td>0.000</td>
</tr>
<tr>
<td>Officers</td>
<td>0.689</td>
<td>47.4%</td>
<td>0.197</td>
<td>0.893</td>
<td>0.000</td>
</tr>
</tbody>
</table>

* Significant at .001 level of significance
For all categories the independent variable was Job Satisfaction and the dependent variable was Employee’s commitment with the organization.

7.31 Research findings for hypothesis 3:

H3 was accepted at significance level of 0.000 (p value < 0.001). 53.2% of the variations in the Employee Commitment with the organization were due to the Job Satisfaction of the employees. There was a strong positive relationship between Job Satisfaction and Employee Commitment as with an increase of one unit in the Job Satisfaction there was 0.966 unit increase in the Employee Commitment to the organization where as in the absence of Job Satisfaction, the Employee Commitment was very low.

A strong and positive relation between Job Satisfaction and employee’s Commitment with the organization was observed under the above mentioned categories also. The empirical finding for the gender wise analysis showed that Job Satisfaction of female employees had stronger impact on Employees Commitment with the Organization. Female employees were found more committed if they had Job Satisfaction as compared to male employees. In the comparison of types of the organizations, it was found that the employees in Gov. and Semi Gov. Organizations were found more interested to be satisfied with the jobs so that they remain committed with their organizations as compared to the employees working in Private and Public organization. Similarly the Top level management was found more towards having Job Satisfaction so that they can be committed with their organizations as compared to the middle level management and the officers and also when they had no job satisfaction then they were more towards changing their jobs (no commitment).

8. CONCLUSIONS

The study leads to the following conclusions:

1. This study was drawn on the survey data collected by 334 respondents who were employees in different Banks to primarily investigate the impact of Employee Empowerment on Job Satisfaction of employees and also Employee Commitment. The study revealed informative and practical results which clearly showed that Employee Empowerment had a strong impact on Job Satisfaction and Employee Commitment with the Organization.

2. The survey procedures, sampling, and data analysis supported the study’s key hypothesis that Employee Empowerment had a positive impact on Job Satisfaction and Employee Commitment.

3. Empowerment will lead to an employee to get satisfied with his or her job and also to be committed with the organization. And employee who does not have empowerment, which means that he or she has no authority to make decisions for his/ her work related activities and also does not has sufficient autonomy to perform the job, will not be satisfied with his/ her job and will try to find out better opportunities for work and that is why they will be less committed with their organization.
4. Low Empowerment leads to low Job Satisfaction. This study clearly showed that the employees, who were not empowered by their management, were also not satisfied with their jobs. Similarly, the employees who were empowered by their management were satisfied with their jobs also. So, Employee Empowerment and Job Satisfaction have direct positive relationship.

5. Empowerment leads to Commitment with the organization. Employees, in the study, who were empowered by their management, were intended to stay with the organization and those who were not empowered, were less committed with their organizations.

6. Furthermore, the relationship between Job Satisfaction and Employee Commitment with the organization was also found. Job Satisfaction, an employee have, will lead him to be committed with the organization. The employees, who were satisfied with their jobs, were also intended to stay with the organization where as those, who were not satisfied with their jobs, were intended to shift to another organization and showed less commitment with their organizations.

7. So Hypothesis-1 and Hypothesis-2 showed very significant relations and they also supported to the basic purpose of this thesis study that Employee empowerment and Job Satisfaction, both are positively related and also that employee Empowerment and Employee Commitment with the Organization are positively related. Hypothesis 3 showed that Job Satisfaction and Employee Commitment are also positively related, more the Job Satisfaction more the Commitment with the organization.

9. LIMITATIONS
1. All employees working in an organization do not rank their personnel level of satisfaction and empowerment using the same scale.
2. Only banks were taken from the service sector. The result could vary in other sectors.
3. Despite Employee Empowerment, there are other factors also e.g. age, tenure of total professional period, marital status, personnel preferences, tenure spent with the current organization etc which can have an effect on Employee Job Satisfaction and commitment but they were held constant for the study.
4. Selection of branches was random. Not all the banks and branches were covered for the study.

10. RECOMMENDATIONS
1. Employees should be empowered in organization because it’s through empowerment that an organization will be able to survive, grow competed, and face challenges posed by globalization with confidence.
2. Managers, in various organizations must accept that empowering individual employees is empowering the entire organization. Therefore, managers should empower employees from time to time to increase job satisfaction, commitment and reduces employee turnover.
3. Leaders who empower employees must be at all levels of the organization. Empowering leaders must not just delegate and disappear. They must mentor their employees so that they have good chance of being successful in decisions they make. This mentoring process involves training and providing them with the necessary resources especially the information resource.
4. This research should be conducted in other cities of the country to get comprehensive data about Employee Empowerment and its effect on Employee’s Job Satisfaction and Commitment with the organization.

5. The research can be done in other sectors and industries also to get information whether there are empowerment policies in other organizations and if yes then are they implemented properly and have an effect on the Job satisfaction and commitment of the employees.
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The Accreditation of Jeddah Community College: A Faculty perspective

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Abstract
This research paper focuses on the Accreditation of Jeddah Community College. Faculty perspective is also kept in view for Accreditation of Jeddah Community College. Study focus on identifying strengths and weaknesses in the accreditation process of Jeddah Community College and to recommend guidelines that will facilitate future international partnerships; and to generate some theory inherent in the dynamics of accreditation.

Keywords: Accreditation; Jeddah Community College; Faculty perspective

1. Introduction
Much of the literature on accreditation of higher education institutions reveals foci on in-depth context specific processes and outcomes. There has been a general dearth of writing on the philosophy of accreditation, the power- and group dynamics operating within this phenomenon, strengths and weaknesses of the accreditation process itself, tensions and dilemmas within institutions seeking accreditation, etc. Does accreditation imply some sort of equal partnership or a top-down relationship based on compliance and unequal power relations? Is it a “paper qualification” which has very little practical value to the ultimate client, in this case, the student? The Council for Higher Education Accreditation (2006) states that: “Accreditation is a process of external quality review used by higher education to scrutinize colleges, universities, and educational programs for quality assurance and quality improvement”. The term “scrutinize” suggests a detailed review to ensure adherence to prescribed norms and criteria. It also conjures up images of diligent and voluminous record keeping, and includes feelings of success or failure. This paper, as with much of the literature, will attempt a critical reflection of the accreditation of a college in Saudi Arabia by an accrediting agency in the United States. In examining this
process, the authors will go beyond the institutional context and extract salient features of the study and use them to formulate some theory around the whole notion of accreditation. It must be stressed at the beginning that this investigation was conducted from the standpoint of faculty involved in the various standards that formed the pivot on which the entire process revolved. It also includes those faculty involved in various roles as coordinators or key teaching personnel who were responsible for the day-to-day mechanics of document preparation, compilation and collation; liaison with different entities within and outside the college for information gathering; conducting of regular progress check meetings; active participation in workshops; translation of certain texts into English; attention to students and the classroom environment; etc. The study therefore does not incorporate a student, management or societal perspective.

2. Aims of the study
The aims of the study are threefold:

➢ To identify strengths and weaknesses in the accreditation process of Jeddah Community College;
➢ To recommend guidelines that will facilitate future international partnerships; and
➢ To generate some theory inherent in the dynamics of accreditation.

3. Institutional Background
Before discussing the accreditation of Jeddah Community College further, a background sketch of the institution is necessary. Jeddah Community College (hereafter referred to as JCC), is a division of King Abdul Aziz University (KAU). Established in 2002, it is a relatively young institution. At the time of accreditation it was just 7 years old. JCC has a student population of about 1100 male students. Prior to registration, students have the option of enrolling for and completing a 3-year associate degree in either Business -, Computer -, or Health Information Technology. Since all programs are taught through the medium of English, all students have to undertake an Intensive English Course in their first year of study. This course supplements whatever English they learned at secondary school or elsewhere. In addition, students have to study mathematics and some information technology in their preparatory year.

4. The Process
The idea of entering into international partnerships was, and remains, part of the strategic plan of JCC. In 2008 the senior management of JCC held preliminary discussions with the leadership of the Louisiana Community and Technical College System (LCTCS), a state-funded public postsecondary education network of nine community colleges and eight technical colleges located in the state of Louisiana in the USA. The President of LCTCS nominated JCC to be accredited by the Council on Occupational Education (COE). The COE was chosen as the accrediting agency because it is the agency that has accredited the Louisiana Technical Colleges for over 25 years. Following senior management’s communication with COE, a letter of intent was submitted to the Council. The Council reciprocated by providing JCC with a Handbook of Accreditation and details of their website. Time frames for the completion of the online Application for Candidacy and subsequent Candidate Visit were negotiated between COE and JCC.

A two-person team was appointed early in 2009 by COE in preparation for the Candidate Visit. JCC was provided with the team visit check sheets in advance. The Candidate Visit Agenda included: introduction of the team to institution personnel; a tour of the institution; review of
check sheet exhibits; summary of findings; and candidate consultation and orientation to self-study and Accreditation Visit.

The team submitted a report to the COE after the Candidate Visit. The Commission reviewed JCC’s application and the team report, and on 05 November 2008 the COE notified JCC that its application for candidacy was approved. JCC was now an official candidate for accreditation by COE. As an officially approved candidate, part of JCC’s responsibility was to attend the candidate academy. The candidate academy involved a series of workshops focusing on, inter alia, preparing the self-study report; organizing committees and plans; preparing for the Accreditation Visit; and reporting institutional program completion, job placement, and professional licensure rates.

The self-study reports involved the participation of all institutional personnel. They were prepared according to the template outlined in COE Self-Study Manual. The following subheadings had to be used for each section of the report: introduction, analysis, opportunities and challenges, and summary. The purpose of these self-study reports was to orient the accreditation team and the COE Commission to the institution’s programs and services. It described how the institution complied with the standards and criteria of the COE. The COE Self-Study Manual had to be consulted on a regular basis in order to compile the self-study reports. Most self-study reports included a separate Program Supplement that showed how each occupational program is in COE compliance. In addition, each self-study report contained a checklist of Exhibits for each standard.

Based on the Candidate Visit the COE team conducted an orientation program focusing on preparation of the self-study reports. After submission of the self-study reports, a Preliminary Visit occurred 4 to 6 weeks prior to the Team Visit. During this Preliminary Visit the team leader confirmed that the Institution’s preparations were timely and in order. Key areas subject to verification included: Candidate Academy attendance; Exhibit preparation; and Self-Study Reports.

The Preliminary Visit was followed by the Accreditation Visit (see Addendum 1 for the Accreditation Process Flow Chart). A 4-member team was assigned by the COE to conduct the final review, none of whom participated in any of the previous site visits. The date of the Accreditation Visit was decided by JCC in consultation with the COE. The foci of the visit were the check sheets of the 10 Standards. The 11th Standard i.e. Distance Learning does not currently apply to JCC. Once the final team review was over, the 4-member team issued an oral report at the exit meeting. The oral report may include Finding(s) which can lead to a Recommendation or Suggestion. The report can also contain a Commendation. These key terms are defined below:

Finding(s): “A statement by the team explaining a situation that leads to a recommendation or suggestion.”

Recommendation: “A statement by the team that the institution is in violation of a standard or criterion. Recommendations require that the institution remove the violation and submit documentation assuring the Commission that the violation has been corrected.”

Suggestion: “A statement written by the team identifying improvements that could be made in an educational program or in the operation of some part of the institution. It may also be a statement setting forth a questionable activity of the institution which is not a clear violation of a standard or condition, but which is a concern to the team. The institution may respond to suggestions, but is not required to do so.”
Commendation: “A statement by the team that the institution exceeds the expectation of the team on a standard or condition.”

The team submitted a formal report to the COE. The Council in turn sent a copy of the team report to JCC. JCC submitted its response to the formal report to the COE. After reviewing the Self-Study Report, team report, and JCC’s response, the Commission of the COE voted to accredit JCC. The Commission is the 20-member Board of Directors of the Council on Occupational Education; the Commission meets in full session twice a year and collectively makes all the accreditation decisions involving COE-accredited institutions.

An official letter was sent to JCC informing the institution of the Commission’s decision. There were no findings, recommendations, or suggestions. The College received two commendations (English and Insurance).

The current accreditation is valid for one year. Accreditation is renewed annually by means of the COE Annual Report in which the institution attests to continue compliance with the Standards and Conditions of accreditation. In granting initial accreditation to JCC, the Commission determined that the next self-study report and accreditation team visit will occur in six years—the maximum period allowed by the Commission. Now that accreditation has been granted, JCC may make substantive changes e.g. introduce new educational programs.

5. Methodology

The primary instrument used for this study was a questionnaire (see Addendum 2). The questionnaire was distributed to the chairpersons of all ten standards as well as coordinators and other key faculty. Fourteen questionnaires were handed out and eleven were returned. Respondents were not required to reveal their identities to safeguard confidentiality, and encourage openness/honesty of feedback. Standard chairpersons were at liberty to consult members of their standard committee when filling in the questionnaire. Follow up unstructured interviews were held in a few cases where remarks made in the questionnaire were either unclear or required further elaboration (see Addendum 3). The distribution of respondents as per their official role is given in the table below.

Table 1: Distribution of respondents according to their official role in the accreditation process

<table>
<thead>
<tr>
<th>Official Role</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairpersons</td>
<td>7</td>
</tr>
<tr>
<td>Coordinators</td>
<td>1</td>
</tr>
<tr>
<td>Key faculty</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>11</td>
</tr>
</tbody>
</table>

6. Findings

Questions 1, 10, and 11 in the questionnaire were designed to elicit information. Questions 2-9 required either a “YES/NO” response with qualifying comments if necessary. A summary of the quantifiable “YES/NO” responses is provided in table 2 below. A more detailed exposition of findings follows after table 2.
Table 2: Statistical Summary of Responses to Questionnaire Items 2-9

<table>
<thead>
<tr>
<th>No</th>
<th>Questionnaire Item</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
<td>Did you find the Candidate Academy workshop sessions regarding self-study reports, collation and preparation of exhibits, program supplements, etc. adequate?</td>
<td>10</td>
<td>1</td>
<td>11</td>
</tr>
<tr>
<td>3.</td>
<td>Did you receive satisfactory support from senior management and administration staff?</td>
<td>8</td>
<td>3</td>
<td>11</td>
</tr>
<tr>
<td>4.</td>
<td>Were you invited by the final COE review team to provide any feedback on your role in the process?</td>
<td>7</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>5.</td>
<td>Has the accreditation of JCC had a significant impact on students and/or their learning?</td>
<td>6</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>6.</td>
<td>Do you foresee tangible instances of collaboration between JCC and other partner institutions within the COE ‘family’, e.g. student/staff exchange programs, curriculum adaptations, etc.?</td>
<td>8</td>
<td>3</td>
<td>11</td>
</tr>
<tr>
<td>7.</td>
<td>Are you optimistic about future prospects of JCC being accredited by other international accrediting bodies other than COE?</td>
<td>7</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>8.</td>
<td>Were you satisfied with the procedure used to define your role in the accreditation process?</td>
<td>6</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>9.</td>
<td>Were you satisfied with the level of teamwork within the entire process?</td>
<td>7</td>
<td>4</td>
<td>11</td>
</tr>
</tbody>
</table>

**Item 2:** Did you find the Candidate Academy workshop sessions regarding self-study reports, collation and preparation of exhibits, program supplements, etc. adequate?

The majority of subjects found the Candidate Academy workshop sessions adequate. Respondents felt that the workshops were generally systematic, well-designed and structured which helped participants to prepare drafts, plans, reports, exhibits, etc. Procedures were clearly outlined. The purpose and process of accreditation were fully explained to workshop audiences. Workshop presenters were well organized always providing participants with clear directives. One respondent did mention a shortcoming of the sessions i.e. participants were not told how to prepare for the workshops. Only one respondent found the workshop sessions to be inadequate. No reasons were given but after an interview the member indicated that workshops were too short and didn’t cover all salient aspects of the accreditation process. He was of the opinion that there should have been more sessions spread out over a longer period of time. This would have given facilitators and participants the chance to delve into issues more deeply. It must be pointed out that facilitators did arrange private meetings with chairpersons of standards where matters and materials related to that particular standard were thoroughly examined and clarified. Members of standards were free to attend these meetings and pose questions to the consultants.

**Item 3:** Did you receive satisfactory support from senior management and administration staff?

Most respondents indicated that they received satisfactory support from senior management and administration. However, some faculty members felt pressured by senior management. All
members of the standards committees were not equally active in fulfilling the requirements of the relevant standard. This was true especially of administration staff who worked on most standards. The authors suspect that because most members of the administration have limited proficiency in the English language, they were “excused” from many tasks. This resulted in other faculty being burdened with extra work which in turn caused a lot of resentment amongst staff. The fact that members of administration did not take a very active role in standard work could have meant that the importance of accomplishing the feat was somehow not fully appreciated by them. Senior management was asked to intervene at times to force some administration workers to cooperate. One respondent drew attention to the lack of coordination among members of senior management (example/s). Senior management may have inadvertently made conflicting demands on faculty. A major concern expressed by most subjects was the adverse effect of accreditation work on class teaching. Many teachers had to either postpone or cancel classes altogether to attend meetings or honor deadlines. Faculty had to go to extraordinary lengths to procure vital information or obtain access to key documentation. For example, one interviewee had to request a senior administration member to be an intermediary to obtain key information on financial matters. The intermediary would contact his seniors at the university to gain access to the necessary documentation. There was much reluctance initially on the part of the intermediary because he felt that much of the information sought was sensitive/personal especially with regard to staff payrolls. The following graph captures the perception of support received from management and administration.

**Item 4:** Were you invited by the final review team to provide any feedback on your role in the process?

The final review team did have discussions with some chairs and members of standards as well as key faculty. These interviews were either to thank the individuals for their work or to clarify common shared exhibits among the different standards. Four respondents indicated that they were not engaged by the final review team. The common assumption at the time of review was
that standard chairs would only be interviewed by the final review team if clarity was required or shortcomings in the relevant standard were identifed. As one member of faculty put it:

*Evaluation doesn’t necessarily entail only fault finding. If people have done a good job, they should know about it. It’s not about being patted on the shoulder, either. Feedback from the review team has implications for your modus operandi in accreditation or international partnership work for the future. So even though my standard was judged satisfactory, I would have appreciated it if I was told so. But I was not interviewed by the final review team.*

**Item 5:** Has the accreditation of JCC had a significant impact on students and/or their learning?

Perhaps the almost equal number of “Yes/No” responses to this item is an indication of just how much debate this question is likely to stir up. Those that chose “Yes” spoke of the assurance of quality global education. Long-term benefits could include student placement and teacher exchange programs. However the more skeptical among respondents felt it was too early to assess any significant impact on students or their learning. In terms of phrasing, the word “significant” in Item 5 was regarded as being “too generous”. Most students were not actually involved in the process. Most students were not aware of what was going on at the college in the run up to the final review visit. Only a few students participated in social activities with members from the visiting accreditation team. The COE team did have group meetings with some students. The extent of doubt and skepticism surrounding this issue is captured in the following quote: “I think the greatest and biggest value of this accreditation is to improve the quality of students’ learning, and as long as this is not felt by the students themselves, I think the whole thing will be in vain.” Another respondent stated that: “Students are aware of the affiliation with COE (but) to what extent this has impacted them remains questionable.”

The resolution to this issue could lie in institutions seeking program accreditation. Perhaps the impact on student learning may be more real and concrete in program accreditation. It was the opinion of one faculty member that institutional accreditation did not focus in detail on the teaching/learning process. It was just concerned with meeting general guidelines e.g. job placement, external representation on curriculum advisory committees, etc.

**Item 6:** Do you foresee tangible instances of collaboration between JCC and other partner institutions within the COE ‘family’, e.g. student/staff exchange programs, curriculum adaptations, etc.?

The majority of colleagues involved in the study were of the opinion that JCC would enter into some sort of tangible co-operation with other partner institutions within the COE “family”. There were some qualifications though. One member felt that this kind of co-operation isn’t possible in the near future due to logistical factors. Distance could imply heavy financial commitments. Another reply intimated that JCC would have to take the initiative and make the first overtures.

**Item 7:** Are you optimistic about future prospects of JCC being accredited by other international accrediting bodies other than COE?
Seeking accreditation from other agencies other than CEO elicited a variety of opinions. Those advocating accreditation from other bodies spoke of JCC’s growth and improvement in all fields. The institution was becoming more organized and efficient in terms of output and delivery. Accreditation from other organizations would only strengthen the institution further. More value would be added to courses e.g. CISCO, Microsoft ABET, etc. Other respondents felt there was more need for program accreditation rather than institutional accreditation. Program accreditation would perhaps be more beneficial to students. One participant proposed that since accreditation focuses on the same issues, the internal Accrediting Agency within Saudi Arabia (NCAAA) should be sufficient for national purposes.

Institutions needed to be more circumspect in deciding whether to pursue accreditation or not. The issue was whether accreditation should be a means to an end or an end in itself. As one responded aptly put it: “Accreditation has become a fashion (or we can say a virus) and all institutions are copying each other regardless (of) the real need for accreditation.”

**Item 8:** Were you satisfied with the procedure used to define your role in the accreditation process?

The procedure adopted by senior management was to list the names of all standards on the whiteboard and faculty were asked to indicate their choice. The chairpersons of standards were appointed by management. One person who was dissatisfied with the procedure for assigning roles stated that he had no choice but to complete the tasks given to him. He felt that the process was “rushed” and was unhappy with the administration work involved, e.g., filling in application forms. Another commented that the choice of people for specific roles was based on management’s perception of people’s abilities. Some members of faculty were not sure about their exact roles in the process at the time of choosing standards. It was felt that a brainstorming workshop at this time might have helped to provide more information and clarity. Almost half the number of participant feedback suggested that choices were made on the basis of insufficient information or guidelines. Even one respondent who was satisfied with role allocation conceded that the procedure should have been more systematic.

**Item 9:** Were you satisfied with the level of teamwork within the entire process?

Although there were different levels of involvement amongst staff, there was general satisfaction with the level of teamwork during the entire process. Standards shared key information with other standards e.g., budgets, contracts, structural layout plans, etc. At this point a distinction between teamwork **within** and **between** standards needs to be made. While the latter seems to have been good the former was fraught with problems. A major complaint was that the workload was not evenly distributed. In one case, the teamwork in a 4- member standard involved just the chairperson and one member. The other 2 incumbents were not active at all, prompting the rather cryptic remark in the questionnaire: “(In terms of teamwork in my standard, it would have been more appropriate to say we had) pair-work rather than teamwork.” Management was informed about this imbalance in workload but no action was taken. Other comments on intra-standard teamwork referred to standards with more members. The teamwork in these larger standards could have been better. A final observation regarding teamwork was that the process shouldn’t have been so “rushed”. The frenetic pace could have had a negative impact on teamwork.
7. Discussion of Findings

Items 10 and 11 in the questionnaire were designed to elicit information from participants in the study. Item 10 required respondents to identify problem areas encountered during the accreditation cycle. Item 11 asked subjects to reflect on the entire process and, with the benefit of hindsight, suggest possible improvements for the future. Since these latter items are of a more discursive nature, the authors have decided to include them in this section rather than enumerate them under the “Findings” sub-heading.

The disruption to the normal teaching timetable was a major concern for many respondents. The institution’s preparations for accreditation meant myriad meetings, search and collation of documents, compilation of manuals, staff/standard meetings, translation of documents, proofreading, editing and correction of different texts, preparation of exhibits, together with a host of other duties all of which impinged on contact teaching time. Classes had to be either postponed or cancelled altogether. Students did miss out on a significant portion of their syllabus. The authors are of the opinion that management and all other roleplayers in the accreditation initiative could have been operating under the following premise: “Sacrifice some teaching time now for the greater long-term good” (i.e. accreditation and all its spin-offs). Although efforts were made to “catch up” on lost lessons and to complete syllabi, the old adage: ”Time lost is never regained” may very well have applied to the accreditation process of JCC.

Faculty did have many meetings/information sessions with COE consultants as part of guiding the institution through the various stages of accreditation. Despite these contacts confusion and misinterpretations did sometimes occur. An example may help to illustrate. Faculty members were told that the VISION and MISSION statements of the institution should appear on all publications of the College. This ruling was duly implemented in all official JCC publications with the exception of the program brochures. The various programs were allowed to have their own vision/mission statements included in their brochures without mentioning the official vision and mission of the College. This was not made clear to faculty. The fact that omitting the official vision/mission statements in all program brochures was acceptable was only discovered later. The point is that the Accreditation Handbook should make clear where exceptions are allowed to prevent future misunderstanding and avoid unnecessary stress!

A common grievance was the uneven distribution of workload. This complaint can be divided into two streams, one involving the administrative staff, the other related to the academic staff. In the case of the former, the language barrier seems to have resulted in minimum participation of the administrative staff. Because of their limited proficiency in the English language, administrative staff couldn’t contribute much to standard or staff meetings. Whatever official documentation was required was already available on disc or as a hard copy. Administration couldn’t formulate or compile new documentation because these records had to be in English. In fact, many of the Arabic speaking faculty members were burdened with the task of translating official texts from Arabic to English.

The other aspect of the imbalance in workload referred to the academic staff. Some members were guilty of not doing their share in the standards they had chosen. This resulted in chairpersons becoming overtaxed. Standard chairs were actually placed in an awkward dilemma: “Do I report the offending member of my standard (and appear to be a weak chairman, not to mention wasting precious time), or ignore the problem and take on the extra work?” The whole scenario of non-contributing staff may have impacted negatively on group dynamics and human relations amongst College personnel.
The whole accreditation exercise was not entirely unnoticed by the local media and reports of the final outcome were published in no less than 5 newspapers. The publicity generated by the press may have had the positive effect of arousing public curiosity and interest in Jeddah Community College. JCC may have become more marketable and recruitment of students and staff could be greatly facilitated in the future. This observation, coupled with the fact that the College profile was possibly raised amongst educational institutions in KSA in general, may have made the teaching staff more acutely aware of the need for quality educational delivery. But herein lies the rub! How could quality education be effected when many classes had to be either postponed or cancelled during the pre-accreditation period due to the enormous work pressure imposed on faculty? Accreditation, it seems, is not without its own tensions, strains and contradictions!

It must be remembered that publicity creates expectations and if these expectations do not crystallize over time into some form of concrete, viable achievements, then they remain just that - empty, unproductive, rhetoric! The “Arab News” (24 March 2008) quoted a senior member of JCC management as saying:

“(The JCC-LCTCS accord) will help our college make use of LCTCS’ educational programs and establish an electronic library. Staff members at American colleges will come to lecture at our college. Our students will also learn new subjects that are taught at American colleges.”

These outcomes are still pending. This idea of unfulfilled expectations becomes all the more poignant when considered against this comment by one respondent: “It is ironic that even though we have been accredited, we still feel disempowered as teaching faculty.” When asked to elaborate he pointed out that English teachers are unable to change the credit hours for English.

The fact that the various steps leading to accreditation were taken at a rapid pace meant stress and anxiety at least for some faculty. Many respondents commented on the “rushed” nature of the process. Faculty members were told by the COE consultants that they had completed all the requirements for accreditation within six months, an undertaking which normally takes two years for most institutions to conclude. While some academic staff may feel a sense of having accomplished an extraordinary feat within a relatively short space of time, others may not be so sanguine feeling rather that they were put through a lot of unnecessary anxiety and trouble. An interesting range of questions which emerge from this rapid movement of the accreditation cycle is: If the sheer volume of work involved was concluded within six months instead of two years, then why the rush? What was the agenda behind the stepped up momentum of activities? More importantly, whose interests are served by the accelerated series of events, the students, faculty, senior management, or KAU? And are these interests personal, professional or altruistic?

The pressures of meeting deadlines coupled with poor compensation were cited as having a negative impact on professionalism and job satisfaction. Standard chairs were asked to indicate verbally the percentage of work completed by members of their respective teams. Faculty members were remunerated according to this arbitrary estimate.

The entire tenure of the accreditation initiative was management driven. The approach adopted was “top-down” with directives emanating from senior management and handed down to staff. Democratic input and consultation was either non-existent, or reduced to a minimum involving questions around the logistics and basic details of administrative record keeping. The nature of accreditation is such that it demands compliance rather than a constant questioning mind set intent on accommodating as many divergent, dissenting viewpoints as possible. The COE may consider building in some measure of flexibility in its working manuals especially in terms of
compilation, collation and presentation of documents (i.e. exhibits, program complements, etc.). The fact that all documents in Arabic text were not required to be translated was appreciated by faculty.

8. Recommendations
One of the major grievances was the increased accreditation workload imposed on faculty and the resultant stress and anxiety. This also had implications for loss of teaching time. It would in future be more appropriate to “second” certain members from faculty to attend solely to accreditation work. The secondment period would of course be of limited duration (perhaps 4-6 months) during which time these selected members would concentrate on all matters related to accreditation. Criteria for selection could be decided by management in consultation with faculty. The teaching load of these seconded individuals could be shared amongst other members of the relevant department. The remainder of faculty could play a more supportive role to the core members in charge of accreditation. This support could range from suggestions at stipulated report-back meetings, preparation of documentation, networking with sources outside the college, etc. In this way, stress is relieved and teaching/learning, which is the essence of the college, proceeds as normal with any possible disruption being reduced to an absolute minimum. This arrangement would also obviate the charge that some faculty members are overburdened while others are not under any pressure. It would be up to management and the seconded faculty to work out a schedule whereby the accreditation workload is more or less evenly distributed. The principles which ought to guide deployment of staff could be the following: fairness, strategic considerations vis-à-vis individual strengths, transparency, and a spirit of give and take. Allied to the above point is the issue of an incentives program for accreditation work. Faculty members were aggrieved at the financial remuneration/compensation received at the end of the process. If the institution is unable to make monetary rewards available, other benefits could include:

- Likelihood of being part of a staff exchange program
- Inclusion in other professional development programs
- Modest subsidization of travel/transport
- Extension of leave benefits
- Assistance with technology (laptops, cellular phones, etc.).

One very obvious shortcoming was the lack of student involvement in the whole accreditation process. Members from the COE team did have informal discussions/interviews with a few selected students, and even chats on a social level. However, the larger student population was completely uninvolved with the whole accreditation exercise. What are students’ needs and to what extent can these needs be fulfilled as a result of accreditation? What do students see as the tangible benefits of accreditation for themselves, individually and on a collective level? Although students were informed about the whole notion of accreditation, and what is involved therein, they need to be included in a much more formal way by the institution and COE. In addition to student exchange programs, learners need to see in concrete terms what has been added on or amended in the institution as a result of accreditation. Student involvement can be much more intense if the institution embarks on a leadership training campaign where students
are encouraged to become more involved in the institution via recognized structures such as student representative councils, subject committees, sporting and recreational clubs. Students have to be taught how to make their representations and voices heard though these structures. The emphasis in all these representations should be a clear focus on how to enhance the quality and outcome of students’ learning and the resultant implications for their future vocations.

A crucial issue which the institution will have to grapple with is whether to pursue institutional or programmatic accreditation. This has implications for choosing the appropriate organization/s to effect the accreditation for the future. The institution will need to involve and liaise with independent/external/impartial consultants or ‘experts’ who can advise the institution on the way forward. While institutional accreditation has the advantage of raising the status of the whole college, programmatic accreditation can have the benefit of refining, sharpening, and honing in on students’ learning and its outcomes. This is a recurrent debate which the institution will have to wrestle with in the years to come. One respondent suggested that the College should start locally with The National Commission for Academic Accreditation & Assessment (NCAA) in Saudi Arabia and then proceed to a more international level. He was of the opinion that: “… an academic institution should improve its fundamental assets and perfect its mission to a high level first then seek accreditation and not the other way around.”

The fact that JCC was accredited by the COE means that the institution has to some extent entered the international arena. To actualize the global nature of our accreditation, a large world map should be installed as a permanent fixture at a strategic location on the college campus, e.g., the college foyer. This feature should serve to highlight the institutions accredited by the COE with their names and respective locations clearly delineated. This step will help bring out the international ‘nuance’ of our institution, and this in turn can have a significant impact on staff professionalism and quality of educational delivery, not to mention recruitment of staff/students. The College’s in-house TVs could also be used to transmit various clips on all aspects of accreditation, for example, special features on other COE-accredited institutions, the COE itself, case studies of institutions/programs accredited in the past, instances of student/staff exchanges, the history of accreditation, etc.

The COE needs to review and help the networking process among the various institutions that it has thus far accredited in different countries. Having annual conferences/meetings may not be enough to share the great amount of wealth (i.e. quality, experience and expertise) latent in all these establishments that form part of the COE family. In addition to peer review and exchange programs, examination papers could be moderated by externally by other institutions falling within the COE domain. Academics from partner institutions can travel to other partner institutions to deliver quality professional development programs/training. These endeavors will demand sacrifices in terms of time and money, but these resources will have to be made available by the COE and its various protégés if accreditation is to be taken seriously by all parties. One possible option is for the COE to compile a comprehensive directory/manual wherein all partner institutions are listed together with all relevant information pertaining to these institutions. Information could be given in relation to programs offered by these institutions, resources that they possess, academicians and their level of expertise, affiliations to other professional organizations, etc. The COE could in this directory suggest through a series of combinations or permutations the possibilities of networking and collaboration between and among partner institutions. Areas of cooperation could be identified with the initiative being left to individual institutions to follow up. Although co-operation and working agreement across
partner institutions could be an optional endeavor at this stage, it could count favorably for those institutions who have engaged in this exercise and who are seeking re-accreditation. Another way of facilitating networking and collaboration between and among partner institutions is to rotate the venue of the annual COE conventions/conferences. Each partner institution should be given an opportunity to host the annual COE convention/conference. If, for example, JCC hosts a convention, partner institutions wishing to draw up a working agreement in certain programs with JCC can send their delegate/s to follow up, finalize and implement the agreement. Now that accreditation has been achieved, mechanisms to monitor post-accreditation need to be put in place. The incumbent standard chairpersons could meet once a quarter to review developments within the institution and how these developments impact on the various standards. Continuous follow-up sessions to evaluate programs, materials, resources and student learning, staff development, interaction with business/industry, etc. have to be undertaken in a bid to ensure that quality and professionalism are not compromised in any way. The other advantage of these post accreditation follow up activities is that it paves the way for a smoother “run-up” to re-accreditation or accreditation by another agency, be it programmatic or institutional.

The visit by the final review team was reminiscent of some kind of formal examination or assessment procedure. While we do concede that this was an evaluation of JCC, there should have been some kind of immediate feedback. An oral report was given to senior management but standard chairs weren’t given any indication of the result of the review. We are not asking for the final verdict, only a brief overview of the review team’s impressions.

Faculty members were allowed to choose their standards. However, the chairpersons of standards were appointed by management. In retrospect this was not conducive to effective teamwork. Personality clashes, professional jealousies, and a range of other interpersonal dynamics can have a detrimental effect on group work. It would have been advisable to allow standard members to choose their own chairpersons. This would have been a clear indication that people were comfortable working with a particular person as standard head, and thus cooperation and teamwork would have been facilitated. By management appointing standard chairpersons, faculty were to work with someone they couldn’t get along with thus resulting in negative human relations, wastage of time, and possible compromise in the quality of work achieved within that particular standard. An additional concession could have been that faculty would be given a chance (within a reasonable time period of e.g. one week) to change standards providing they had compelling grounds to do so. In this regard general factors such as individual skills, interests, personality, etc. could be used as broad guidelines to determine which standards a person could choose.

The issues of teacher overload, balancing teaching and accreditation work, uneven distribution of workload in some cases, lack of professionalism and job satisfaction, and the marginalization of students in the process makes it necessary to refocus on the roles of the various players in accreditation. According to Wilds (2008:2), an educational consultant, role theory defines a role as “a set of expectations applied to the incumbent of a particular position.” These role expectations can apply to an individual, a group, an institution or an organization. Wilds (ibid: 2) goes on to differentiate two dimensions to roles: the functional dimension and the symbolic interactional dimension. The functional dimension is composed of those skills/knowledge required to function successfully in a role. These skills/knowledge are quite often obtained through formal studies and they are instrumental in securing a job or position for the individual. The characteristics of the functional dimension of a role are concrete, visible, external, and in
in accordance with society’s expectations. Colleges and universities generally focus more on the functional role at the expense of the second dimension i.e. the symbolic interactional dimension. The symbolic interactional dimension of a role is identified by values such as caring, engagement, concern for others, compassion, communication skills, integrity, and adherence to principles. The hallmarks of the symbolic interactional dimension constitutes features that are more abstract, less visible, internalized, and based more on principles. Wilds (2008:2) says that:

Performing well in this dimension demonstrates an educational institution’s true and real endeavors in the process of accomplishing its mission in educating students, and improving the quality of its programs and services... The success and livelihood of a college or university and its learning environment are based on how it attends to and performs in this dimension.

Unfortunately many individuals, organizations, colleges, and universities place little emphasis upon the symbolic interactional dimension of their role. This could be a valuable lesson for JCC since it may in the future be contemplating re-accreditation or programmatic accreditation by another agency.

The final recommendation encompasses the broad field of domestic versus international accreditation. This area requires more extensive exploration and analysis. Compliance criteria and other stipulations used in national accreditation might not be sufficient when applied to accreditation across geographical boundaries. Differences based on religion, culture, language, infrastructure, macro- and micro educational structures / policy, public support, management style, etc. need to be taken into account when an accrediting agency in one country prepares to accredit an institution in another. In this regard Chandler, a member of the COE, asks the following pertinent questions:

1. Are our criteria, check sheets, reporting structures, and compliance documents adequate for international accreditation?
2. Should there be an international committee for compliance criteria?
3. Should visiting teams have additional training in international affairs and cultural differences?...These and other questions need to be discussed in more detail as we move forward with this important global experiment in accreditation.

The authors are aware that the COE has entered into a partnership with a recently formed accreditation agency called “Accreditation International” (AI). The idea is to cater for institutions in other countries that desire American-style accreditation. International accreditation may require a body that could be empowered / authorized and operationalized by the United Nations via UNESCO.

9. Theoretical Perspectives
As mentioned at the beginning of this paper literature on the subject of accreditation lacks theoretical constructs, an observation which this paper will try to address. The main aim of any accreditation effort is to improve the quality/output of the institution or program being accredited. This presupposes that the accrediting agency itself is qualitatively ‘superior’ to the institution being accredited. Hence, the unequal power relations. This in turn begs the question: “Who accredits the accreditor?” Put another way: How do accrediting bodies derive their
power? Since the COE is American-based we need to review briefly the history of accreditation in the USA. This may help to shed some light on the question.

According to Weissburg (2008:195) accreditation was first used by the federal government in 1952 and this federal reliance on accreditors increased with the passing of the 1958 National Defense Education Act (NDEA). According to this legislation a school could only receive federal funds if it was accredited by a nationally recognized accrediting body. Until that point in time, accreditation had been a purely optional initiative. The NDEA changed everything. In the short term the delegation of government authority to the regional accrediting associations had little impact on them. In other words, they were simply being asked to continue what they had been doing all along. The federal government did not try to exercise any influence over the higher education sector until the creation of the Accreditation and Institutional Eligibility Staff (AIES) in 1968. Trivett (1976:3) explains that the aim of the AIES was “to administer criteria and procedures for approving accrediting organizations, list them, and determine preliminary eligibility of institutions.” This was regarded as the turning point in the relationship between the federal government and accreditation agencies.

From the above review of accreditation history in the USA, it can be said that accrediting bodies formally derive their power from the government. Of course, some of this power can also be traced to the specialized expertise that accrediting bodies possess and which they derive from the industry/profession itself. This was true especially in the period prior to 1968.

Governments have in the past found it useful in many cases to adopt the standards, rules, licensing requirements, procedures, etc. of privately run, self-regulatory bodies for their own purposes. These self-regulatory bodies are established by members of a given industry or profession, and the governance of such bodies usually reflects the power dynamics operating within that self-regulating sector. In his doctoral dissertation, Weissburg (2008:2) identifies the American Bar Association as an example of a self-regulatory body which regulates the legal profession and which is composed of representatives from that same profession.

The principle of self-regulation itself will be discussed later, but it must be remembered that the delegation of government authority to a public agent is not quite the same as delegation to a private, self-regulatory one. Mattli and Buthe (2005:399) make this distinction by saying that:

“....[T]he key difference between delegation to a public agent and delegation to a private one is that in the latter case a multiple-principal problem emerges that is qualitatively different from the one usually considered in the literature. An agent’s action will be determined by the relative tightness of competing principal-agent relationships. This tightness is a function of the relative importance of each principal for the agent’s financial and operational viability as well as its effectiveness in rule making.”

In the above quotation, the term ‘agent’ refers to the accrediting body/association while the term ‘principal’ refers to the institution itself. The history of accreditation in the USA reveals the existence of another principal i.e. the federal government. In other words, the accrediting bodies have two clients to serve.

Mattli and Buthe hypothesized that the decision of the private agent to elevate one principal over another will be based on the relative ‘tightness’ of the relationship between the agent and each of its principals. The word ‘tightness’ implies the degree to which the agent is dependent upon the
principal for its financial well-being. They further state that there are three factors that determine this tightness, financial viability, operational viability, and the macro-political climate. Financial viability means that the agent will be highly receptive to the demands of the principal from which it derives its funding. Operational viability signifies the agent’s need for specialized expertise. As stated previously, in most cases the private agent’s authority stems from its high level of specialized expertise which it brings to the accreditation process. The source of this expertise is often the industry itself. In fact, accrediting bodies perform periodic quality reviews of themselves to ensure that they are competent enough to be able to handle the requirements of their job. The third variable, the ‘macro-political’ climate, refers to the “cycles of broad public attitudes towards regulatory matters” (Mattli and Buthe, 2005:406). If we relate this to the accreditation of Jeddah Community College, financial viability does have applicability in the sense that JCC had to pay the COE an accreditation fee. In terms of operational viability the COE has its own specialized expertise in which to carry out the tasks of accreditation. In the case of the ‘macro-political climate’, it can be safely assumed that most of the broader public in Saudi Arabia would be favorable to accreditation of a Saudi institution by an accrediting association from the USA.

The Mattli and Buthe model outlined above suggests that the relationship between the agent (accrediting body) and the principals (the institutions and federal government) is often filled with a complex interplay of power dynamics. This power differential is all the more profound since the history of accreditation in the USA is punctuated with conflictual relations between and among the various roleplayers/stakeholders (Weissburg, 2008:89-155). This complex interplay of power dynamics is captured in the following statement by Trivett (1976:8):

“The study of accreditation and institutional eligibility is only to a small degree an educational issue; it is more a political issue, a study of how the power to distribute benefits is generated, channeled, and regulated.”

This point is underscored when we realize that accreditation in the US takes place at different levels. At the highest level, governmental and other agencies govern and recognize the accrediting bodies. For example, the US Department of Education, the Council for Higher Education Association (CHEA) and the Association of Specialized and Professional Accreditors (ASPA) confer power to associations that oversee accreditation at the regional, institutional or program level.

The authors have already alluded to the concept of accrediting bodies being private and self-regulatory. The literature reveals ample debate as to whether government regulation or self-regulation is more effective. Up to this point there are no easy answers to this question. Governments around the world generally find it more expedient to rely on privately run self-regulatory bodies. However, self-regulation is not without its problems. Gunningham and Rees (1997:366-370) are of the view that standards set by self-regulatory industries, or professions, may be weak and/or poorly monitored. They also argue that self-regulation can lead to a lack of transparency and accountability.

It is the authors’ view that if the Mattli and Buthe hypothesis is applied to accreditation, then accreditation itself becomes a sort of business enterprise, an adaptation of a business franchise model characteristic of the private sector. In other words, the accrediting body becomes the “franchisor” while the institution/program becomes the “franchisee”. The three variables mentioned by Mattli and Buthe i.e. financial viability, operational viability, and the macro-political climate all support this business analogy. The COE is currently embarking on a project to accredit many other colleges in Saudi Arabia.
10. Concluding remarks
This paper has considered the whole issue of accreditation from a macro (power political) and a micro (institutional/program) perspective. While an institution may be accredited, this does not necessarily mean that its clients will immediately receive better service or that the quality of the institution will be dramatically elevated. As one member of faculty put it: “While it is understood that accreditation should correlate positively with quality assurance … it should be also understood that the first (accreditation) doesn’t guarantee the last (quality assurance).” Accrediting agencies cannot exercise any legal control over institutions or programs. A host of variables can intervene from the point at which the institution was accredited, e.g., change in staff, new management, reduced funding, change in government policy, etc. All these factors can impact negatively on planned improvements, quality assurance, service delivery, and student learning outcomes. In fact, Wilds (2008:3) goes further and asserts that:

*Colleges and universities (seeking accreditation/re-accreditation) rarely describe the process as having improved the quality of education in their institution. Instead, the process is looked upon with much anxiety; is described as time consuming, often bringing the college to a halt for a period of years or so in accomplishing its goals; and the institution may have produced a compliant certification report that is of little value to it.*

One interviewee used the analogy of a person obtaining his/her driving license. In order to successfully pass the driving test, an individual will do all that is required according to prescribed norms/regulations. However, once the individual has his/her driving license, there is no guarantee that the person will always obey the rules of the road, especially if he/she had a history of poor driving skills. The respondent also made the point that although bodies/committees within the accredited institution maintain set procedures, i.e., regular meetings, the level of commitment and input into these meetings may be considerably weaker post accreditation. In other words the various roleplayers within the institution can simply go through the motions once accreditation has been granted. Although the institution has to submit an annual report, this document can conceal or omit many elements of this ‘laissez-faire’ attitude, if these in fact do exist.

The above comments are not designed to condemn accreditation. They serve rather to highlight the plea that accreditation should be accompanied by a great deal of introspection and circumspection especially with regard to the symbolic interactional dimension as elaborated on earlier. It is approximately one and a half years since JCC was accredited. The short-term benefits include a noticeable change in the physical infrastructure of the campus, the introduction of e-learning, and the induction /training of JCC personnel to facilitate accreditation of other colleges in the Kingdom of Saudi Arabia. The long-term benefits, that is, the maintenance of quality education, financial aid opportunities, credit transfer, and continued success in the workplace remain to be seen. The last words must go to a member of faculty who worked tirelessly throughout the whole process: “Getting accreditation is not the end of the journey; however, it is the beginning of a long (process of) self-commitment.”
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Accreditation Process and Benefits of Accreditation


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ADDENDUM 1: THE ACCREDITATION PROCESS FLOW-CHART

The Accreditation Process
The Commission of the Council on Occupational Education

1. Letter of Intent
2. Application
3. Candidacy Visit
4. Review and Action by the Commission
5. Annual Report directing Candidacy
6. Attendance At a Self Study Workshop
7. Self Study
8. Request for Visiting Team
9. Visiting Team Appointed
10. Preliminary Visit by Team Leader
11. Team Visit
12. Team Report to Executive Director
13. Team Report to Institution
14. Upgrading and Meeting of Standards
15. Institutional Response Report
16. Review by Commission
17. Action by Commission
18. Appeal
19. Annual Report
20. Review and Annual Accreditation
21. Reaffirmation Each 2 to 6 Years (Staged steps 10-21)

These steps are exempted under the Alternative Procedure for Initial Accreditation (See Handbook of Accreditation)

Commission Action
Institutional Action
**Research questionnaire on Accreditation**

Dear Colleagues  
Accreditation is an important milestone in the growth and development of any educational institution. The questionnaire below is part of an academic study reflecting on the recent accreditation of Jeddah Community College by the Council on Occupational Education (COE). The study is aimed at identifying strengths and weaknesses of the entire exercise from the point of view of key faculty participants so that future international partnerships can be easily facilitated. The researchers would like to appeal to you to kindly respond to the items in the questionnaire. Please try to furnish as much information as possible, remembering to be specific in your comments.

**WE WOULD LIKE TO ASSURE YOU THAT ALL INFORMATION WILL BE TREATED WITH THE STRICTEST OF CONFIDENCE. YOU ARE NOT REQUIRED TO WRITE YOUR NAME.**

All items (with the exception of items 1, 10 and 11) require a “YES” or “NO” response. Read each item carefully and then circle either “YES” OR “NO”. Below each item is space for you to explain your “YES”/”NO” response, add any detail you feel is necessary, identify problem areas, quote specific examples, etc. ELABORATE AS AND WHEN YOU FEEL NECESSARY. Use a separate sheet if space for a particular item is insufficient.

Thank you for your participation.
Dr. M. Mayhoub and Dr. A. Maharaj

<table>
<thead>
<tr>
<th>ITEMS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. What was your official role in the accreditation process (e.g. standard chairperson)?</td>
<td></td>
</tr>
<tr>
<td>2. Did you find the Candidate Academy workshop sessions regarding self-study reports, collation and preparation of exhibits, program supplements, etc. adequate?</td>
<td>YES NO</td>
</tr>
<tr>
<td>3. Did you receive satisfactory support from senior management and administration staff?</td>
<td>YES NO</td>
</tr>
<tr>
<td>4. Were you invited by the final inspection team to provide any feedback on your role in the process?</td>
<td>YES NO</td>
</tr>
<tr>
<td>5. Has the accreditation of JCC had a significant impact on students and/or their learning?</td>
<td>YES NO</td>
</tr>
</tbody>
</table>
6. Do you foresee tangible instances of collaboration between JCC and other partner institutions within the COE ‘family’, e.g. student/staff exchange programs, curriculum adaptations, etc.?  
<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
</table>

7. Are you optimistic about future prospects of JCC being accredited by other international accrediting bodies other than COE?  
<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
</table>

8. Were you satisfied with the procedure used to define your role in the accreditation process?  
<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
</table>

9. Were you satisfied with the level of teamwork within the entire process?  
<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
</table>

10. Please elaborate on any problems you encountered (inconsistencies, misconceptions, incorrect interpretations, language issues, unrealistic expectations or time frames, etc.) from the inception of the process to its conclusion. Try to be specific.  

11. Please add any other comments you feel necessary e.g. suggestions on what could have been done better.  

Thank you very much for your time and valuable input.

ADDENDUM 3: LIST OF INTERVIEWEES  
<table>
<thead>
<tr>
<th>Name</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABZ</td>
<td>14 / 03 / 2010</td>
</tr>
<tr>
<td>SSD</td>
<td>18 / 03 / 2010</td>
</tr>
</tbody>
</table>
JOB SATISFACTION AND POWERS AS PREDICTORS OF ADMINISTRATIVE EFFECTIVENESS OF PRINCIPALS

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Director, IER, Gomal University, D.I.Khan

Abstract
This study investigated the relative and combined influences of job satisfaction and powers on administrative effectiveness of higher secondary schools principals in Punjab. Seventy two higher secondary schools were selected from thirty six districts of the Punjab. A sample of 360 teachers participated in the study who rated the administrative effectiveness of their respective principals. It is guided by the consideration that evidences collected through this study would be some help in developing an insight into the factors that contribute to the administrative effectiveness of the principals. A self developed, validated and reliable questionnaire was used for data collection. Findings from the study revealed that principals’ job satisfaction and powers are related to his administrative effectiveness. The combined influence of job satisfaction and powers on administrative effectiveness was also noted. It was recommended that a high school principal must be satisfied with his job including working conditions and school climate. For a principal to be more effective, he must have financial and administrative powers in school affairs.

Key words: Principal, administrative effectiveness, powers, job satisfaction

Introduction
A high school principal is a group leader, an administrator, a supervisor and a coordinator (Fafunwa, 1980). He has to perform all such functions at different occasions. He can demonstrate administrative effectiveness if he is satisfied with his job and enjoys financial and administrative powers in school affairs.

Administrative effectiveness is neither an absolute concept nor does it exist in vacuum. It is influenced by certain situational/environmental factors (Lyons, 1979). Sharma (1979) found that principals’ effectiveness is significantly and positively related to school climate. For a principal to be more effective, he must be satisfied with working conditions, school climate (Albright, 1998) and his salary as principal must be compatible with his needs and esteem (Holscclaw, 2005).

Parallel to job satisfaction, he must have financial and administrative powers for controlling and coordination (Umar Ali, 1991). Using these powers, he defends his position strongly and is not swayed by pressure group (Gossett, 1997).
A principal’s administrative effectiveness is the quality of his behavior perceived by school population in general and faculty members in particular. Administrative effectiveness/leadership effectiveness was described by Bennett (2003) as the acknowledged ability of a leader to guide, manage or coordinate a group of people to achieve pre-determined goals of an organization.

Ronald (1971) and David (1987) found in their studies that several situational factors were positively related to administrative effectiveness of the principals. Hulin quoted Cornell studies stressing that job satisfaction must be considered as feeling which has arisen in the worker as a response to the total job satisfaction. In addition to being related to the present job satisfaction, this feeling is associated with perceived differences between what the worker expects for his services and what he actually experiences in relation to the alternative available to him (Hulin, 1996). Major findings of the study conducted by Safar (1997) on job satisfaction of secondary school principals in Kuwait, show that the highest level of satisfaction was associated with prestige, colleagues’ relationships and recognition. Autem (1989) found that directors and administrators were found to be the most satisfied educators in terms of esteem needs. Hilgert (1997) found pleasant working conditions as high on the list of factors important to workers’ job satisfaction.

Research Questions

1. To what extent will principals’ job satisfaction and powers in school affairs predict administrative effectiveness?

2. What is the relative influence of job satisfaction on administrative effectiveness?

3. What is the relative influence of principals’ administrative powers on their administrative effectiveness?

4. What are the relationships among job satisfaction, powers and perceived administrative effectiveness?

Research Methodology

Research design
This study adopted an ex-post-facto research design.

Population and Sample
The target population for this study was all the senior most teachers working in higher secondary schools in Punjab. Seventy two higher secondary schools were selected from thirty six districts of the Punjab. A sample of 360 teachers participated in the study who rated the administrative effectiveness of their respective principals.

Instrumentation
A self developed, validated and reliable questionnaire was used data analysis

Data Analysis
Data were analyzed using regression analysis for research questions 1 to 3, and Pearson product-moment correlation for research question 4.
Results and Discussions

Research Question 1
To what extent will principals’ job satisfaction and powers in school affairs predict administrative effectiveness?

Table 1: Combined influence of job satisfaction and powers on administrative effectiveness

<table>
<thead>
<tr>
<th></th>
<th>Sum of squares</th>
<th>Df</th>
<th>mean square</th>
<th>F</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>1232.43</td>
<td>2</td>
<td>616.21</td>
<td>13.9</td>
<td>0.00</td>
</tr>
<tr>
<td>Residual</td>
<td>15718.35</td>
<td>357</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>16950.78</td>
<td>359</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Significant (p<0.05)

Table 1 shows that job satisfaction and powers, when taken together, accounted for 7.3% of the total variance in administrative effectiveness (R²=0.073, P<0.05). This percentage, though low, is statistically significant. The low percentage only shows that there are other factors that can also explain administrative effectiveness. Thus, these two independent variables are important predictors of administrative effectiveness.

Research question 2

What is the relative influence of job satisfaction on administrative effectiveness?

Table 2: Job satisfaction as predictor of administrative effectiveness

<table>
<thead>
<tr>
<th></th>
<th>Sum of squares</th>
<th>Df</th>
<th>mean square</th>
<th>F</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>693.33</td>
<td>1</td>
<td>63.33</td>
<td>15.26</td>
<td>0.00</td>
</tr>
<tr>
<td>Residual</td>
<td>16257.45</td>
<td>358</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>16950.78</td>
<td>359</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Significant (p<0.05)

Table 2 shows that principals’ job satisfaction singularly accounted for 4.1% of total variance in administrative effectiveness (R²=0.041, P<0.05). Thus, job satisfaction is an important factor in predicting administrative effectiveness.
Research question 3

What is the relative influence of powers on administrative effectiveness?

Table 3: Powers as predictor of administrative effectiveness

<table>
<thead>
<tr>
<th>Remarks</th>
<th>Sum of squares</th>
<th>Df</th>
<th>mean square</th>
<th>F</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression *</td>
<td>1081.5</td>
<td>1</td>
<td>1081.55</td>
<td>24.4</td>
<td>0.00</td>
</tr>
<tr>
<td>Residual</td>
<td>15869.2</td>
<td>358</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>16950.7</td>
<td>359</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*significant (p<0.05)

Table 3 shows Principals’ powers in school affairs singularly accounted for 6.1% of the total variance in administrative effectiveness ($R^2=0.061$, $p<0.05$). Thus, powers of the principal in school affairs is an important factor in predicting his administrative effectiveness.

Research question 4

what are the relationships among job satisfaction, powers and perceived administrative effectiveness?

Table 4: Correlation matrix of job satisfaction, powers and administrative Effectiveness.

<table>
<thead>
<tr>
<th></th>
<th>Job satisfaction</th>
<th>powers</th>
<th>admin Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job</td>
<td>1.000</td>
<td></td>
<td>1.000</td>
</tr>
<tr>
<td>Satisfaction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Powers</td>
<td>0.855*</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Admin effectiveness</td>
<td>0.166*</td>
<td>0.255*</td>
<td></td>
</tr>
</tbody>
</table>

*significant (p<0.05)

Table 4 shows that there are significant positive relationships between job satisfaction and administrative effectiveness and between powers and administrative effectiveness. However, the highest positive relationship is between job satisfaction and powers.

Job satisfaction and powers were combined to significantly predict administrative effectiveness. These two independent variables also have significant relative influence on administrative effectiveness, which implies that job satisfaction and powers are important predictors of administrative effectiveness. When a school principal is satisfied with his job and has desired financial and administrative powers in school affairs, he is more effective and strong.
Conclusion and Recommendations

A high school principal can work effectively if has job satisfaction as well as enjoys powers to exercise accordingly. From the findings of the study, the followings conclusions/recommendations are made:

The higher secondary school principal must be provided job security, good working conditions and full cooperation of teaching staff.

His salary as principal must be compatible with his needs and esteem.

A principal cannot work effectively when he feels a threat about his unwanted transfer.

He should be provided opportunities to utilize his skills and potential.

He may work with due interest when he feels that his work is being appreciated by his high ups and society.

The principal is more effective when he enjoys financial and administrative powers to exercise when needed and desired.

No teacher should be transferred from his school without consulting him.

He must have powers to transfer or suspend any of his subordinates for poor performance.
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Bennett, N. (2003). Effective educational leadership


Holsclaw, C.A. (2005). The relationship of selected factors to the administrative effectiveness in the principalship


Ronald, M.H. (1971). The influence of situational variables on the observed behavior of urban elementary school principals


Impact of Impression Management on Performance Rating

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Quaiser Abbas
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Shoaib Akhtar
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Mohammad Imran
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Abstract
Impression management has gained significant attention of researchers and practitioners all over the world. Different impression management tactics are used by the employees in the organizational setting to get a better performance rating. The impact of these impression management tactics has been analyzed in the current study. Researchers developed a hypothetical model on the basis of literature review. Banking and telecom sectors of Pakistan were chosen for this study. The data was gathered from 153 dyads of supervisor and subordinates. The frequency of different impression management techniques was measured with the help of an instrument and afterwards these employees were rated by their respective supervisors. The responses of supervisors and subordinates were matched and analysis was made. Different impression management techniques are viewed differently by the supervisors. Some of them are viewed positively like ingratiation and exemplification while intimidation, self-promotion and supplication have a negative impact on performance rating.

Keywords: Impression management, performance rating, intimidation, ingratiation, exemplification, self-promotion, supplication

1. Introduction
The area of impression management has gained considerable concentration during the past five decades. The concept of impression management was firstly presented by Goffman (1959), who provided a model in which actors perform differently according to the settings and audiences. The impression management tactics can be useful in controlling their images in others’ mind (Goffman, 1959; Jones & Pittman, 1982) better influence the situation (Goffman, 1959) and group dynamics (Kacmar & Carlson, 1999).

According to Kacmar and Carlson (1999) the attempts carried out by the individuals to portray the desired images in their social networks can be referred to impression management (IM). The two parties in this definition are actor and target. Actor is the individual who control the flow of information and present it in a desirable way while the target is the individual or group received
the information (Goffman, 1959). Although both of the parties are involved in this process but most of the researchers has only studied the role of actor (Doherty & Schlenker, 1991; Kowalski & Leary, 1990). The past researchers have given attention to the use of different IM strategies by the actor and the motive behind the use of these tactics. However, it is strongly required to investigate that how these strategies are perceived by the target. The researchers have attempted to address this issue in the current study.

1.1. Rationale of the study

The current study has been conducted with a twofold purpose. Firstly, all the employees engage themselves in impression management tactics consciously or unconsciously in one or another way. These impression management tactics can benefit them at one end but can be harmful for them as well in shape of negative rating by the management. The researcher will try to analyze the impact of all the impression management tactics on performance rating and then identify the tactics effecting performance rating negatively or positively.

Secondly, many researchers has examined the impact of impression management on performance rating but the results of all the studies reveal a lack of consistent findings. For example, whereas Orpen (1996) found ingratiation affect performance rating positively but a negative relationship was found by Thacker and Wayne (1995). Moreover, the study conducted by Stevens and Kristof (1995) revealed that there is a positive relationship between self-promotion and performance assessments, but the contrary results were founds by Ferris, Judge, Rowland, and Fitzgibbons (1994). These conflicting findings make it difficult to determine the true nature of the relationship between impression management and performance rating. Therefore in this research the researchers have tried to analyze the impact of impression management on performance rating and try to provide a consistent finding. The study of impression management is significant as very little study has been done in context of Pakistani work environment. The study will lead to further exploration of this important area, which is directly linked with the employee motivational level and their career advancement.

2. Literature Review

Laura (2006) has stated, “Professional image is defined as the aggregate of key constituents’ (i.e., clients, bosses, superiors, subordinates and colleagues) perceptions of one’s competence and character”. This definition refers to an externally tilted, public guise based upon reflected appraisals rather than one’s self-image or others’ “actual” perceptions (Ibarra, 1999; Mead, 1934; Tice & Wallace, 2003).

Impression management is a common phenomenon in the organizations (Wayne & Liden, 1995), and employees are often found engaged in such behaviours for the developed of a positive image in mind of others (Bolino & Turnley, 1999). Individuals distinguish that they can be considered as assets for the organization by delivering the high level performance. They will be viewed as efficient workers of the organization. This will bring them in a position where they can impress other and build a positive image of themselves. However, this option has not been significantly addressed in the past studies conducted on impression management.

Men and women have different tendency in the use of different impression management tactics. Some of the IM tactics are masculine-typed tactics leading to better performance evaluations and salary, whereas other are feminine-typed impressions management tactics yielding less favourable results. The IM literature reveals that, when women are involved in masculine IM
tactics, they often get punished for contravening the norms instead they are rewarded for adopting the successful tactics for men (Guadagno & Cialdini, 2007).

2.1. Intimidation

Intimidation is an IM tactic in which individuals try to make an impression that they can make the things difficult for them if they are tried to be pushed too far. They deal toughly with the individuals who interfere in their matters, or use forceful behaviour to get colleagues to behave properly (Jones, 1990; Jones & Pittman, 1982). Jones (1990) pointed out that individual using intimidation try to look stubborn and obstinate. However, these strategies have risk of being seen unfavourable. The people involved in intimidation are likely to be viewed tenacious and forceful persons. They are prone to the risk of getting an adverse reaction of their tough behaviour. Women using intimidation are more likely to receive this adverse reaction. Employees depending on intimidation strategies may get higher performance rating; they may also have less favourable responses for doing so (Allen & Rush, 1998; Wayne & Ferris, 1990).

The inference of research studies of Jones & Pittman (1982); Wayne & Liden (1995) is that there are both positive and negative repercussions of intimidation strategies of impression management on performance evaluations. In their study Yukl and Tracey (1992) were of the view that pressure tactics as part of Intimidation may result favourable outcomes for the actor (person using the intimidation strategies). There are cases, where use of intimidation has enhanced the ability of an employee to get his or her job done. This shows that being aggressive may actually makes the employee more effective in his or her position for achievement of the desired personal gains. It is added here that in general, employees who are practicing intimidation strategies are using threat and hard tactics on their subordinates to get the assigned jobs done are viewed highly by their respective superiors as they consider them job doer, commanding and capable of dealing with the situation. This favourable perception on part of superiors resulted to good performance rating.

2.2. Ingratiation

In this strategy the actors tries to adopt all the traits and behaviours which are likable by his performance rater. The aim of Ingratiator is to be likeable. This strategy covers use of complimenting another person or involvement in flattery with certain amount of credibility and honesty. It also involves agreeing to another person’s view point. It is the human instinct and nature that he likes people who think or acts like him. Thus presenting ourselves in the same way can generate favourable response from others (Jones, 1964).

Many authors (Fandt & Ferris, 1985; Tedeschi & Melburg, 1984) have identified Ingratiation as one of the effective impression management strategies. Tedeschi and Melburg (1984) conceptualized four impression management techniques, and they defined Ingratiation as "a collection of forceful tactics with the aim of gaining the admiration of an audience, who has the authority to offer significant rewards for the actor".

In case of Ingratiation, the social interaction also plays an important role in respect of gaining and maintaining persona power. It is a fact that in our social life especially in the cases of interpersonal relationship, there is interdependence meaning to say that parties involved in interpersonal relationship are either intentionally or un-intentionally using influence on each other. One of the important aspect of ingratiataion is that the same situational factors which increase one person's desire to be found attractive by another alert the other (the "target" person) to the likelihood of tactical behaviour. Thus, the dependent person will be strongly motivated to
be ingratiating, but the fact that his dependence stands revealed reduces the likelihood that his overtures will be effective (Edward, 1965).

2.3.  Exemplification

In this strategy, the person shadows the impression of overly dedicated and committed to his/her job on the supervisors, while creating a feeling of guilt among others. When a person says,” I will finish this work at any cost, even for that I have to suffer personal loss, you please go and enjoy.” he is using this strategy (http://www.citehr.com/1027-impression-management.html).

In this strategy, actors portrays such behaviours to make them appear like Ideals employees, working or showing to work beyond the call of the duty when using this tactic (Kacmar, Harris & Nagy, 2007). People self-sacrifice or go above and beyond the call of duty in order to have the appreciation of dedication from observers (Jones & Pittman, 1982). Exemplification suggest that individuals are engaging in behaviours such as working for extended hours, giving phone calls to the boss from the office telephone late at night to update the assignment status, coming to office early in the morning even before the office hours and staying late at work or arriving at work early in order to be seen as dedicated (Bolino & Turnley, 1999).

2.4.  Self-Promotion

This is a kind of self projection and image building strategy in which the self-promoter desires to be acknowledged as competent in certain areas. He may recognize minor flaws in his personality but with that he over projects and over emphasize the stronger points of his personality in front of his Superiors However, if his claims do not match his abilities, then he may create a very bad impression (http://www.citehr.com/1027-impression-management.html).

Self-promotion is a type of behaviour in which individual is involved in conveying his expertise and competence (Sosik & Jung, 2003). Self-promotion is generally considered an aggressive strategy. Self-promotion is more in line with a masculine orientation; the use of such a strategy may result to more penalty than benefits in case of female workers (Lim, Chidambaram, Carte. 2008).

Higgins, Judge and Ferris (2003), in their meta-analysis, found that self-promotion strategies yield positive results in the scenario of selection interviews as compare to that of performance appraisals as compared to selection interviews. In a work environment, where the supervisors have ample opportunities to gauge the performance of their subordinates in comparison to their competency claims, the self-promotion strategies proves not effective (Higgins et al., 2003).

2.5 Supplication

In this strategy the person advertises his weak areas in order to get sympathy. The person portrays himself as helpless to get the help from others (http://www.citehr.com/1027-impression-management.html). Supplication is a strategy through which individuals publicize their shortcomings in an effort to be viewed as disadvantaged (Turnley & Bolino, 2001). Supplication entails actions that persons employ in order to portray a personality of humble and helpful (Sosik & Jung, 2003). Supplication is considered as a passive strategy (Lim, et al., 2008). Employees may engage in supplication to seek the help and support from others (Wayne & Ferris, 1990). Supplication is usually considered as a part of feminine gender roles and has contributed the previous studies establishing images of humility and modesty (Sosik & Jung, 2003; Guadagno & Cialdini, 2007) or helplessness (Turnley & Bolino, 2001).
Supplication is a powerful practice. It is observed that in case of supplication, the person supplicated has more power than the person performing the supplication. The Supplicator usually has an essential and crucial interest in its success. Supplication often entails physical actions, (Clark, 1998). Supplication is considered as the most negative of the impression management tactics (Bolino & Turnley, 1999). Employees sometimes try to look down at work by using supplication strategies of impression management (Becker & Martin, 1995). Supplication strategies were found negatively related to the leadership traits (Chidambaram et al., 2008). According to Turnley & Bolino (2001), the use of supplication was positively related to the image of "lazy" for both high and low self-monitors. These findings suggest that individuals, who use supplication, tend to be perceived negatively by their colleagues—regardless of their self-monitoring abilities. The supplication, therefore have negative connotations.

Other studies of supplication have found that use of Supplication strategies often result to negative consequences such as decreased self-esteem for the individuals using them (Christopher, Morgan, Marek, Keller, & Drummond, 2005). There is not research undertaken on how the individuals using supplication or intimidation are viewed by others - either positively or negatively.

2.6 Relationship between Impression Management and Performance Ratings

The primary motive to manage the impression that we create is that through the desired social identity, we try to bring our public selves closer to our ideal selves. We try to influence how we people perceive us, and therefore, the way in which we will be treated by others. The impact of this type of behaviour may impact material outcomes directly viz giving the impression of competent and ambitious can results in benefits such as better performance rating and career advancement opportunities. (Wayne and Liden, 1995).

Singh and Vinicombe (2001) identified that successful British and Swedish managers in engineering firms try to manage vigilantly the impression of commitment which they give to their supervisors. There was a clear viewpoint that in order to gain promotion, individuals needed to have a good understanding of the "rules of the game" in the early stage of their careers. For men, this involved gaining early understanding of the prevalent success model within their organization and following the same. Two approaches were there: (1) hard work, and (2) fitting the mould (Singh, Kumara and Vinicombe, 2002).

3. Conceptual Framework

According to the impression management theory, in the process of impression management there are always two parties; one is the actor and other is the perceiver. The actor performs all the tactics to attain the attention of the perceiver. Now this impression management can be used for both negative and positive consequences.

Impression management theory suggests that a person's behaviour is a function of the behaviour and values of an audience. An individual in an aggressive encounter has two relevant (external) audiences: the antagonist(s) and third- party onlookers. The audience may alter- cast ego into a situational identity or, by enlightening its values, may indicate how a favourable situational identity might be attained (Felson, 1978). Felson further explained; according to impression management theory, public behaviour and information exposed to audiences tend to reflect more favourably on self as compared to private behaviour and concealed information.

According to Bolino (1999), Impression Management theorists have identified many strategies that can be employed in an organization setting. Jones and Pitman (1982) indicated that these
tactics fall into following five categories, which have been taken as independent variables in this study:
- Intimidation
- Ingratiation
- Exemplification
- Self-promotion
- Supplication

The Supervisor’s rating of employee performance has been taken as a single dependent variable. The study is made on assessing the impact of these five independent variables.

3.1. **Research hypotheses**

The researcher has developed the following hypotheses after study of the available literature.

*Hypothesis 1:* A subordinate’s use of intimidation will have a negative effect on supervisor’s performance rating of employee.

*Hypothesis 2:* Ingratiation has a positive effect on the performance rating of the subordinate.

*Hypothesis 3:* Employees engaged in exemplification will be rated positively by the supervisor.

*Hypothesis 4:* A supervisor’s ratings of the subordinates performance is negatively related to self-promotion tactics.

*Hypothesis 5:* Supplication tactic used by subordinates is negatively related to the performance rating.

3.2. **Hypothesized Model**

In the light of Literature Review, the Researcher has developed the following hypothesized model:

Insert Fig. 1 here

4. **Research Methodology**

The research methodology employed in this research is being illustrated as follows:

4.1. **Sources of data**

Preliminary secondary data has been gathered through digital library and other libraries. A number of journals, thesis, and research paper have been studied in order to prepare the literature review.

Primary data has been collected from the employees of banking and telecom sector through survey questionnaires. The banking and telecom sectors were chosen on account of their similarity in corporate culture and work environment.

4.2. **Sample characteristics**

The sample selected for the present study is 250 Supervisor- Subordinate dyads belonging to different companies from the banking and telecom sectors located in the twin cities. In case of banking sector, mostly private sector banks were selected in order to have a common basis for the study as the telecom sector is dominated by the private sector/multi nationals except the PTCL. The Researcher targeted the middle level hierarchy for getting the feedback on the
grounds that they dominate the working of the organization and it is comparatively easy to get feedback and response from them due to their availability and high education level. It was observed that most of the respondents were in the youth category.

A total of 153 pairs have been incorporated in these results. 51.6% of the subordinates are male and 48.4 are female while 83% of supervisors are male and 17% are female which shows that most of the higher positions are occupied by men. Most of the subordinates are from the age category of 21-30 and supervisors are from 31-40. The average education level of subordinates is Graduate Level while of supervisors is Post Graduate Level. 41.2% respondents are from the banking sector and 58.8% respondents are from telecom sector.

4.3. Sample selection procedure
A sample of 250 Supervisor-Subordinate dyads belonging to banking and telecom sector organizations, located in the twin cities were selected as part of the intended study. Convenient sampling is used for choosing the sample due to the shortage of time and swift response. The data is obtained from subordinate-supervisor dyads. A total of 250 sets of questionnaires were distributed divided equally among the two selected sectors. Out of total distributed 250 sets of questionnaires, the response in shape of correctly and completely filled out 153 sets of questionnaires was received. The response rate was 61.2%, which is satisfactory keeping in view the level of awareness about such studies and respondent’s behaviours. The previous studies that of Wayne and Liden (1995) and Singh & Krishnan (1999) had used sample size of 111 and 52 dyads and termed them as appropriate representation for analysis of data.

4.4. Research instrument
Two scales are adapted by the researchers to form a questionnaire in order to collect the primary data (Bolino and Turnley, (1999) scale of impression management, and Wayne and Liden (1995) scale of performance rating of employees). This research made a few changes in the scales of above cited authors in order to make it fit in local context. Subordinate’s questionnaire is about impression management tactics used by the subordinate. All subordinates reported their impression management behaviours with the frequency of the behaviour at the developed scale. This questionnaire comprised of 5 sections and 22 items. All items were rated on 5 point likert scale (5=Very Frequently to 1 = Very Infrequently). Supervisor scale was for the rating of subordinate. This scale was also rated on five point likert scale (5 = Outstanding to 1 = Poor). This was initially a six item scale. The Likert Scale was used in the present study to keep the consistency within the questionnaires and for ease in receiving the feedback.

4.5. Scale reliability
The Researcher carried out a pilot test for checking the reliability of the scale by getting 30 questionnaires filled in personal presence at one organization. In order to measure the reliability of the scales used in this study, the overall Cronbach alpha coefficient for both the scales lie at about 0.75, which shows that scales used are reliable and they can be used in the Pakistani context. The high value of cronbach alpha coefficient is consistent with the studies of Yang, Watkins and Marsick (2004).

4.6. Procedure
Important variables have been identified with the help of literature review. The data is collected on all the identified variables with the help of questionnaires, designed separately for Supervisors and Subordinates. In order to have reliable feedback, the respondents were briefed about the
purpose, importance of the study and definitions of the key terms used in the questionnaires both personally and through a covering letter. The questionnaires were given identification numbers (same number on both Supervisor and Subordinate’s questionnaire) to facilitate the feedback. After this Multiple Regression test was applied on the gathered data with the help of SPSS. The results obtained by the means of SPSS are interpreted. The type and nature of the relationship among the variables has been explained and then an analysis about the effects of the different impression management tactics on performance rating has been made.

5. Results and Discussion

The data in this study has been obtained from the subordinate-supervisor dyads. The researcher has applied multiple regressions in order to test the model. But before model testing, researchers have conducted analysis of the taken scale. Researchers measured anti-image correlations of all the items of scale. One item from exemplification section and one from the rating section is deleted as a result of this scale analysis. The anti image co-relations for exemplification item and rating item are 0.392 and 0.341 respectively. So these items are deleted from the final scales. Moreover these items have different responses as compared to other items mentioned under the same variable.

The results of analysis of scale are given in table 1:

Insert Table I Here

KMO value is greater than 0.6 for all variables which shows the adequacy of sampling and Bartlett’s test is also showing the fitness of all variables as $p < .05$.

Independent sample t-test has been computed in order to make a comparison between male and female employees regarding the use of different impression management strategies and their respective rating. The results of independent sample t-test are shown in table II.

Insert Table II Here

The above table shows the mean values for all IM strategies and rating, both for male and female. Female employees have more intimidatory behaviour as compared to male. But male employees are more ingratiator, exemplifier and self-promoter as compared to females. So these strategies are more in line with masculine orientation (Chidambaram et al., 2008). But female are adopting supplication more than male and it is more feminine oriented strategy (Sosik & Jung, 2003; Guadagno & Cialdini, 2007). They seek guidance in every matter more than male, whereas rating mean for both male and female is approx. same. The above discussed differences are not very significant as shown in the below table. The $p > 0.05$ for all strategies except exemplification, so males try to look more dedicated as compared to females.

Insert Table III Here

Overall we can see the male are more inclined towards impression management tactic as compared to females. This is in accordance with Laura (2006).

One way ANOVA is computed in order to analyze the use of IM by different age groups. The results of one way ANOVA are given in Table IV.

Insert Table IV Here
The ANOVA table shows that there are significant differences in use of Impression Management tactics by different age groups. Post Hoc Tuckey Test was applied in order to analyze the nature of the differences.

The results of Post Hoc Tuckey Test revealed that with increase in age people use more intimidation. Their behaviour becomes stricter with their co-workers. They deal aggressively with other people.

The results were very interesting for ingratiation and exemplification. In the beginning of their careers people tend to be more hardworking individuals. They try to look dedicated and loyal to the organization. They try to show a positive attitude. But with the passage of time, they learn the rules of game and stop relying on the impression management tactics.

People in early ages try to promote them. They talk very proudly about their accomplishments and try to show that they are very valuable to the organization. But when they succeed to make their place in the organization their tendency for self-promotion diminishes. But wheel is reinvented and during their old ages people again try to promote themselves.

In order to test the model and interpret the relationship of variables, the researchers have run multiple regressions. The results of multiple regressions are as follows:

*Insert Table V Here*

Table V is the model summary table. This table includes the multiple correlation coefficients, $R$, its square, $R^2$, and an adjusted version of this coefficient. The multiple correlation coefficient, $R = 0.532$, indicates that there is a moderate correlation between the impression management techniques and performance rating of employees. This also means that there are other variables contributing 46.8% to the model fit. In terms of variability in observed performance rating accounted for by our fitted model, this amounts to a proportion of $R^2 = 0.284$, or 28.4%. The *adjusted* $R^2$ is an improved estimation of $R^2$ in the population. Use of this adjusted measure leads to a revised estimate that 25.9% of the variability in performance rating of employees in the population can be explained by the five impression management techniques variables. The error term is measuring the difference between an individual’s performance rating and the mean performance rating of subjects of the same class using same strategies. According to the regression model, the mean deviation is zero (positive and negative deviations cancel each other out). In the above table error value = 0.69144 that is not very high. So the different in the observed and expected rating would not be very high. Durbin Watson = 1.682, is measuring the auto correlation between independent variables. It is in the acceptable range i.e. 1.5-2.5.

*Insert Table VI Here*

The “ANOVA” table i.e. Table VI is providing an $F$-test for the null hypothesis that none of the impression management strategy is related to performance rating, or in other words, that $R^2$ is zero. Here the null hypothesis is rejected ($F (5) = 11.634, p < 0.051$), and so it is concluded that at least one of impression management strategies is related to performance rating of employees. As $p < 0.05$ so the model is fit so it is assumed that there is a strong regression between impression management strategies and performance rating.

*Insert Table VII Here*

Table VII is the coefficient table that is providing estimates of the regression coefficients, standard errors of the estimates, $t$-tests and tolerance and VIF values. The estimated regression coefficients are given under the heading “Un-standardized Coefficients, B”; these give, for each
of the independent variables, the predicted change in the dependent variable when the independent variable is increased by one unit conditional on all the other variables in the model remaining constant. For example, here we estimate that the performance rating of an employee is decreased by 27.9% with a one unit increase on intimidation scale assuming that there is no change in the rest of variables. Similarly, there would be 7.6% increase in the performance rating of employee by a unit increase on the ingratiation scale. One unit increase in exemplification will bring a 28.2% increase in performance rating. Self-promotion is negatively related with performance rating. It has a 5.3% negative impact on performance rating. Supplication will also decrease one performance rating by 8.6%. In this coefficient table t value is also mentioned. It is showing the influencibility of impression management strategies on performance rating. All the strategies can be ranked with the help of this t value. Strategies with a high t value are more influencive as compared to those having lower t value. Tolerance values for all IVs are in acceptable range i.e. none of them is approaching to zero. VIF value is also in acceptable range i.e. all values are below 2. The researchers have developed the following regression equation with the help of above coefficient table.

\[ R = \beta_0 + \beta_1 T + \beta_2 G + \beta_3 E + \beta_4 P + \beta_5 S \]

(Where, R = Performance Rating, T = Intimidation, G = Ingratiation, E = Exemplification, P = Self-Promotion and S = Supplication).

\[ R = 3.662 - 0.279T + 0.76G + 0.282E - 0.053P - 0.086S \]

Impression management strategies can be ranked as follows:
1. Exemplification
2. Ingratiation
3. Self-Promotion
4. Supplication
5. Intimidation

Examining the residual plot, it appears that the homogeneity of variance assumption is not violated since the residuals scatter randomly around the zero line and the degree of scatter appears approx. constant across the range of predicted values. The histogram of the residuals is also approx. consistent with the assumption of normality

The above results indicate that most of the impression management strategies are male oriented (Chidambaram et al., 2008) and women are not inclined towards adopting impression management tactics (Laura, 2006).

Young people try to portray a positive image of them by adopting the strategies like ingratiation and exemplification. But with the increase in age people left the use of positive strategies and move towards negative ones like intimidation and supplication.

In this study it has been proved that intimidation and supplication are the most negative strategies of impression management (Bolino & Turnley, 2003). People using intimidation were rated lower so first null hypothesis is proved.

The study results have shown that the performance rating of an employee is decreased by 27.9% with a one unit increase on intimidation scale assuming that there is no change in the rest of variables. The value of t-statistics is -2.882, which is significant thus our first hypothesis is accepted. The acceptance of this hypothesis is supported by the study of Wayne & Ferris (1990) and Allen & Rush, (1998).
H1: A subordinate’s use of intimidation will have a negative effect on supervisor’s performance rating of employee. (Accepted)

Similarly, there would be 7.6% increase in the performance rating of employee by a unit increase on the ingratiation scale. In this case the value of t-statistics is 0.688, which is insignificant, resulting to rejection of second hypothesis. The rejection of this hypothesis is not generally support by the empirical study but as the major of the research has been done in a western environment the difference in result is contributed by the peculiar work environment, culture and demographic characteristics of Pakistan in which an Ingratiator is often considered as a YES BOSS employee.

H2: Ingratiation has a positive effect on the performance rating of the subordinate. (Rejected)

In case of Exemplification, its one unit increase will bring a 28.2% increase in performance rating and value of its t-stats is 3.739 which is very significant, causing acceptance of our third hypothesis. The acceptance of this hypothesis is endorsed by the research work by Kacmar, Harris & Nagy (2007). With the help of exemplification people try to portray themselves as dedicated and loyal to the organization.

H3: Employees engaged in exemplification will be rated positively by the supervisor. (Accepted)

Self-promotion is negatively related with performance rating. It has a 5.3% negative impact on performance rating, but its value of t statistics is -.727 giving rejection of our fourth hypothesis. So the relationship of self-promotion with performance rating is insignificant. The result is supported by the study of Jones and Pittman (1982), wherein they were of the view that self promotion works well, when it is difficult to measure and verify the competency claims. In Pakistani culture, the persons practicing self promotion are not viewed high.

H4: A supervisor’s ratings of the subordinates performance is negatively related to self-promotion tactics. (Rejected)

Supplication will also decrease one performance rating by 8.6%. The table shows that value of t-statistics is -1.018, which is low resulting to rejection of our hypothesis that Supplication has a negative impact on the employee performance rating. The result received is quite contrary to what empirical study has shown about the impact of supplication strategy on performance rating but if we see it from our generic cultural point of view wherein people are generally sympathetic and tend to help others and extend support, the supplication strategy may strike a positive feedback from the Supervisor.

H5: Supplication tactic used by subordinates is negatively related to the performance rating. (Rejected)

The strength of different impression management strategies with the performance rating is represented by the following model:

Insert Fig. II Here

5. Conclusion

Impression management is a phenomena exhibited by all employees, whether in a conscious or an unconscious manner in an organizational context. The study shows that Impression management plays an important role in the performance rating of employees by their respective supervisors. Some time employee engage them in portraying a positive and some time a negative
impression. There are a number of factors like age, experience, education level, demography, organizational environment etc. which affect the employee’s choice of impression management strategies in order to impress their bosses to have better performance scores. The different adopted strategies have different impacts on performance rating of employees. The established impression plays a very important role in rating of employees. This rating can influence the career advancement of individual so one should be very careful about his/her impression formed in the mind of their supervisors. Moreover, no doubt impression management works but one should not rely on impression management only. Performance should also be focused by employees. Merely relying on impression management strategies cannot help them in their career advancement.

5.1. Limitations and guidance for future researchers

Researchers openly acknowledge the following limitations/weaknesses of this research:

− Supervisors are not asked about the use of impression management tactics by their subordinates and their liking for the impression management behaviours.
− Personal problems between subordinates and supervisors have not been taken in consideration.
− Researchers ignored the factor of personal liking and disliking of subordinate by supervisor.
− The study has not accounted for factors like age, education level, gender, work experience, organizational environment that may affect employee use of a particular impression management strategy.
− Demographic similarity also plays a very important role in the performance rating of subordinate by supervisor (Wayne & Liden, 1995). This factor has not been tested during the current study.

Future researchers can include examining the impact of impression management not only on the performance rating of employees but on outcomes like pay and promotion decision as well. It can be tested how impression management help somebody in his/her career advancement. The Organizational Behaviour Experts may use the study of impression management in studying, predicting and evaluating the employee behaviour and based on this they can devise and recommend Human Resource (HR) policies. Moreover it can also be studied that how much impression management compensates someone for unsatisfactory performance.

Future researchers can also make a comparative study on government and private organization. How the employees of both sectors use impression management strategies and what is their impact on performance rating and promotion. Effectiveness of impression management in interviewing can also be tested in future researches.
References


Figure I: Hypothesized Model of Impression Management

Table I: Scale Reliability Analysis

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<th></th>
<th>Cronbach Alpha</th>
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<th>Bartlett (Sig.)</th>
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Table II: Independent Sample t-test

<table>
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### Table III: Group Statistics

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### Table IV: One-Way ANOVA

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Table V: Model Summary of Multiple Regression

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.532</td>
<td>0.284</td>
<td>0.259</td>
<td>0.69144</td>
<td>1.682</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Supplication, Exemplification, Self-Promotion, Intimidation, Ingratiation
b. Dependent Variable: Performance Rating

Table VI: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>27.81</td>
<td>5</td>
<td>5.562</td>
<td>11.634</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>70.279</td>
<td>147</td>
<td>0.478</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>98.089</td>
<td>152</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Supplication, Exemplification, Self-Promotion, Intimidation, Ingratiation
b. Dependent Variable: Performance Rating

Table VII: Coefficients of Regression

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized coefficients</th>
<th>Standardized coefficients</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>(Constant)</td>
<td>3.662</td>
<td>0.46</td>
<td></td>
</tr>
<tr>
<td>Intimidation</td>
<td>-0.279</td>
<td>0.097</td>
<td>-0.256</td>
</tr>
<tr>
<td>Ingratiation</td>
<td>0.076</td>
<td>0.11</td>
<td>0.063</td>
</tr>
<tr>
<td>Exemplification</td>
<td>0.282</td>
<td>0.075</td>
<td>0.344</td>
</tr>
<tr>
<td>Self-Promotion</td>
<td>-0.053</td>
<td>0.073</td>
<td>-0.057</td>
</tr>
<tr>
<td>Supplication</td>
<td>-0.086</td>
<td>0.085</td>
<td>-0.083</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance Rating

Fig. II: Estimated Model of Regression
Studding of relationship between Knowledge sharing and town Health  
(Case Study: National Iranian Oil Refining & Distribution Co) 

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Abstract  
Many companies are beginning to feel that the knowledge of their employees is their most valuable asset. They may be right, but few firms have actually begun to actively manage their knowledge assets on a broad scale. Knowledge management has thus far been addressed at either a philosophical or a technological level, with little pragmatic discussion on how knowledge can be managed and used more effectively on a daily basis. At this early stage of knowledge management in business, the most appropriate form of dialogue is not detailed tactics, but rather high-level principles. When an organization decides what principles it agrees upon with respect to knowledge management, it can then create detailed approaches and plans based upon the principles. This paper describes the relationship between a model for applying Knowledge Management (KM) and town Health (TH). This model is designed and introduced as an extension of the Probst/Raub/Romhardt model for KM, particularly in two distinctive levels as strategic and operational. Also required activities, functionalities and I/Os of each level are specified under subsets of the model. The model is verified based on a survey.  

Keywords: Knowledge Management, town Health, KMTH, Statistical Analysis  

Introduction:  
Knowledge is often seen as a rich form of information. This differentiation however is not terribly helpful. A more useful definition of knowledge is that it is about know-how and know-why. A metaphor is that of a cake. An analysis of its molecular constituents is data – for most purposes not very useful – you may not even be able to tell it were a cake. A list of ingredients is information – more useful – an experienced cook could probably make the cake – the data has been given context. The recipe though would be knowledge – written knowledge - explicit knowledge – it tells you how-to make the cake. An inexperienced cook however, even with the recipe might not make a good cake. A person, though, with relevant knowledge, experience, and skill – knowledge in their heads - not easily written down - tacit knowledge – would almost certainly make an excellent cake from the recipe. It is important to note that to make knowledge productive you need information. Knowing how to make a cake is not sufficient – you need the list of ingredients. And to decide what cake to make - you need information – the tastes of the consumers of the cake. Know-why is also important. If an ingredient of the cake was unavailable – knowing the purpose of that ingredient might help a knowledgeable cook substitute an alternative. In fact know-why is often more important than know-how as it allows you to be creative - to fall back on principles – to re-invent your know-how.
Knowledge Management

There are many definitions of Knowledge Management. A common definition is 'The collection of processes that govern the creation, dissemination, and leveraging of knowledge to fulfill organizational objectives.' I feel this definition is inadequate, however, as it limits knowledge management to a set of processes. I prefer what I feel is a more useful definition: "Knowledge Management is a business philosophy. It is an emerging set of principles, processes, organizational structures, and technology applications that help people share and leverage their knowledge to meet their business objectives." This puts focus and responsibility on the individual – the knowledge worker - and on the holistic nature of knowledge management. Also critically it is about meeting business objectives. Knowledge Management is not an end in itself. It is also fundamentally about sharing knowledge and putting that knowledge to use.

Why Sharing Knowledge is Important

Today, the creation and application of new knowledge is essential to the survival of almost all businesses. There are many reasons. They include: - "Intangible products - ideas, processes, information are taking a growing share of global trade from the traditional, tangible goods of the manufacturing economy." Increasingly the only sustainable competitive advantage is continuous innovation. In other words the application of new knowledge. "Increasing turn over of staff. People don't take a job for life any more. When someone leaves an organization their knowledge walks out of the door with them." "Our problem as an organization is that we don't know what we know". Large global or even small geographically dispersed organizations do not know what they know. Expertise learnt and applied in one part of the organization is not leveraged in another "Accelerating change - technology, business and social. As things change so does our knowledge base erode – in some businesses, as much of 50% of what you knew 5 years ago is probably obsolete today. [1]

Seven knowledge-sharing strategies:

Knowledge is no longer a new concept to many businesses, partially due to the rise of the corporate portal as the latest must-have application. The portal has become synonymous with knowledge management. The problem is that technology by itself often doesn't solve a company's inherent problems with intellectual capital, knowledge and information management. Simply put, every solution takes people. Here, Pamela Holloway, a knowledge management practitioner and frequent speaker at KM events, suggests seven strategies for getting people to open up and share what they know. Thinking holds that knowledge sharing is not a natural act. Many KM initiatives focus on how best to cajole unwilling participants into providing information. But how would it change things if we were to start from the premise that knowledge sharing really is a natural act? Just look around. People do it all the time—in the halls, over the phone, through e-mail, at the pub. Awareness is the first step to overcoming this reluctance. Understanding that we carry this baggage with us and recognizing the need to unlearn and rethink our models and paradigms is an essential skill. Ultimately, it doesn't matter whether knowledge sharing is natural or unnatural; it just matters that we do it. Seven knowledge-sharing strategies:

1. Show people how knowledge benefits them personally. It's true: Knowledge does equal power. But there's a new caveat. Knowledge is only powerful or valuable when it is continually refreshed and used. Knowledge sitting idle is worthless. Knowledge has an increasingly short shelf life, and if it's not used, it quickly loses value—period.
2. Revamp reward and recognition systems.
Most reward systems still reward individual effort and knowledge. If we want to create a culture that supports knowledge creation, sharing and re-use, we must reward those behaviors. It's that simple.

3. Show people what knowledge-sharing looks like.
There are "knowledge naturals" in every organization. These are people who live to learn new things and share what they know with others. It is their purpose in life. Identify these people and establish semi-formal roles that recognize these activities as valuable. Elevate the status of informal experts. Give people role models they can pattern their behaviors after.

4. Let people know it's OK to make mistakes.
In many company cultures mistake-making is not allowed, or at least it's not admitted. Neither is not knowing. People are brought up to believe that they are always supposed to have the answer. This approach leaves very little room for learning and growth and shuts the door on knowledge sharing.

5. Make knowledge sharing a job requirement.
Of all the reasons people don't share knowledge, not having enough time is probably the most common. People are just too busy to attend to what looks like an additional work requirement added to an already busy work schedule.

6. Educate people about what knowledge is valuable and how it can be used.
This may sound ridiculous, but one of the reasons people don't share is that they don't know that they have anything to share. Here's an example: Suppose I'm a customer-support agent on a help desk, helping customers resolve PC problems. The knowledge of how to solve a particular problem, the cause of the problem and a host of related information about the customer and product are all extremely valuable bits of knowledge that could be shared and produce great benefit.

7. Make sure the technology works for people, not vice-versa.
Sometimes IT-driven knowledge Management initiatives take on an "if we build it, they will come" attitude. We erect huge knowledge management systems that are not integrated with how people actually work. We are far better served by including users in the development of knowledge tools and building on everyday technology that we already have in place (such as e-mail systems, groupware and the Internet).[2]

Principles of Knowledge Management

principles of knowledge management are listed below:

1. Effective management of knowledge requires hybrid solutions of people and technology
Human beings may be expensive and cantankerous, but they are quite accomplished at certain knowledge skills. When we seek to understand knowledge, to interpret it within a broader context, to combine it with other types of information, or to synthesize various unstructured forms of knowledge, humans are the recommended tool. Computers and communications systems, on the other hand, are good at different types of things. For the capture, transformation, and distribution of highly structured knowledge that changes rapidly, computers are more capable than people.

2. Knowledge management requires knowledge managers
Key business resources like labor and capital have substantial organizational functions devoted to their management. Knowledge won't be well managed until some group within a firm has clear responsibility for the job. Among the tasks that such a group might perform...
are collecting and categorizing knowledge, establishing a knowledge-oriented technology infrastructure, and monitoring the use of knowledge.

3. Knowledge management means improving knowledge work processes

It is important to address and improve the generic knowledge management process, but knowledge is generated, used, and shared intensively in a few specific knowledge work processes. The specific processes vary by firm and industry, but they include market research, product design and development, and even more transactional processes like order configuration and pricing.

6. Sharing and using knowledge are often unnatural acts

If my knowledge is a valuable resource, why should I share it? If my job is to create knowledge, why should I put my job at risk by using yours instead of mine? We would realize that sharing and usage have to be motivated through time-honored techniques like performance evaluation, compensation, for example.[3]

The Knowledge Life Cycle

The Knowledge Life Cycle is described by Mark W. McElroy in 1999.[4]
Individual & Group Learning

Indiv. & Group Learning

Definition
- A process involving human interaction, knowledge claim formulation, and validation by which new individual and/or group knowledge is created.
- Unfolds in accordance with some life cycle process, but at an individual and group level.
- The first step in organizational learning:
  “Organizations learn only through individuals who learn.”
  Peter Senge
  *The Fifth Discipline*

Dynamics
- Influenced by feedback from prior validation efforts.
- Produces input to Knowledge Claim Formulation process.
- Knowledge to some is only information to others until it is validated.

Potential KM Interventions
- Innovation initiatives at the individual and group level.
- Formalized feedback mechanisms between knowledge integration phases and individual and group learning activities.
- Formalized feedback mechanisms to knowledge claim formulation.
- User-driven desktop environments (Demand-side KM technologies).
Information Acquisition

Definition
- A process by which an organization either deliberately or serendipitously acquires knowledge claims or information produced by others external to the organization.

Dynamics
- Plays a fundamental role in the formulation of new knowledge claims at the organizational level in conjunction with knowledge claims put forth by individuals and groups.
- Also influenced by feedback received from knowledge integration activities.

Potential KM Interventions
- Significant involvement in outside initiatives, consortia, think tanks, etc.
- Research Initiatives.
- Industry conferences and outside training programs.
- Targeted subscription services (Garther, etc.).
- In-house IA functions (library services, etc.).
- Highly customized desktop systems that enable self-paced research on an individual basis.
Knowledge Validation

Definition
- A process by which knowledge claims are subjected to organizational criteria to determine their value and validity.

Dynamics
- A managed function which formally evaluates competing knowledge claims when put forth by the Knowledge Claim Formulation process.
- A process which precedes the transformation of organizationally held knowledge in cases where new knowledge claims are deemed to be of a higher value to the firm than currently held rules.

Potential KM Interventions
- Institutionalize validation process as a formalized way of processing new knowledge claims.
- KM practitioners must establish validation criteria (i.e., the rules by which new rules will be evaluated: "meta-rules").
- Requires the maintenance of codified organizational knowledge for use as a backdrop in considering newly formulated knowledge claims ("knowledge structures").
- Initiating Corporate "Memome" projects.

Knowledge Claim Formulation

Definition
- A process involving human interaction by which new organizational knowledge claims are formulated.
- The codification of knowledge claims at an organizational level.

Dynamics
- Consolidates knowledge claims derived from individual and group learning, as well as information acquired from outside sources.
- Results in production of codified knowledge claims for submission to organizational validation process.

Potential KM Interventions
- Create formalized procedure for receipt and codification of individual and group innovations at an enterprise level.
- Formalize concept of "knowledge structures" and associated expressions of knowledge claims (e.g., business process vs. strategy innovations, etc.).
- Formalize with designated people, process, and technology resources.
- Decentralize innovations.
Town Health

Clearly it is a concept (and object) under construction. As theoretical and operational references, we can cite the intense urbanization of the population associated with important intra-urban inequalities. The occurrence of health-related events is associated with the attributes of individuals residing in the “urban place”, as well as with the properties of these individuals in the aggregate (that is, the urban composition). Urban health incorporates another dimension: the role of the physical and social setting of the “place” (the context) in shaping people’s health. The understanding that not all determinants of health-related events can be reduced to attributes limited to the hierarchical level of individual complexity is the focus of recent debate in the field of epidemiology. A new vision and understanding of the methodological complexities and inferences related to studies and variables measured at the group, aggregate, and contextual hierarchical levels has awakened growing interest and reflection on the possible effects, for the health of individuals and populations, of constructs and variables measured at the level of contextual complexity, such as income inequality, social capital, and “neighborhood” characteristics.

In this Forum, Monte-Mór discusses the historical evolution of cities according to Henri Lefèbvre: from the political city to the medieval city and finally to the current industrial city and the double process characterized by the city’s implosion and explosion. This extensive urbanization is spreading beyond city limits, occupying the entire social space. Could this occupation be determinant for the reemergence (in urban areas of Brazil) of diseases traditionally viewed as “rural”, such as human visceral leishmaniasis? Vlahov et al. discuss the concepts “urban health penalty”, “urban sprawl”, and “urban health advantage”. They also pose three that will demand huge effort, creativity, and new
thinking, and it is reasonable to contend that the answers will only be possible from a trans- and interdisciplinary perspective.

Finally, Caiaffa et al. use an ecological methodology to measure the intra-urban geographic variation in various health-related events, such as asthma, dengue, adolescent pregnancy, homicide, and human visceral leishmaniasis, in the context of the municipality of Belo Horizonte, Minas Gerais, Brazil. We hope that the articles will fuel the debate and contribute to the incorporation of the urban health issue into the field of collective health, both in academic institutions and health services[5]

Verification of the KMTH

In order to verify the model of KMTH, three variables for a survey (using questionnaires) are defined as:

- Culture
- Organization
- Information Technology [6]

The survey is performed by distributing questionnaires among 68 experts of TH and KM. According to statistical analysis conducted, 90% among organization and culture variables; 85% among culture and information technology variables, and 70% between the organization and information technology variables are positively correlated. This means that any changes in one of the factors leading to changes in other factors as well.

To determine the effectiveness or lack of each of the variables in KM processes for TH, the mean test of population is used. Given that the spectrum is divided into five questionnaires and number three is placed the middle of this spectrum, averages less than 3 and equal are to the sense of being ineffective and mean values more than 3 mean effective. Assumptions of this test are as follows:

\[
\begin{align*}
H_0 & \geq 3 \\
H_1 & > 3
\end{align*}
\]

Zero: the relevant factors in KM is not effective
Opposite: the relevant factors in KM is effective

Table 1- Test of the effectiveness of Culture

<table>
<thead>
<tr>
<th>Variable</th>
<th>T</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Lower</td>
</tr>
<tr>
<td>Culture</td>
<td>2.23</td>
<td>67</td>
<td>0.00</td>
<td>1.54</td>
<td>1.44</td>
</tr>
</tbody>
</table>

As depicted in Table 1 the test significant number(sig) is equal to 0.000 and is smaller than the level of 0.50, therefore zero assumption is rejected and according to positive two upper and lower bounds, the average value is greater than 3 (\( \mu > 3 \)), so in terms of experts, organization is considered as an effective factor of the KMTH. Similar approach is applied for variables of culture and IT, and the results are depicted in Table 2 and 3.
Table 2- Test of the effectiveness of Organization

<table>
<thead>
<tr>
<th>Variable</th>
<th>T</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization</td>
<td>4.01</td>
<td>67</td>
<td>0.00</td>
<td>1.05</td>
<td>Lower 0.78, Upper 1.32</td>
</tr>
</tbody>
</table>

For these two variables also the test significant number is equal to 0.000 and is smaller than the level of 0.50, therefore zero assumption is rejected and according to positive two upper and lower bounds, the average value is greater than 3 ($\mu > 3$), so in terms of experts, culture and IT are considered as an effective factor of the KMTH too.

Table 3- Test of the effectiveness of IT

<table>
<thead>
<tr>
<th>Variable</th>
<th>T</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT</td>
<td>3.23</td>
<td>67</td>
<td>0.00</td>
<td>0.66</td>
<td>Lower 0.37, Upper 0.96</td>
</tr>
</tbody>
</table>

Conclusion

Today Town Health (TH) is a complex and sophisticated term roots not only in physical, emotional, mental and spiritual human needs but in social and global needs. In this paper, the Model of KM for TH (KMTH) is introduced. This model is verified by a survey performed in a population of 95 who are mainly experts of KM and town Health in Iran. They are committed to advancing the state of knowledge management, but in a decentralized company like HP it is not clear what steps should be taken. They discuss whether there are actions they could take beyond facilitating the Knowledge Management Workshop. They feel that knowledge is already exchanged well within work groups and even business units, but there is little support in the culture for sharing across units. However, for ISST to try to change the culture just for the purpose of knowledge management seems like the tail wagging the dog. The most effective way to create a knowledge sharing culture – is first to start to practice it at your level. The higher up the organization the more effective you will be in changing the culture but even if you are low down the hierarchy – you have an influence. Second, put in place the knowledge sharing technology and train and educate people in its effective use. The two together – people with the appropriate knowledge sharing mindset and the appropriate knowledge sharing technology to support them will rapidly bring about a knowledge sharing culture that helps you better meet your business objectives. Managing knowledge in organizations will lead to a variety of new problems and issues. And this type of initiative will face resistance. Knowledge management runs counter to the direction of American society; we prefer television to books, intuition to research, pragmatists to theorists. The serious pursuit of knowledge in organizations will be challenged by an anti-intellectual orientation in the US that has been present since the days of the frontier.
References
[2]. Aliei M., (2010), thesis "Determining and Weighting of effective factors on knowledge management from managers and experts point of view based on AHP model in SAIPA industrial group" Shahrood University Of Technology, department of management
[6]. Khobreh M, Zandi F, Nasiri S., (2010), Knowledge Management Model for Urban Health" 3th Knowledge Management Conference, Iran
Impact of Increase in Bank Rate on Inflation in the context to Pakistan’s Monetary Policy

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Abstract
The paper examines the impact of long-and short-run interest rates on inflation using time series data (1965 -2010). These two interest rates have never been discussed together before. Call money rate is taken as bank rate for analysis. An efficient technique ARDL is used for analysis. There is cointegration existence for inflation with GDP, government bond rate, broad money and bank rate. Inflation maintains significant relationship with the variables GDP, broad money, and bank rate but insignificant with government bond yield. Bank rate can be used by the policy makers to control inflation in context to Pakistan. CUSUM and CUSUMQ tests indicate stability and model fit of inflation. Granger causality is used for the direction indication. Inflation is having uni-directional causality with GDP, broad money and bank rate.

Key Words: Bank rate, government bond rate, ARDL

1. Introduction
Controlling inflation is the main aim of monetary policy in any country across the world. Money supply is one of the important variables of Pakistan’s monetary policy to control inflation. Leading indicators of inflation are broad money (M2) and credit growth of private sector. Monetary policy cannot be designed without understanding the causes behind inflation.
High inflation continues in the economy due to generation of excess money. Rs266 billion is the government borrowing contributing towards the increase in reserve money during the current fiscal year 2010 which is resulting into high interest rates.
Economic growth seems relatively weak during 2009-10 in Pakistan. But at the same time inflation remains uplift with the persistent behavior. Inflation becomes harmful for the economy when it starts showing persistency as currently its showing. On the other hand, government borrowing from the banks has increased during fiscal year 2010 as compared to 2009. This is due to more fiscal spending and less availability of external debt. After declining in early 2009, CPI inflation has increased in October 2009 and has reached at the trough of 8.9% and showing increasing trend on the consistent basis. Due to excess money supply growth and fiscal prolificacy in 2007, State Bank of Pakistan has started increasing the interest rates from May 2008 like policy rate and Statutory Liquidity Requirement (SLR). After reaching at 15% in November 2008, when country was facing balance of payment crisis, SBP started easing the policy discount rate which was 12.5%.
On the other hand, inflation is expected to increase in future with a 1 percent monthly change in October 2010. Government is relying on SBP for deficit financing which is the main reason of this high inflation. Without controlling government borrowing, it is hard to control inflation.

Consistent dependence of Pakistan’s government on SBP for the borrowing purpose to fund its fiscal shortfall is the main reason of persistent price rise in Pakistan. This inflation results in increased interest rates over the last year (The Central Bank of Pakistan, 2010). Central bank states that the private sector has created the tightening of monetary policy which has now decreased due to excess government borrowing. The main focus will remain to provide the true rationales of inflation and to distinguish the impact of interest rate on inflation with increase in total money supply.

1.1 Significance /Rationale of the Study
There was a bit decline in inflation during 2009 but afterwards it started increasing and reached up to 13.3 percent in April 2010 and still the trend is towards an increase. It is showing persistent behavior. On the other hand, the economic growth recovery seems weak during 2009-10. It is forecasted by the central bank of Pakistan that the interest rates would be increased in order to cope up with inflation. Central bank of Pakistan use inflation to measure the accuracy of monetary policy, so if inflation remained persistent then it would be difficult to maintain the accuracy of monetary policy. (Pakistan Economic Survey, 2009-10)

To control inflation, finding out its causes on continuous basis would be helpful to the policy makers. (Qayyum, 2006)

Economic growth and stability is an important task of central bank which can be negatively affected by high inflation and fiscal deficit. (State Bank of Pakistan, 2010)

1.2 Objectives of the Study
In an attempt to investigate the real causes of price increase in Pakistan’s scenario, the objectives are

1. To analyze inflation with the help of short-run interest rate by considering it as an influencing variable in the light of literature for period 1961-2010

2. To analyze inflation with the help of long-run interest rate by considering it as an influencing variable in the light of literature for period 1961-2010

3. To investigate the factors causing price increase significantly

1.3 Study Outline
The study is outlined in following manner: It starts with introduction of the issue, objectives of the study and the gaps identified from existing literature. Then comes the literature review for this topic. Methodology and data analysis is presented after that. Analysis and discussion of results are interpreted and finally it concludes the whole discussion.

1.4 Gaps Identified from Literature
To control inflation, finding out its causes on continuous basis would be helpful to the policy makers. It is suggested that inflation should be studied with the passage of time so that recent trends’ effects can be revealed (Qayyum, 2006)
The magnitude of change in monetary policy and how it affects inflation, production and the relationship in between the two: understanding of this phenomenon is deficient and it needs fresh inquiry. (Qayyum, 2008)
In order to control money supply and inflation into the market, it is necessary to improve the measurement of money circulation into the market. (Qayyum, 2008)

The associations linking interest rates and price changes have been a matter of significant investigation. Lot of work centers around interest rate study through taking price as one of the independent variables but a little effort have taken made to study prices in context to interest rate changes (Gul and Ekinic, 2006)

An interest rate procedure can recover the performance of interest rates and prices. The links among money development, price increases and interest rates are very untrustworthy. Sufficient space is available for the betterment (Alvarez et al, 2001)

Additional investigation is required to discover whether inflation risk influences further variables which in due course affect the gauge of financial movement (Berument, 1999)

2. Literature Review
Mishkin (1995) tries to reinvestigates the behavior of real interest rates and searches the answer that whether real interest rates are positively or negatively correlated with nominal rate and expected inflation or not. This study of Mishkin tries to find out the performance of interest rates, whether it is changing or not, related to nominal interest rates and inflation. It takes consumer price index and Treasury bill rate as the key variables to test the relationship empirically. The results show negative correlation of real interest rates with inflation and real interest rates are having significant negative relation with the nominal interest rates.
From the viewpoint of an asset-pricing model, the active performance of price in context to interest rate is studied by Pennacchi (1991). The reason behind using this model is that it allows the interdependent of price and interest rates which is justifiable on the empirical basis. His findings indicate that Treasury bill rates and consumer price index are significantly negatively correlated. According to the study, Treasury bill rates also show great volatility and weak mean reversion than expected inflation. In the government policy, the money growth is not leading to change in real return and this is what empirically proved by this study. The results of this research are constant with this policy of government.

Nelson (2008) explains long-term real causes of inflation. According to this, prices and interest rates can be managed by controlling money growth rate. Nelson is responding towards the argument of Woodford which claims that rise in price can be explained through the financial authority’s interest rate policy. Woodford considers short-term interest rate as a key tool to manage inflation. Nelson says about Woodford’s study that its results are accurate but are based on high level assumptions. Nelson is focusing on money growth to determine inflation. The study suggests money supply as a key determinant of inflation.

Dwyer (2001) uses currency, prices and nominal income to measure the relationship between currency and price level. The rationale of the study is to observe whether money supply in terms of broad money determines inflation or not. It takes Treasury bill rate as a short-term rate and broad money to measure relationship. It concludes that in the long run
money growth at first affects nominal income and then inflation. According to Dwyer, money growth explains inflation more than any other variable. Dwyer’s study is limited to inflation. It pays no attention to real income growth. There are many factors related to this limitation. It says that recession is hard to predict which the limitation here is. 

Jayadev and Kumar (2001) analyze the impact of bank rate on commercial paper rates and come up with an important finding that the bank rate which is taken in the form of call money rate has become an important determinant for indicating monetary policy’s position. It guides the market as well as the interest rates to its desired path. Changes in monetary policy bring changes both in short and long run. Bank rate is the rate through which the central bank gives loans to the commercial banks. It acts as benchmark in the money market.

Since early 1970s, central banks in Atlanta are using policy actions to manipulate the nominal quantities of money. Securities, reserve requirements or the interest rates are the policy actions at which reserves are provided to financial mediators. It measures nominal quantity of money through broad money and income. The study suggests a positive relation of price and money in association to income but the nature of this relation is a proportional one.

(Dwyer and Hafer, 1999)

Central banks make the policies to influence the two main things which are asset price and a yield, these two variables in return affects the economy. Due to the reforms in Indian financial sector, bank rate has emerged as an important variable to guide the monetary policy makers. Bank rate is handling interest rates according to the desired trajectory. These are the findings which Jayadev and Kumar (2003) presents in their study in which they are testing the impact of bank rates like ninety-one day treasury bill rate, average call money rate and three month MIBOR on commercial paper rate.

Berument (1999) analysis the relationship between inflation and T-bill rate and verifies that there is long term relationship among T-bill rate, rise in price and inflation risk. This study provides important implications for the government in UK attempting to lower the inflation. It provides the government with the guidance whose objective is to control inflation when positive relation exists between price and bank rates. Fisher’s theory is taken as a base which suggests the existence of relationship between inflation risk and interest rates. It predicts Treasury bill rate an important variable to explain inflation. Berument argues that the relationship between price and bank rates is not defined well in the existing text.

The relationships between interest rates and price changes have been subject to substantial research. Most of the researches focus on impact of price changes on interest rate but only few studies have been taken the impact of changes in interest rate on price. But whether the variation in the interest rate is creating change in inflation or change in inflation is the source of variation in interest rates is still a confusing phenomenon. Interest rates and inflation are the key variables in macroeconomics. Increasing inflation is always an important problem any country face. It says that by increasing interest rate increase an opportunity cost of holding money in hand which decrease money supply into the market which provides access money for the credit. Resultantly prices increase and it encourages people to hold it rather than to spend. It takes whole sale price index to measure inflation. It suggests that a relation exists between bank rate and price in the long-run.
Money demand is an important variable. The factors behind this variable are important for the good performance of monetary policy. The study takes broad money, price level (GDP deflator), nominal income, call money rate, long term bond rate and consumer price index to determine inflation. Qayyum’s (2005) analysis indicates that broad money (M2) is having a long-run constant association with the variables like income, price, bank rate and long-term bond rate.

Qayyum’s study (2006) investigates a relationship of money growth with inflation in Pakistan that there is an upbeat link of surplus money and price. Impact of excess money is at first on GDP and then on price rises. This study supports that inflation is a monetary occurrence in context to Pakistan and is capable of to be managed by stretched monetary policy.

The causal relationship for exchange rate with increase in price and interest rate has been estimated and the study says that inflation can also be controlled by interest rate in economy. Increase in the bank rate decreases M2 and encourage the savings. A close relation exists between inflation and interest rates. These are the main drivers of the economy.

Gul and Ekinci (2006) finds out the relationship between bank rate and increase in price. This study has been done in Turkey. It provides evidence that a relationship exists between these two variables on the long term basis. But whether the changes in interest rates are creating change in inflation or inflation is a source of change in interest rates is still an ambiguous phenomenon. There is a requirement for sufficient investigation on such relationship. Most of the researches concentrate on impact of price change on interest rates but only few studies have been conducted to check effect of interest rates on inflation.

Khan and Schimmelpfennig (2006) explore the causes of price hike in Pakistan. The model includes money supply, credit for private sector, interest rate, wheat support price and exchange rate. It takes consumer price index as inflation, broad money as money supply, 6-month Treasury bill rate as an interest rate, nominal GDP (12-month moving average a year), large scale manufacturing index (LSM) to check the causes of inflation. The study shows that the monetary variables like growth of M2 and private segment debt ratio are explaining inflation by the lags of around twelve months. Khan and Schimmelpfennig say that the state bank of Pakistan should focus to control inflation. They suggest that monetary policy should be forward looking so that it can control inflation.

Alvarez et al (2001) says that an interest rate strategy can make better the short run behavior of interest rates and prices. The short-run relationship among money growth, inflation and interest rates is untrustworthy, so there is much space for betterment. Main instrument of monetary policy is to increase short-run interest rate to direct inflation which is an indirect way to reduce money growth.

Brzezina (2001) takes bank rate which influences the expenditure for business entities, family units and then the prices. It suggests that it’s the money growth which determines price increase in the long-run not the gap between real and natural interest rate. It takes quantity theory of money as its basis. The motive behind the study is to empirically check this theory. It takes consumer price index, GDP deflator, federal fund rate, yield on five year T-bonds, real GDP and expected inflation to measure the relation. It suggests the positive relation between real rates and inflation which reject its theoretical model.
Qayyum (2006) investigates the link between M2 and price rises. It tests that inflation is due to monetary incident. The study suggests in the context of Pakistan that money growth affects real GDP and inflation. It says money growth as an important indicator of inflation. It suggests tight monetary policy to control inflation because price hike is the result of loose monetary policy. It takes consumer price index, real GDP growth, nominal GDP growth, velocity growth and money growth to test the relationship.

3. Methodology
To assess the causes of price increase, lot of work has been done in case of Pakistan. Qayyum’s study (2006) investigates a relationship of money growth with inflation in Pakistan and reveals a positive connection between surplus money growth and price rises. This study supports about price rises to be a monetary incident for Pakistan and can be managed by stretched monetary strategy. Khan and Schimmelpfennig (2006) explore the causes of price hike in Pakistan. The study shows that the monetary variables like M2 and private segment debt ratio are explaining inflation by lags of around twelve months. Khan and Schimmelpfennig say that the state bank of Pakistan should focus to control inflation. They suggest that monetary policy should be forward looking so that it can control inflation. The associations linking interest rates and price changes have been a matter of significant investigation. Lot of work centers around prices with reference to interest rate but very few have taken the influence of changes in the bank rate on price (Gul and Ekinic, 2006)

The study has focused at the behavior of short-term and long-term interest rates that how it influences inflation. The dynamic model of inflation in Pakistan is specified as:

\[
INF = \beta_0 + \beta_1 GDP + \beta_2 M2 + \beta_3 CMR + \beta_4 GBY + \mu \  \cdots \cdots \cdots \cdots \cdots \cdots \cdots \cdots (1)
\]

Where
INF = Rate of Inflation
GDP = Real Income
M2 = Broad Money
CMR = Call Money Rate
GBY = Government Bond Yield
\mu = Random Error

Where INF is rate of inflation; M2 comprising of currency in circulation, demand deposits and time deposits and it is converted into after adjusting for price level. GDP is real gross domestic product, CMR is call money rate, a short-term interest rate which is an interbank rate at which banks do loaning with each other, GBY is a long-term interest rate known as government bond yield used by State Bank of Pakistan and INF is inflation rate. The \( \beta \)’s are income, money supply, call money rate and government bond rate elasticities respectively and \( \mu \) is error term.

Hypothesis
H1: Inflation and GDP are positively and significantly connected to each other.
H2: Inflation and broad money are positively and significantly connected to each other.
H3: Inflation and call money rate are negatively and significantly related to each other.
H4: Inflation and government bond yield are negatively and insignificantly related to each other.

We are using two theories namely quantity theory of money and John Maynard Keynes’ liquidity preference theory. According to the Keynes’s liquidity preference theory, there is an inverse relationship exists between interest rate and inflation. With increasing bank rate (holding all other variables constant), the expected M2 falls and this causes price to fall.
In examining the impact of interest rates on inflation, this study investigates the existence of cointegration between price rises and macroeconomic variables: real GDP, broad money, call money rate and bond rate. To perform cointegration analysis, it is required to find out cointegration order for each variable. However, according to existing literature, relying on the unit root tests, each technique produces unique results. Due to this problem, Pesaran (1997) presents a new efficient way of finding long relation, named the autoregressive distributed lag (ARDL) test. This method has a plus point that it do not demand to make all variables stationary at same order.

However, the ARDL approach is proficient for estimating the contribution of interest rates on price rises for Pakistan. The methodology has a plus point that it do not demand to make all variables stationary at same order (Pesaran 1997). This methodology for long-term relation provides unbiased and efficient results because the method is applicable to a small sample as well. At the same time it approximates long and short-run elements of the model and eliminates omitted variables and autocorrelations troubles by making dependent and explanatory variables prominent. Wald or F-statistic process is made for checking the significance of the factors which are taken into account due to lags in an error correction model (ECM) (Pesaran, 1997).

In the absence of prior theoretical information about the path of the long-term association among the factors under discussion, the error correction (EC) edition of ARDL model based on variables in equation (1) is as follows:

\[
\Delta \ln INF_t = \alpha_0 + \sum_{i=0}^{4} \alpha_i \Delta \ln INF_{t-i} + \sum_{i=0}^{4} \alpha_{2i} \Delta \ln RGDP_{t-i} + \sum_{i=0}^{4} \alpha_{3i} \Delta \ln M2_{t-i} + \sum_{i=0}^{4} \alpha_{4i} \Delta \ln CMR_{t-i} + \sum_{i=0}^{3} \alpha_{5i} \Delta \ln GBY_{t-i} + \gamma_1 \ln INF_{t-1} + \gamma_2 \ln RGDP_{t-2} + \gamma_3 M2_{t-1} + \gamma_4 \ln CMR_{t-1} + \gamma_5 \ln GBY_{t-1} + \varepsilon_t
\]

Which is being tested against an alternative hypothesis \( H1: \gamma_1 \neq 0, \gamma_2 \neq 0, \gamma_3 \neq 0, \) and \( \gamma_4 \neq 0 \) and \( \gamma_5 \neq 0 \) by computing the F-statistics? Well, the distribution of F-test which is asymptotic is of no standard, it doesn’t care whether variables are I (0) or I (1). Pesaran et al. (1996) have arranged sets of critical values in two tables. If the calculated F-statistic lies above the upper level of the band, we will reject \( H_0 \), indicating cointegration. If the calculated value of F-stats is more than the F-critical then, the null will be negated, supporting that there is cointegration.

If the result indicates the existence of cointegration, then two-step process is used for the model estimation. According to Pesaran and Shin (1999), suitable asymptotic deductions on both short and long-run bounds can be made under OLS estimates of an ARDL technique provided the order of the ARDL model is suitably improved to permit for contemporary links between the random elements of the data-generating procedures incorporated in the evaluation.

If the results support the evidence that cointegration exists then equation (1) is analyzed through ARDL and equation (3) is given below:

\[
\ln INF_t = \alpha_0 + \sum_{i=1}^{n} \alpha_i \ln INF_{t-i} + \sum_{i=0}^{n} \alpha_{2i} \ln GDP_{t-i} + \sum_{i=0}^{n} \alpha_{3i} M2_{t-i} + \sum_{i=0}^{n} \alpha_{4i} \ln CMR_{t-i} + \sum_{i=0}^{n} \alpha_{5i} \ln GBY_{t-i} + \omega_t
\] (3)
All variables are similar as mentioned before and the lag orders in the ARDL are chosen through the Schwartz Bayesian criterion (SBC) and the model is analyzed via OLS method. In the existence of cointegration, short-run estimates can also be achieved via building an error correction model of the equation (4) given below:

$$\Delta \ln INF_t = \beta_0 + \sum_{i=1}^{n} \beta_i \Delta \ln INF_{t-i} + \sum_{i=0}^{n} \beta_i \Delta \ln GDP_{t-i} + \sum_{i=0}^{n} \beta_i \Delta \ln M2_{t-i} + \sum_{i=0}^{n} \beta_i \Delta \ln CMR_{t-i} + \sum_{i=0}^{n} \beta_i \Delta \ln GBY_{t-i} + \gamma EC_{t-1} + \theta_t$$

(4)

Where $EC_t$ is the error correction term defined as

$$EC_t = \ln F_t - \alpha_0 + \sum_{i=1}^{m} \alpha_i \ln INF_{t-i} - \sum_{i=0}^{m} \alpha_i \ln GDP_{t-i} - \sum_{i=0}^{m} \alpha_i \ln M2_{t-i} - \sum_{i=0}^{m} \alpha_i \ln CMR_{t-i} + \sum_{i=0}^{m} \alpha_i \ln GBY_{t-i}$$

(5)

In the model $\Delta$ is the first difference machinist whereas $\alpha$ is the coefficients connecting the short-run changes of the model’s junction to balance.

To analyze the working of the estimated model, the analytical tests linked with the model are shown which look at the correlation in series, functionality and heteroscedasticity. In this study also, the model stability is checked with the help of CUSUM (Cumulative Sum) and CUSUMSQ (CUSUM of Squares). These tests are at first presented by Brown et al. (1975).

3.1 Data

To check the role of long and short-run interest rates on inflation in context to Pakistan’s monetary policy, time series data for CPI and real GDP from 1961 to 2010 is taken from various issues of economic survey of Pakistan (2009-10) while for broad money, CMR and GBY from State Bank of Pakistan’s annual Report (2009-10) and handbook of Statistics on Pakistan Economy 2008. The most recent reports are analyzed for data collection. MS excel is used for data estimation.

4. Analysis and Discussion of Results

The following portion contains the results of estimation for the role of long and short-run interest rates on inflation over the time period 1961-2010.

The stationarity of the data is checked through Augmented Dicky fuller test and results are presented in Table 1. The results show that inflation; M2, GDP and CMR and government bond yield are non-stationary at level; however these variables are stationary at first difference. The inflation rate which is rate of change in price level is stationary at level. To find the impact, the null hypothesis with no cointegration is tested against the alternative hypothesis of the existence of cointegration. Therefore, ARDL is suitable to test the cointegration in the model.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Level</th>
<th>First Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>INF</td>
<td>3.43</td>
<td>6.69*</td>
</tr>
<tr>
<td>GDP</td>
<td>0.61</td>
<td>4.35*</td>
</tr>
<tr>
<td>M2</td>
<td>0.12</td>
<td>4.90*</td>
</tr>
<tr>
<td>CMR</td>
<td>2.18</td>
<td>6.42*</td>
</tr>
<tr>
<td>GBY</td>
<td>2.13</td>
<td>6.47*</td>
</tr>
</tbody>
</table>
The first footstep is the test of cointegration is through the F-stats. The F-stats is responsive to the presence of lags forced on variables which all are having first difference (Pesaran et al., 2001). Therefore, lag selection is made through the Vector Autoregressive Model (VAR) model estimation. The VAR with two lags is selected based on Schwatz Baysian Criteria and Table 2 the results. SBC lag selection a criterion is used which is appropriate and recommended by Pesaran and Shin (1999). The results of the F-stats are presented in Table 3. The result shows that the value of F-stats is greater than the critical value, which demonstrates that there is cointegration between inflation, GDP, broad money, bank rate and government bond yield.

### TABLE 2: Criteria for Lag choice

<table>
<thead>
<tr>
<th>Lag</th>
<th>LogL</th>
<th>LR</th>
<th>FPE</th>
<th>AIC</th>
<th>SC</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>60.7903900663333</td>
<td>NA</td>
<td>5.45e-08</td>
<td>-2.535927</td>
<td>2.333178</td>
</tr>
<tr>
<td>1</td>
<td>323.640244197709</td>
<td>454.0134*</td>
<td>1.11e-12*</td>
<td>-13.34728</td>
<td>-12.13079*</td>
</tr>
<tr>
<td>2</td>
<td>346.097754669032</td>
<td>33.68627</td>
<td>1.30e-12</td>
<td>-13.23172</td>
<td>11.00148</td>
</tr>
<tr>
<td>3</td>
<td>374.166358762246</td>
<td>35.72368</td>
<td>1.28e-12</td>
<td>-13.37120</td>
<td>-10.12722</td>
</tr>
<tr>
<td>4</td>
<td>400.700180986888</td>
<td>27.73991</td>
<td>1.53e-12</td>
<td>-13.44092*</td>
<td>-9.183192</td>
</tr>
</tbody>
</table>

* indicates lag order selected by the criterion

LR: sequential modified LR test statistic (each test at 5% level)

FPE: Final prediction error

AIC: Akaike information criterion

SC: Schwarz information criterion
The second point is the analysis of the short and long run relationship for inflation with real GDP, broad money, bank rate and government bond yield which is through OLS.

The results are presented in Tables 3 and 7. At this stage, considering that inflation, real GDP, broad money, bank rate and government bond yield are related to each other, the error correction model equation 3 is analyzed for capturing the short-run dynamics and the adjustment factor. In Table 6 the columns report the lagged variables’ analysis of coefficients in the ARDL model (short-run coefficient estimates). The understanding is that all coefficients are dynamically adjusted with four variables namely inflation, real GDP, broad money, bank rate but not bond rate.

In Table 7, the long-run relation is presented, following Pesaran and Pesaran (1997). The long-term elasticities are normal. The Table 3 shows analytical results. According to Kremer et al. (1992) error correction is better technique for long-term relation in terms of cointegration.

**Short Run Relationship**

\[\Delta \ln INF_t = \beta_0 + \sum_{i=1}^{n} \beta_i \Delta \ln INF_{t-i} + \sum_{j=0}^{n} \beta_j \Delta \ln GDP_{t-j} + \sum_{k=0}^{n} \beta_k \Delta \ln M2_{t-k} + \sum_{l=0}^{n} \beta_l \Delta \ln CMR_{t-l} + \sum_{r=0}^{n} \beta_r \Delta GBY_{r-t} + \psi EC_j + \theta_t\]

**TABLE 4**

<table>
<thead>
<tr>
<th>Lag Order</th>
<th>D(INF)</th>
<th>D(GDP)</th>
<th>D(M2)</th>
<th>D(CMR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>-0.44</td>
<td>0.034</td>
<td>0.08</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(-2.00)</td>
<td>(1.88)</td>
<td>(3.20)</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>0.24</td>
<td></td>
<td></td>
<td>87.2</td>
</tr>
<tr>
<td></td>
<td>(2.49)</td>
<td></td>
<td></td>
<td>(-2.10)</td>
</tr>
</tbody>
</table>
### TABLE 5: Ramsey check of RE-SET:

<table>
<thead>
<tr>
<th>F-statistics</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.73238113998066</td>
<td>0.108111991281648</td>
</tr>
</tbody>
</table>

Log likelihood ratio: 3.68714353858647  Probability 0.0548334471965267

### TABLE 6: Auto-correlation

Breusch-Godfrey Serial Correlation LM Test:

<table>
<thead>
<tr>
<th>F-statistic</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.562414346402</td>
<td>0.575923067081</td>
</tr>
</tbody>
</table>

Obs*R-squared: 1.7175905097  Probability 0.423672191999

Goodness of Fit Diagnostic Test  \( R^2 \): 0.80
TABLE 7: Wald Test

Null Hypothesis: C(10)=0
C(11)=0
C(12)=0
C(13)=0
C(14)=0

F-statistic: 4.46196822758  Probability: 0.0035392893478
Chi-square: 22.3098411379  Probability: 0.00045713644003

\[
\ln INF_t = \alpha_0 + \sum_{i=1}^{m} \alpha_1 \ln INF_{t-i} + \sum_{j=0}^{n} \alpha_2 \ln GDP_{t-j} + \sum_{j=0}^{n} \alpha_3 M2_{t-j} + \sum_{j=0}^{n} \alpha_4 \ln CMR_{t-j} + \sum_{j=0}^{n} \alpha_5 \ln GBY_{t-j} + \omega_t
\]

TABLE 8
Long-run Relationship

<table>
<thead>
<tr>
<th></th>
<th>C</th>
<th>GDP</th>
<th>M2</th>
<th>CMR</th>
<th>GBY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.69</td>
<td>2.52</td>
<td>2.33</td>
<td>0.05</td>
<td>0.02</td>
</tr>
<tr>
<td></td>
<td>(-0.94)</td>
<td>(-3.47)</td>
<td>(-3.63)</td>
<td>(-2.32)</td>
<td>(-1.21)</td>
</tr>
</tbody>
</table>

The presence of an established bond between inflation and the key variables is an essential condition for the establishment of monetary rule. The stability Pesaran et al. (2001) and for the model fit CUSUM and CUSUMSQ tests presented by Brown, Dublin and Evans (1975) are applied. It is evident from the test that model is best fit and shows stable behavior. It is plotted for the break points.
Since the plots of CUSUM and CUSUMSQ statistic for inflation do not cross the critical value lines, it is concluded that inflation determination is stable. A graphical presentation of these two tests is in Figures below.

**Figure 1: Cumulative Sum of Recursive Residual for Inflation**

![CUSUM for Inflation](image1)

**Figure 2: Cumulative Sum of Square Recursive Residual for Inflation**

![CUSUM of Squares for Inflation](image2)
Since the graphs of CUSUM and CUSUMSQ tests for price rises are not crossing the critical line, it is clear and obvious that our model of inflation is stable.

Granger causality is a test used to check real causes of variables. It is used to describe the track of relation. Null hypothesis is rejected when probability is less than 0.10. There is unidirectional causality for inflation with GDP, broad money and call money rate. Inflation, GDP, broad money and call money rate are causing each other but government bond yield and inflation are not causing each other. The results are depicted in table 9.

**TABLE 9**

**Granger Causality**

Pairwise Granger Causality Tests

Date: 05/19/11   Time: 13:49

Sample: 1961 2010

Lags: 2

<table>
<thead>
<tr>
<th>H₀</th>
<th>Obs</th>
<th>F-Stats</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP doesn’t Granger Cause INF</td>
<td>46</td>
<td>0.08</td>
<td>0.92</td>
</tr>
<tr>
<td>INF doesn’t Granger Cause GDP</td>
<td>6.32</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>LM doesn’t Granger Cause INF</td>
<td>46</td>
<td>1.59</td>
<td>0.21</td>
</tr>
<tr>
<td>INF doesn’t Granger Cause LM</td>
<td>5.44</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>CMR doesn’t Granger Cause INF</td>
<td>46</td>
<td>0.31</td>
<td>0.73</td>
</tr>
<tr>
<td>INF doesn’t Granger Cause CMR</td>
<td>10.3</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>GBY doesn’t Granger Cause INF</td>
<td>46</td>
<td>0.15</td>
<td>0.86</td>
</tr>
<tr>
<td>INF doesn’t Granger Cause GBY</td>
<td>0.93</td>
<td>0.40</td>
<td></td>
</tr>
</tbody>
</table>
5. Conclusion

Inflation is an important factor which is consistently affecting the economy. The study can play a role of guideline towards the policy formulation for controlling inflation through healthy monetary policy. This is the reason that many empirical studies have been conducted to study its behavior to find out its root causes. The magnitude of change in monetary policy and how it affects inflation, production and the relationship in between the two: understanding of this phenomenon is deficient and it needs fresh inquiry (Qayyum, 2008).

The paper examines the impact of long-and short-run interest rates on inflation using time series data (1961 -2010). These two interest rates have never been discussed together before. ARDL is used for analysis. Cointegration exists among inflation, GDP, broad money, bank rate and government bond rate. Inflation maintains significant relationship for GDP, broad money, and bank rate but insignificant with government bond rate, which implies that bank rate can be taken as one of important interest rate for inflation control. CUSUM and CUSUMQ tests indicate stability and model fit of inflation. Granger causality is used for the direction indication. Inflation is having unidirectional causality with GDP, broad money and call money rate.

Finally, it is essential to mention that the outcomes of study ought to be taken as preface and requires careful inference. Other variables with literature support must be included in the model like exchange rate in search of real reasons. Yet, the study will be proved to be a guide liner or a beacon house for future investigations being conducted on inflation in context to Pakistan because the factor price rises is and will continue to influence an economy.
References

Dr. M. Jayadev and Sunil Kumar (2003), “The announcement impact of Bank rate on commercial paper rates” Indian Institute of Management


State Bank of Pakistan (2005), Handbook of Statistics on Pakistan Economy 2005
Abstract
This study is part of my PhD dissertation titled “Assessing the Relevance of Public Sector Management Training to Workplace: Case Study of National Institutes of Management in Pakistan”. The undercurrent of the study is to provide a baseline to analyze the literature on application of learnt concepts of training in workplace. The contemporary public sector receives considerable pressure to get optimum return on public expenditure on executive coaching and development. It also describes evidences that an assessment of relevance of training to public workplaces is necessary to make a proposed training policy more realistic and achievable. The assessment framework followed for overall research was that of Owen and Rogers (1999, 2006) and known as Proactive Evaluation/Assessment. This part particularly trawls through the available literature in detail, starting right from various definitions of training, relevance and transfer mechanism. Then it focuses on available research on subjects like Proactive Evaluation/Assessment of proposed programs, models of public policy making, concept of learning organization and adapting to innovation as result of changes and modification in existing programs. It is necessary because of two reasons. Firstly to positioning the research problem in appropriate academic framework and secondly to support the proposed research approach with approaches of past theory building and constructs. Finale of the paper deeply analyzes policy needs and consequently the adaptation process of Rogers (2003) to proposed policy changes.

Keywords: Management Training, Proactive Assessments, Policy Framework

1. DEFINITIONS AND OVERVIEW OF TRAINING, DEVELOPMENT, RELEVANCE AND TRANSFER

In literature related to formal job training there are either general perspectives of training or at times it is in context of HRD. Both don’t differ significantly. The training is generally perceived to be aimed at creating a formal process for intentional learning that would improve the skills for current job (Encyclopedia of Adult Education and Training 1996). On the other hand, in pure HRD context, training is defined to be a planned learning environment that focuses on permanent changes in knowledge, skills or/and attitude of workforce (Campbell, Dunnette, Lawler & Weick, 1970). The definition given by Goldstein (1993) aligned training objectives more with those of HRD program as he regarded training as seeking systematic changes in individual’s acquisition of job related learning, skills, concepts, roles and acceptable behaviors to enhance work performance. Moreover the HRD literature draws a delicate line of difference between “training” and “development”. Here training is more concerned with current job requirements while development is focused on preparation for future responsibilities and enhancement of conceptual capabilities of individual. Tziner, Haccoun and Kadish (1991) presented a definition of above concepts
with training to be more concerned with contemporary workplace problems and thus
should be transferable and applicable to work settings. Work of Noe (2003) is first effort of
its kind which differentiates learning experiences and categorized them as training or
development. This work suggests four important dimensions that could help in distinction
of two constructs. These are time allocated, mode of utilization, financial allocation and the
risk involved. The development remains in main HRD agenda and may have a moderate
impact on present job but from an individual viewpoint it needs participative and
interactive learning mode to occur and involves a good deal of both formal and informal
and structured and unstructured patterns of pedagogy. For the study under consideration
both the terms are being used interchangeably as most of the literature do for number of
reasons. Study of Beckett & Hager (2002) supports our argument and posits training and
development more closely knitted and practically situated, though not academically.
According to them training serves as an intervention to achieve broader goal of
development. Taking the same stance Boonying (2007) writes that training is an action,
specific to situation and limited in using tools and means, driven by reflexive evidences and
experiences and aims at “knowing how” but does have an undeniable contribution to
intellectual wisdom required by a specific workplace. Thus training is pronounced to be a
mechanism through which development occurs. Besides, from research evidences the
firmer ground for knitting together the two constructs is that the NIM in Pakistan that is the
case study for this proposed research and consequent target for policy development
provides all above modes of learning in its management training programs and thus
qualifies as imparting both training and development education to public middle level
executives. This lays a foundation of our further work regarding relevance and transfer of
training.

Bhiwajee (2007) in her study on Mauritian public sector management training
investigates the “relevance” of modules being imparted to actual workplace challenges
using the trainee officers’ perceptions as a measure. The famous work of Holton (1998,
2000, and 2003) assesses the relationship of training material being taught to perceived
challenges and problems of workplace as rated by trainees. One of Holton (2003) elements
that influence three training outcomes (synthesized from Kirkpatrick (1994) four levels of
training outcomes) is “content validity”. Holton’s definition of content validity is “the
extent of accurate reflection of requirements of job environment in proposed training
according to judgment of trainees. The same element of “content validity” is reported to
influence motivation to transfer training in recent work of Baharim (2008) in Malaysian
public sector management development training. It is vivid from the discussion that
relevance of training material constitutes an integral part of major construct of transfer of
training to workplace.

Likewise Laker (1990) introduced far and near transfer concepts. According to him near
transfer depicts the ability of trainee to apply the training capabilities to somewhat similar
environment in which the training was imparted for example simulation exercises. Far
transfer is one which is contrarily evenly applicable to a different workplace from where
training occurs or the current job pertains to.
2. OVERVIEW OF PROACTIVE ASSESSMENT/EVALUATION

For a disciplined enquiry, three basic elements are considered necessary i.e. research review, policy analysis and evaluation or assessment of its application (Guba & Lincoln 2001). In this study the focus of proposed assessment is a program (Mid Career Management Training) with reference to particular organization (NIM) as suggested by Owen and Rogers (1999, 2006) in their popular Proactive Evaluation (PE) approach.

According to Owen (2006), logical application of PE can be suggested in two important types of situations. One, where, the decision makers are to be aided to sanction for entirely new program i.e. developed from scratch or a “nothing to something” approach. Other situation is when there is already a program being run in specific organizational context but needs to be reviewed and there is acceptability of major changes as a result of this assessment. The work further emphasizes the most informed decision making by taking account of most recent available research findings about the problem that will be addressed through formulation of policy. Following aspects are basis for proactive assessment approach;

- The extent to which a given population feels the need for a program in a given and concerned area or discipline.
- Obtaining a synthesis focused on that program from related literature and identifying vital issues
- Searching for other locations or work setups where the similar programs are run and critically analyze their approaches

The approach is named proactive because it suggests assessment inputs for concerned decision makers prior to planning process. The role of the evaluator in this form is like an advisor or mentor, who searches for best practice by integrating the concerns of stakeholders of the program and research review. Moreover s/he must suggest systematic change process for the organization and program itself (Owen 2006).

The essential elements of Owen and Rogers’s Proactive Evaluation are summarized in table 2.1. It clearly indicates that orientation of this approach is to probe evidence from past situations to support decision making in synthesis of same program in different setting and population. It depicts three major elements of this sort of assessment; assessing the needs, promoting evidence based practice and establishing benchmarks from review of best practices in literature.

3. TRAINING NEEDS ASSESSMENT/ANALYSIS (TNA)

According to Glorioso (1991), TNA is difference between the current and desired level of competence of organization’s workforce and involves a quest for rigorous information from various diverse sources-focus groups, interviews and surveys etc.

Owen in his work of 2006 based the proactive approach on this formula of needs assessment i.e. difference of desired and current level of competence, and worked out following five basic elements:

- The ideal state of affairs- what ought to be the competence level
- The current and actual state- knowing through realistic analysis
- Differences of desired and actual state
- Underlying reasons of these discrepancies
TABLE 1. ELEMENTS OF PROACTIVE EVALUATION

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Properties/synthesis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Issues to be Addressed</strong></td>
<td>1. Probing and establishing need for the program?</td>
</tr>
<tr>
<td></td>
<td>2. Prior and proper knowledge of the issue that the program will address?</td>
</tr>
<tr>
<td></td>
<td>3. Accumulating the knowledge of best practice in the area?</td>
</tr>
<tr>
<td></td>
<td>4. Prior knowledge of attempts to solve the same problem</td>
</tr>
<tr>
<td><strong>Major Focus</strong></td>
<td>Program and institutional context</td>
</tr>
<tr>
<td><strong>Key Approaches</strong></td>
<td>1. Needs assessment</td>
</tr>
<tr>
<td></td>
<td>2. Research review for best practice</td>
</tr>
<tr>
<td></td>
<td>3. Establishment of benchmarks</td>
</tr>
<tr>
<td><strong>Collection of Evidence</strong></td>
<td>Questionnaire, discourse analysis and data base mining, site visits and other interactive methods.</td>
</tr>
<tr>
<td></td>
<td>Focus group, and interviews (Semi and Unstructured)</td>
</tr>
</tbody>
</table>

- Prioritizing the worked-out needs to be addressed through orientation of a program

Symbolically the needs can be defined as:

\[ N = D - A \]

Where N is needs, D is ideal or desired state and A is actual or present state.

4.1 THE SOCIO-POLITICAL DIMENSION OF NEEDS ASSESSMENT IN PAKISTAN

Globally societies are emerging to be knowledge-based. In public sector it is considered a major socio-political development. Decision making processes and investment of public capital receives greater attention. Customers of public managers need a policy that ensures transparent and just administration and encourages public focus i.e. more public participation. In turn it requires vital adjustments of government and public interaction. This adjustment should be of system, philosophy and processes (Boonying, 2007). Successful adjustments are often followed by more public confidence in policies and decision making. It calls for the officials of government sector to be equipped with necessary and favorable knowledge and nuances of participation-oriented governance.

It advocates a strong motive for training needs assessment in management development training in Pakistan. To instilling this philosophy into public sector stakeholders, the past reforms of public bureaucracy in Pakistan remained focused on public participatory orientation in policy development (Iqbal, 2004). It further emphasized: public sector development through strategic planning, provision of advisory system for each government agency to get awareness of public needs especially in community projects or those directly affecting them. The reforms encouraged dissemination of desirable performance among stakeholders. This favorable scenario of socio-political orientation
supports the need for a needs assessment necessary for policy development for public sector management development training program in Pakistan.

4.2 SYNTHESIZING FROM PREVIOUS RESEARCHES

Owen (2006) maintains that a researcher who intends to use past research review to inform a decision making regarding a proposed program must access first the already attempted synthesis of the same type. As this study is about management development training programs, it relies on and derives mostly from a previous work of Cullen & Turnbull (2005), who compiled a Meta review of management training literature from the work of Wexley & Baldwin (1986), Storey (1989), Baldwin and Padgett (1994), Jansen & Van der Velde (2001), O’Connor & Mangan (2004) and Espedal (2005). Moreover a limited number of Pakistani contributions in management training of past decade were also integrated with international literature.

Such thorough reviews are ultimately directed towards establishing benchmarks (Owen 2006). The benchmarks then ought to be evidence-based and data-driven to help in identification and locating of best practices while the evidence and data must be collected directly from the organizations and stakeholders (in our case NIM and its trainee public executives). These efforts are then to be integrated to help giving inputs for drafting of a program policy.

5. REVIEW OF ADOPTED MODEL OF POLICY MAKING

In popular graduate level management book by Koontz; (Essentials of Management), policy is defined to be general guidelines to decision making. They are not specific like rules rather they define the framework or limits within which a manager is given provision to decide. According to Considine (1994) and Dunn (1994), policy analysis and formulation must be backed by critical assessment and communication of relevant knowledge. Ling & Cotter (2002) regards policy to be the designing, implementation and evaluation tool of a field of action. They are “standing plans” that shape the future decisions and keep them consistent with the goals. Dror (1990) furthers it and says that decisions should focus on the relationship of various elements of policy and their mutual fit in context of specific situation and compare it with the possibilities of its application to another but contrary setting. In same work he draws lines of differences between what contents of policy should be and dynamics of its formulation process. For improvement of policy development Dror emphasized two approaches. First is up gradation of policy making process that involves refining process management and organization restructuring/redesigning. This study lays foundation of up gradation by integrating stakeholders (trainees’ inputs) and essence of review of best practices in field of management training. Second approach emphasizes establishment of grand policies guiding the substance of discrete policies.

For drafting of this study’s final product i.e. a policy guideline for management training in public sector, Dror’s (1973, 1987) optimal model is used and set as benchmark. Table 2.2 summarizes three major stages of his optimal model. These are Meta policy making, policy making and post policy making stages and further involve eighteen phases/sub stages.

The model serves as milestone in discipline of public policy analysis and formulation (Boonying, 2007). Its sub stages are dynamically interrelated and depict comprehension as compared to other models that do consider the given stages/phases but as separate policy making units. The last phase of post policy making stage i.e.
communication and feedback channels, stresses iterative approach and redress at various phases if feedback points out any discrepancy.

As this study has to be made operational in limited time and space (as usually case studies are), it was not practically possible to consider all three stages of policy making. Moreover the purpose of this research is sufficiently served with the use of policy making phases as draft of a policy in management development training at institutional level is kept the goal of this research effort (chapter 1). Further, for more realistic and achievable analysis, and consistent with what Dror (1973) stressed, only four basic phases of second stage were taken; sub allocating resources, preparing major set of alternative policies, evaluating the associated costs and benefits of alternative policies. The fourth one was taken from post policy making stage i.e. communication and feedback channels that interconnects all phases.

Table 2. Summary of Dror’s Optimal Model’s Three Stages

<table>
<thead>
<tr>
<th>Stage</th>
<th>Phases or sub stages</th>
</tr>
</thead>
</table>
| Meta policy making           | • Processing values
                                 | • Processing reality                                                               |
| (seven phases)               | • Processing problems                                                                |
|                              | • Developing resources                                                                |
|                              | • Designing the policy making system                                                 |
|                              | • Allocating problems, values and resources                                          |
|                              | • Determining strategy                                                               |
| Policy making                | • Sub allocating resources                                                           |
| (seven phases)               | • Making and prioritizing operational goals                                          |
|                              | • Making and prioritizing other significant values                                   |
|                              | • Preparing a major set of alternative policies                                       |
|                              | • Predicting costs and benefits of these policies                                    |
|                              | • Identifying the best ones                                                          |
|                              | • Deciding whether the best alternatives may prove to be good policies               |
| Post policy making           | • Motivating the execution of policy                                                |
| (four phases)                | • Executing it                                                                       |
|                              | • Evaluating the results                                                              |
|                              | • Communication and feedback channels interconnecting all phases                    |

Rest of the phases of second stage were omitted as this was practically beyond the scope of this research and sources of researcher to effectively develop alternative policies and this can be left to some future research avenue. Similarly prioritizing operational goals and values also require team effort and a substantial input from field experts. So the focus was kept on making a set of operational and achievable goals and values emerged after integration of adopted qualitative approaches. Following section entails the individual details of four phases under consideration.
5.1 SUB-ALLOCATION OF RESOURCES

This phase actually sequels the phase “allocating problems, values and resources” of stage 1. On institutional level allocation of resources varies greatly. Some are allocated to particular problems or a set of problems, while others may be allocated to sub system or execution of policy. Similarly pure research, surveys, knowledge management, cultural activities, or inputs for system change are other possible avenues for resource allocation. In nutshell, there is set of nine resources that are believed to be allocated to policy making (Caldwell & Spinks 1998) i.e. knowledge, technology, power, material, people, time, assessment, information and finance.

Using this phase and nine given elements, this research attempts to make its framework more informed with past research, practices, policy rationales and guidelines. All this effort is focused on policy development for management development training in National Institute of Management (NIM).

5.2 PREPARATION OF A SET OF ALTERNATIVES AS POLICIES

This phase is optimality focused. This emphasizes the approach that best policy always emerges from a set of workable alternatives. Search for alternatives continues until a policy choice is found whose net benefits outnumber net costs. Dror stresses mobilizing extra resources to search and test more alternative for best possible choice.

This phase is applied in the study to refine and relate a set of policy objectives, guidelines and resources for acquisition of capabilities in management development training programs.

5.3 EVALUATION OF ASSOCIATED BENEFITS AND COSTS OF SELECTED ALTERNATIVES

This phase measures the effectiveness of all those alternatives that are jot out in brain storming for policy search. Dror (1990) regards this stage of measuring alternatives against “goodness standard”. The choices that best qualify these goodness standards should be adopted. Requirements of this standard should be based on following:

- Political and economical feasibility of policy
- Chances of continual improvement and guiding future policies in comparison with the selected one
- Better net expectation in comparison with discarded out alternatives
- Continual development in search techniques and approaches
- Independent simulation, if possible, of selected alternatives
- Making those activities explicitly known that will likely be affected from adoption of this alternative as policy

Furthermore, according to discussion on optimal policy, the selected alternative must provide a provision for individual goodness standards of coalition members of the sector that is likely to be influenced (Dror 1987). This research attempts to fulfill this condition by consulting the public sector figureheads and incorporating their expert views about management development training for public sector executives. Details of this discussion are to be given in chapter 5- data analysis of semi structured interviews.
5.4 CHANNELS OF COMMUNICATION AND FEEDBACK

This phase records aftereffects of formulation of policy and remains interactive among all phases of policy analysis. It reports:

- Immediate responses in terms of the changes being sought as a result of inculcation of a new policy
- Immediate responses in terms of the already prevalent standards and procedures of policy execution
- Immediate responses about the current experiment as being a source of enhancing learning and diffusion of new ideas and this is the ultimate goal of all three stages of optimal model of policy formulation.

Shambaugh & Weinstein (2003) are of the view that all stakeholders in public policy making must be able to clearly communicate their ideas in a viable environment. They should be able to evaluate the alternatives, resolve and discuss differences and make clear and recognizable recommendations. Communication must be elaborate and highly effective as all phases occur within negligible time intervals. Rogers (2003), declares communication to be vital in policy analysis and formulation process for successful diffusion of innovation in work environment.

6. REVIEW OF MANAGEMENT TRAINING AND DEVELOPMENT LITERATURE AND WORKPLACE CONTEXT

According to Lees (1992) and Wexley & Baldwin (1986), an ambiguity continues to surround the proper definition of management development. This ground attracted multiple research perspectives which do not always align and cause confusions in both research and practice. Cullen & Turnbull (2005), in their great effort in working on a Meta review of management development literature defines it as “a meta field that emerged with a multidisciplinary background and drawing its basis primarily from psychology, social sciences and management studies. Moreover they presented the field to be “multivocal” and theoretically “pluralistic”, contrary to popular assumption of it as “disorganized” and “atheoretical”.

Some popular definitions that evolve in course of time and research are summarized in table 2.3 and present a chronological note of management development definitions. Their commonalities are:

- Considering managers as resource of organization and management learning as driven by functional performance. Emphasizing improvement of effectiveness in managerial skills for broad objective of corporate/organizational performance.
- Emphasizing the management development as planned and deliberate activity that should have a strategic orientation.
- Almost all and mostly earlier definitions pronounce management development activity as more of organizational concern rather than a personal motive of individual.

Similarly the definitions posit the management development philosophy to be more inclined to seek improvement, change or development in managers concerned rather than merely seeking an enhancement in their learning curves. A review of Typologies presented in management development research shows a tendency of different models uncovering competency elements expected from MD training. Lees (1992) developed a model, described as 10 faces of MD that are actually rationales why an organization should invest into its management.
Table 3. Definitions of Management Development

<table>
<thead>
<tr>
<th>Definition</th>
<th>Year</th>
<th>Author</th>
</tr>
</thead>
<tbody>
<tr>
<td>The whole, complex process by which individuals learn, grow, and improve their abilities to perform professional management tasks.</td>
<td>1986</td>
<td>Wexley and Baldwin</td>
</tr>
<tr>
<td>We use the term “management development” to describe management education, structured training et al. and also more informal processes such as mentoring and self-development.</td>
<td>1997</td>
<td>Thomson</td>
</tr>
<tr>
<td>An attempt to improve managerial effectiveness through a planned and deliberate learning process</td>
<td>1987</td>
<td>Mumford</td>
</tr>
<tr>
<td>. . . those processes which engender enhancement of capabilities whilst leaving scope for discretion, creativity and indeterminacy</td>
<td>1989</td>
<td>Storey</td>
</tr>
<tr>
<td>“Management development” is a term which embraces more than simply education or training. It is that entire system of corporate activities with the espoused goal of improving the performance of the managerial stock in the context of organizational and environmental change.</td>
<td>1992</td>
<td>Lees much</td>
</tr>
<tr>
<td>The complex process by which individuals learn to effectively in managerial roles.</td>
<td>1994</td>
<td>Baldwin and perform Padgett</td>
</tr>
<tr>
<td>An attempt to improve managerial effectiveness through a learning process.</td>
<td>1997</td>
<td>Mumford</td>
</tr>
<tr>
<td>Management development (MD) is defined as the sys-personnel practices by which an organization guarantee the timely availability of qualified and motivated employees for its key positions. The aim of MD is to have at its disposal the right type of managers and specialists at the right moment.</td>
<td>2001</td>
<td>Jansen and Van tem of der Velde</td>
</tr>
<tr>
<td>The definition used for management development . . . includes both the personal and career development of an individual manager (i.e. attendance at formal development programs, seminars, conferences and also informal learning through methods such as coaching and mentoring, etc.). It also includes management education, which is achieved through formal undergraduate/postgraduate qualifications.</td>
<td>2004</td>
<td>O'Connor and Mangan</td>
</tr>
<tr>
<td>. . . We may define appropriate management development as a dynamic capability or a learned patterns of collective activity through which the organization systematically generates and modifies it routine in the pursuit of encouraging and developing managers to balance efficiency and adaptiveness.</td>
<td>2005</td>
<td>Espedal ment</td>
</tr>
</tbody>
</table>

These faces or facets are functional performance, agricultural, functional-defensive, socialization, political reinforcement, organizational inheritance, environmental legitimacy, compensation, psychic defense and ceremonial. Long (2004) usefully contributed by taking account of executive coaching in public organization to be a motivating tool as executives show a positive attitude in enhancing their educational base with the tertiary type management education and that should be reflected in any proposed program of management development. Majority of typologies discussed in Meta review of Cullen & Turnbull (2005) are more concerned with mechanism that how management development “happens” in different organizational and educational settings. Four distinct approaches were adopted in work of Holman (2000) as academic liberalism, experiential liberalism, experiential vocationalism and critical school approach.
Another contribution in workplace context is found in a Dutch study of Jansen and Van der Velde (2001), who distinguished three types of management development approaches i.e. classical management development (typical focus on succession planning and personnel development), formalized and then modern management development. Their further discussion is about basing management development endeavors on two important and fundamental axis i.e. organizational and personal development of trainee. Further discussion includes four general types of learning on executive level, these are administrative, derived, partner and leading management developments. The above discussion on typological axis of MD together with Thomson et al. (2001) contribution to our understanding of MD, this discipline (presented in table 2.4) underlines the intellectual strengthening of management development from having no systematic approach to having strategic practices of corporate policy guidance.

6.1 CORE COMPETENCIES OR GOALS OF MANAGEMENT DEVELOPMENT

Different researchers contributed in spotting the core competencies or the benchmarked goals of an undertaken management development program. Initial clues of such effort are found in work of Wexley and Baldwin (1986), who reviewed the competencies from three angles i.e. management education, management training and on the job experiences. *Management education* examines the formal under or post graduate level competency improvement, with an emphasis on personal development of executives. *Management training* is more related to the work undertaken in areas such as institutional or off the job training, needs analysis, transfer of training to workplace and varying evaluation techniques with varying specific sectors such as managers of small and medium enterprises in Pakistan.

Table. 4

<table>
<thead>
<tr>
<th>People Abilities</th>
<th>Thinking Abilities</th>
<th>Task Abilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship Management</td>
<td>Strategic Thinking</td>
<td>Information Management</td>
</tr>
<tr>
<td>Resources Management</td>
<td>Directive Culture</td>
<td>Activities Management</td>
</tr>
<tr>
<td>Direction &amp; Culture</td>
<td>Self Management</td>
<td></td>
</tr>
<tr>
<td>Leading</td>
<td>Quality Management</td>
<td></td>
</tr>
</tbody>
</table>

Training of expatriate managers is another popular example. *On the job experiences* is actually related to the learning accumulated by executives as working as attachés and includes action learning, work assignments and mentoring. In Pakistan the under training placements (attachments) of newly passed out public managers i.e. civil servants, is an example. Storey (1990) and Mintzberg (2004) maintains the competence building of management development under the influence of universalistic nostrums instead of context specific approach on organizational and even on wider level. They further argued against the confinement of MD to planned interventions and regarded unplanned true situational experiences as vital to intellectual growth and workplace relevance. They emphasized the separation of development from training as well as education and went beyond these constructs in elaborating five competencies of a management development program. These competencies will serve as basis for further arguments in this thesis regarding the major outcomes of executives training investments. These competencies are;

- Organizational change
- Total quality improvement including cost reduction, continuous capacity building and reaching excellence
Behavioral change and value diffusion
Creating common identities
Stretching managerial capabilities across various sectors

Ahead of this their work suggested three frameworks as an attempt to present a system/interactive view of management development. These are as under;

- The “classic approach” portrays the management development as a system that should primarily derives its input from organizational environment i.e. existing plans and diagnosis of challenges being faced and generates outputs accordingly. These outputs are usually training interventions, succession planning and sub systems of HRD
- The contingency approach that nullifies universalistic nostrums and encourage organization’s intrinsic templates as basis for MD Program designing.
- Alternative conceptualization goes along contingency approach to the extent of executive’s involvement in program design and having greater regard for trainees’ innovation, self diagnosis and ultimately self development.

Thomson et al. (2001) regards the target competencies of management development to be dynamic and highly contingent on specific organizational context particularly since mid of 1980s. Their study further present view of organizational spectrum on MD policy ranging from weak to strong where there are mostly agreements on training issues but wide disagreements on perceptions especially when the issues get more subjective.

Another perspective found in literature of MD, is of the leadership, i.e. use of MD as tool of instilling leadership capabilities in individuals. Two studies of Perren & Burgoyne (2002, 2005) worked out as much as 1013 individual competencies and condensed them to 83 through content analysis. They could finally set 8 metagroups of these competencies. These are strategic thinking, leading team, designing culture, self management, relationship management, information management, resources management and managing quality. Further work of the same authors show these abilities classified as three main capabilities groups i.e. people abilities, thinking abilities and task abilities.

Contrary to the popular perception of management learning and development as individual focus, it always recommends provision of overall learning adoption by organization. The intended change ought to be evident in organization and not merely in individual. Our discussion now moves to learn about learning organization.

<table>
<thead>
<tr>
<th>Theory</th>
<th>Dominant Disciplines</th>
<th>Primary Unit of analysis</th>
<th>Concerns Regarding Management Development</th>
<th>Favor Methodsologies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human capital and labor market</td>
<td>Macroeconomics and political science</td>
<td>State</td>
<td>• National competitive performance</td>
<td>Broad surveys</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Constraints of government policy</td>
<td></td>
</tr>
<tr>
<td>Organizational Contingency</td>
<td>Microeconomics</td>
<td>Sector</td>
<td>• “Fit” between management development and corporate strategy</td>
<td>Quantitative analysis</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Constraints, structure, culture technology</td>
<td></td>
</tr>
</tbody>
</table>
7. LEARNING ORGANIZATION

As previous discussion shows and a number of research contributions (such as Harvey & Denton, 1999) agree on the need for organization to be learning instead of merely individuals, there are wide disagreements on the definitions and rationales of “learning organization”. Garvin (1993) defines learning organization as one that can create, acquire and transfer knowledge and such intellectual acquisitions should be evident in its behavior. According to Marsick & Watkins (1994) the learning organization is one that can learn continuously or where acquisition of new knowledge and skills are adopted as continuous processes and serves as measure of organizational performance. They regard the transformation of organizations as another aspect of learning. Further clues of learning organization are people empowerment, encouraging collaborations and team performance, promotion of open dialogue and a consideration for interdependent nature of employees, organizations and community.

Senge’s (1990) landmark work *The Fifth Discipline* proposed five disciplines that a learning organization must adopt to show performance and successful movement along its learning curve. These five disciplines or fields are; systemic thinking, personal competence, mental models, knowledge sharing and team/shared learning. These disciplines attempt to encourage the ability of seeing big picture behind small events i.e. a shift from seeing parts to envision wholes. A shift from thinking of workforce to be helpless actors to a view of empowered human capital that must be active participants. Watkins & Marsick (1993) have an expanded view of learning organizations. They incorporate individual, team, organization and society as four levels of logical learning. Senge (1990) emphasizes organizational self analysis, identification of biases and keeping a private eye on cultural aspects. Schein (1996) augmented Senge’s (1990) work by giving two new insights; adaptive learning and generative learning. The former has an approach to identify the gap problems and hurdles between where the organization stands and where it wants to reach. The efforts are proposed and put and gap is filled. On other hand *generative learning* emphasizes learning innovation or experimenting to aid learners in learning processes.

8. SUMMARY

The chapter discussed briefly the elements that are likely to serve as building blocks for suggesting a policy adoptable at institutional level for better design of management development programs in National Institute of Management training in Pakistan. The focus
remained on 1. Assessment method designed by Owen and Rogers (1999, 2006) in their work titled “Proactive Evaluation”; 2. Policy formulation model and its phases as described by Dror (1978, 1983); 3. A Meta review of management training and development literature of recent past; 4. Learning organizations, as changes are accepted at organizational level. This is expected to provide to position the problem in appropriate framework and justifies the research approach.
References


Impact of customer demographics on bank selection criteria

A study of banking sector of Okara, Punjab (Pakistan)

Hafiza Hafsa Nayyab, Abila Sehr, Muhammad Adnan, Zufishan Ali

Abstract

Pakistan is an Islamic country. There are six full pledge Islamic banks providing Islamic services to their customers. The purpose of conducting research in Islamic banks of Okara (Pakistan) is basically to examine the impact of demographical variables on bank selection criteria in Islamic banking sector. We are aimed to observe that changes in demography actually affect the bank selection criteria. We have used the regression analysis after controlling the four demographic factors i.e. age, gender, occupation and income. We are given the higher weights to those criteria which are mostly chosen. Our findings show that, Islam is not the only reason to choose the Islamic banks, but some other factors which are mostly selected by the customer. Those factors show their satisfaction level regarding the criterion. Customers give high weight to those criterions, from which they are more satisfied. The results of our study shows that customer mostly choose Islamic banks due to convenience, because most of the customer choose this criteria as their first preference. And the second preferred criterions are cost and benefit and corporal efficiency. Each demographic factor has different criteria for Islamic bank’s selection.

Key words: Islamic banking, customer demography, and customer satisfaction.

Introduction:

In last decade of twentieth century Islamic banking sector was introduced, and now it is flouredished rapidly not only in Islamic country but in all over the world. Growth rate of Islamic banking is 10-15% from 1995-2005. (M. Kabir Hassan June 2009). The assets of global Islamic banking stood at US $700 at the end of 2005 it would grow to US $2.8 trillion at the end of 2015. (M. Kabir Hassan June 2009)

Islamic banking system is based on the Islamic laws and the principles regarding banking and trade. Major point of differentiation in Islamic and conventional banking is that Islamic banks operate on the principle of profit & loss sharing. Due to this principle a large number of non Muslim customers are also adopting Islamic banking.

Another problem that Muslims were facing while dealing with conventional banking, was provision of interest in transactions and loans. Islamic banking system removes this curse from banking system and provides interest free dealings. As Quran says,

‘O ye, who believe! Devour not usury doubling and quadrupling (The sum lent). Observe your duty to Allah, that ye may be successful. (3:130)’
According to Hadith:

“Jabir reported that: Messenger of Allah has cursed the Devourer of usury, its payer, its scribe and its two witnesses, and said they are equal (in sin).”

Another place Quran says in Surah Al Imran Verse 130-2:

“O believer, take not double and redouble interest and fear Allah so that you may prosper. Fear the fire which has been prepared for those who reject faith, and obey Allah and Prophet so that you may receive mercy.”

As Islamic countries are rich in oil resource, that provide opportunity to Islamic countries to introduced a banking system based on Islamic rules and regulations with rest of the world. Initiative in Islamic banking system was taken by Egypt in 1963 and a bank “The Mit Ghamr Bank” was established, but this step had to face failure because of poor marketing and management strategies. (Naveed Azeem Khattak and Kahiful Rehman, 2010)

Then in 1975 Islamic Development Bank (IDB) was established in Judah, Saudi Arabia. 54 states were the member of this bank with the initial capital of 2 billion US$. After that Malaysia was the first Islamic country that work for the development of Islamic banking system.

In Pakistan, Islamic banking sector was introduced in 1980’s. For that purpose PLS account were introduced in conventional banks, but it failed. After that, in December 2001, Meezan bank Ltd. was established as the first stand alone Islamic bank in Pakistan. At the end of 2007, there were 6 full fledge Islamic banks in Pakistan i.e. Al Bakara Islamic Bank Ltd. Dubai Islamic Bank Ltd. Dawood Islamic Bank Ltd. Global Emirate Islamic Banks Ltd. Bank Islamic Ltd., and Meezan Bank Ltd.

In Okara, there are three branches of Islamic banks i.e. Dubai Islamic Bank Ltd., Islamic Bank Ltd., and Meezan Bank Ltd. Many conventional banks have also opened branches which operate according to Islamic laws and principles. In Okara the example of such bank are Al Fallah and Faisal Bank Ltd.

**Literature review**

Increasing diversity and demographic factors have different impact on the bank selection criteria of customer in different region. Customer satisfaction is the core strategy of Islamic banking system. As Islamic banking system had to face a high competition from convention banking system, Islamic banking is trying to improve their quality of services and product continuously to achieve desired customer satisfaction and meet the competition. As compare to conventional banking, there are few studies on Islamic banking on the basis of demographic factors. Examining the effect of demography on bank selection criteria give birth to the new segmentation in market or in Islamic banking sector, it also
shows the behavior of the customers towards the Islamic banks criteria and make positioning easier.

Different studies have conducted in the field of Islamic bank selection by different researches, and they have different findings.

Erol and EL-Bdour et al. (1989) conducted a study. They evaluate the attitude of Jordanian people towards Islamic banking system. They find from their studies that religion is not the basic factor of the selection of Islamic institutions, instead of it, there are other factors which are important for customers while selecting the Islamic financial institutions and the main factor is profitability and return on investment.

Islamic banking system based on the principles of profit and loss sharing which remove the burden from customers that they have to bear it alone but the loss is shared with institutions. Naser and Mountinho in 1997 identified that the profit and loss sharing is a relationship banking tool for Islamic banks, this relationship establish a close link between customers and banks. (Mamunur Rashid and M. Kabir Hassan, June 2009) In 1994, Sudin conduct study in Malaysia, he finds out those facts that are important for Muslim customers while selecting the banks. (Sudin H, Norafifsh A, Planisek L, 1994)

1. The provision of fact and efficient services
2. The speed of transaction
3. The reputation and image of bank.

(Kaynak, 1991) observed difference in bank selection criteria based on gender, age, education and background of customers in Turkey. He reported that male customer gives more preference to the reputation of bank, business hours, parking facility, availability of wide range of services than female customers. The convenience and banking location is important for customers who are under 40. In the field if educational background, educated customers give importance to the fast and efficient transactions and location of branch, while uneducated customers give preference to interest rate only.

Occupation was another demographic factor, which was studied. He reported that most of the white collar households give importance to the reputation of bank, modern facilities and convince. On the other hand, blue collar household give importance to the cost profit issues and core banking. Gender show different results in bank selection criteria, male customer’s emphasis on faster services and convince, but the female customer’s emphasis on longer term aspects related to organization their finances and become more financially secure.

Hegazy L (1995) conducted study in Egypt about the attitude of customers in 1995. He selected the customers of Islamic banks for study and find out that most of customer chooses the Islamic banks due to the efficiency and speed of the service delivery.

H.Saduman Okumus (2005) undertook a survey in Turkey. His study covered the theoretical and practical aspects of Turkish Islamic banking sector. He took a sample of
161 respondents and tried to find out the level of awareness and satisfaction of customer of Islamic banks. He found that most of the customers are familiar only with the few products and services of Islamic banks like Musharkah and Mudarabah but they were not using these products.

The fact was proved by many theories that religion is not the only factor for the selection of Islamic bank, but instead of religion, there are other factors which are non-religion such as cost and benefits, profit and loss sharing principles, efficiency and convenience. In June 2009 by (M. Kabir and Mamunur Rashid, June 2009) a study was conducted, they found that there are demographic factors which effect on the bank selection criteria and the satisfaction level in Bangladesh. Their purpose of study was to find out the effect of demography on bank selection criteria in Islamic banking sector in Bangladesh. In Pakistan, (Jamal ET al.2003) conduct a study at 300 customers of specific banks. He found that there is a strong relationship between service quality and customer satisfaction. In Pakistan, there is no more attention is paid on bank selection criteria and customer satisfaction on the basis of demography. Dushuki and Abdullah (2007) mentioned in their study that Islamic banks not just relay on Islamic rules but also considered the presence of customer quality and efficient customer services. Boyd et al. (1994) put the emphasize of different demographic factors he stated that occupation like blue collar give more importance to cost and benefits, and white collar gives more importance to convenience. He further stated that male put more importance to conveniences whereas female give importance to long term relations with banks. Metawa (1989) and Almossawi they took the sample of 300 customers and identify that Mostly customers choose Islamic banks due to two reasons.

1. Islamic principles
2. Return rate.

Research Methodology

For this study a structured survey questionnaire was used, consist on three parts i.e. demographic information, bank selection criteria, and checking the understanding. Questionnaire covered the demographic variables (gender, age, income and occupation), some decision criterion as independent variable (corporal efficiency, convenience, compliance, and cost-benefit).

Variables

We have selected one independent and one dependent variable. Independent variable is customer demography (age, occupation, income, and gender); there are some decision criteria corporal efficiency, compliance, convenience, and cost-benefit. The dependent variable is bank selection criteria.

**Independent Variable:** Customer Demographic Factors (age, gender, occupation and income)

**Dependent Variable:** Bank Selection Criteria
In above model there is dependent variable (bank selection criteria) on the right side and on the left side there is independent variable (customer demography). There are some bank selection criteria I.e.

**Corporal Efficiency:** corporal efficiency represents the fast transaction and documentation process knowledge of customer business, good and efficient management.

**Compliance:** compliance represents provision of Islamic law and principles, profit and loss sharing, and provision of interest free loans.

**Convenience:** here it shows strong global and local networks, convent branch location, and sufficient transaction time.

**Cost-Benefit:** cost and benefits describe low service charges and good returns.

The respondents of customer while bank selection criteria are described in table 1-5, which show that how demographic responds to different criteria of bank selection.

Placing table 6 here, this shows the ranking of criteria factors evaluation. According to table, respondent ranked the cost and benefit highest then others with mean 4.66, SD 1.046 and median is 5.00. The second highest rank is of convenience with mean 4.46 SD is 1.03 and median 4.50. Respondent ranked corporal efficiency at three (mean 4.40, SD 0.974 and median 4.00). Finally, compliance is in last (mean 4.34, SD 1.075 and median is 4.00).

**Hypotheses:**

**Ho1:** Bank selection for male and female are not different.

**H1:** Bank selection criteria for male and female are different.

**Ho2:** Bank selection criteria for different occupation are not different.

**H2:** Bank selection criteria for different occupation are different.

**Ho3:** Bank selection criteria for different income group are not different.
H3: Bank selection criteria for different income group are different.

H04: Bank selection criteria for different age group are not different.

H4: Bank selection criteria for different age group are different.

Population and Sampling

The total population includes all Islamic banks’ customer in Okara. There are three Islamic banks in Okara i.e. Dubai Islamic Bank Ltd., Islamic Bank Ltd., and Meezan Bank Ltd. The total customers of these three Islamic banks are our population and we are taking the sample of 100 customers randomly from these three banks.

Findings

In this study, 100 questioners were conducted and SPSS was used to interpret data. We used multiple regression analysis to find the satisfaction level of customers regarding criteria of choosing Islamic banks. There are four dependent variables whose satisfaction level is resulted from independent variable. We have four demographic factors in this study such as gender, occupation, age and income.

Results

H1: Bank selection criteria for male and female are different.

In the regression table 7 which is supporting the hypothesis showing statistics about gender that, male gives highest importance to convenience (Beta 0.325) i.e. (strong global and local networks, convent branch location, and sufficient transaction time). Whereas female responds highest to cost and benefit (Beta 0.527) factor i.e. (cost and benefits describe low service charges and good returns). Both of these have significant level P<0.050. The second impotent criterion for male is corporal efficiency (Beta 0.245) (i.e. fast transaction and documentation process knowledge of customer business, good and efficient management) and for female is convenience (Beta 0.269) (i.e. strong global and local networks, convent branch location, and sufficient transaction time). R square for female respondent is 0.482 and for male is 0.259 while choosing Islamic banks.

H2: Bank selection criteria for different occupation are different.

Supporting the hypothesis, table 8 shows the statistics about occupation. The table shows that Private sector employees and Govt. employees give highest responds to convenience (Beta 0.425) and (Beta 0.369). Self employed people prefer more corporal efficiency than other criteria (Beta 0.306). Whereas the second preference of Private employees is Convenience (Beta 0.425), Govt. employees is cost and benefit factor (Beta 0.272) and self employed prefer more Compliance (Beta 0.261), when they choose Islamic banks. More over R square of private employees is 0.305, for self employee is 0.281 and for Govt. employees is 0.470.
H3: Bank selection criteria for different income group are different.

Table 9 supports the hypotheses and shows that people who have income level 20000-30000 give more importance to corporal efficiency (Beta 0.656), people having income level 31000-50000 gives high preference to Convenience (Beta 0.437) and the people who have income level of 50000 or above prefer higher to compliance (Beta 0.452). When people chose Islamic banks with different level of income gives different responds to different criteria. The second important factor for income level 20000-30000 is compliance (Beta 0.494) people having income level 31000-50000 prefer (Beta 0.185) and the people with income level 50000 or above prefer compliance (Beta 0.401). Whereas P<0.050.

H4: Bank selection criteria for different age group are different.

Table 10, supporting the hypothesis, describe that customers within age group 21-30 give higher rank to cost and benefit factor (Beta 0.562) significant level is 0.001. And their second preference is corporal efficiency (Beta 0.287). The customers with the age group 31-40 give more preference to Convenience (Beta 0.375) and the above 41 ages, customers prefer corporal efficiency (Beta 0.169) where P<0.050.

Conclusion

The basic purpose of this study is to find out those bank selection factors that are responded more by customers while selecting Islamic bank in Okara.

Table 11 summarizes the whole story of his study. It shows the most and second most respondent bank selection factors by customer of Islamic banks. Compliance is the less important factor while choosing the Islamic banks. Compliance includes compliance represents provision of Islamic law and principles, profit and loss sharing, and provision of interest free loans. This means, Islam is not the only reason to choose the Islamic banking. Whereas Convenience is the most important factor, corporal efficiency and cost and benefit are the second most important factors while choosing the Islamic banks by customers.

Limitation:
The study is conducted in Okara (Pakistan). The same study can be conducted in any other region in Pakistan. Sample would be less or greater in most of the region. Most of the Islamic banks in Okara have branches in which Islamic banking can be seen, but here those are not included.
References

Mamunur Rashid and M. Kabir Hassan June 2009. Customer demography affecting bank selection criteria vol. 4 No.6.CCSE


### Table 1. Statistics

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<thead>
<tr>
<th></th>
<th>Respondent's Gender</th>
<th>Respondent's Age</th>
<th>Respondent's Occupation</th>
<th>Respondent's Monthly Income</th>
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### Table 3. Respondent's Age

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<td>46.0</td>
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<td>self-employed</td>
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<td>31.0</td>
<td>77.0</td>
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<tr>
<td>government</td>
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<td>23.0</td>
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<tr>
<td>Total</td>
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Table 5: Respondent's Monthly Income

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<td>50000 or above</td>
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<tr>
<td>Total</td>
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Table 6: Descriptive Statistics

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<th>Overall Satisfaction</th>
<th>Corporate Efficiency</th>
<th>Compliance</th>
<th>Convenience</th>
<th>Cost and Benefit</th>
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</thead>
<tbody>
<tr>
<td>N Valid</td>
<td>100</td>
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<td>100</td>
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</tr>
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<td>Mean</td>
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<td>4.0000</td>
<td>4.3400</td>
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<tr>
<td>Median</td>
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<td>4.0000</td>
<td>4.0000</td>
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<td>Std Deviation</td>
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## Table 7.

### Coefficients

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<th>Sig.</th>
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<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
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</tr>
<tr>
<td>Male</td>
<td>(Constant)</td>
<td>2.372</td>
<td>.278</td>
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<td></td>
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<td>Female</td>
<td>(Constant)</td>
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<td>.145</td>
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<td>Compliance</td>
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<td>Cost and Benefit</td>
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<td>.260</td>
<td>1.323</td>
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N = 85
R seq. = .259
Sig. = .00

N = 15
R seq. = .482
Sig. = .157

a. Dependent Variable: Overall Satisfaction

*Source: created from SPSS Output*
Table 8.

Coefficients

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<tr>
<th>Respondent's Occupation</th>
<th>Un standardized Coefficients</th>
<th>Standardized Coefficients</th>
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Source: SPSS output
Table 9.

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<tr>
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<td>R seq.=0.456</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Sig.=0.002</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>31000-50000</td>
<td></td>
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</tr>
<tr>
<td>(Constant)</td>
<td>2.104</td>
<td>.400</td>
<td>2.630</td>
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</tr>
<tr>
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<tr>
<td>Corporal Efficiency</td>
<td>.044</td>
<td>.138</td>
<td>.044</td>
<td>.321</td>
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<tr>
<td>Compliance</td>
<td>.083</td>
<td>.152</td>
<td>.070</td>
<td>.544</td>
</tr>
<tr>
<td>Convenience</td>
<td>.394</td>
<td>.125</td>
<td>.437</td>
<td>3.139</td>
</tr>
<tr>
<td>Cost and Benefit</td>
<td>.163</td>
<td>.121</td>
<td>.185</td>
<td>1.344</td>
</tr>
<tr>
<td>R seq.=0.328</td>
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<tr>
<td>Sig.=0.002</td>
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</tr>
<tr>
<td>50000 or above</td>
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<tr>
<td>(Constant)</td>
<td>1.065</td>
<td>.120</td>
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<td>N=33</td>
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<td>.220</td>
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<td>Compliance</td>
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<td>.157</td>
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<td>Convenience</td>
<td>.521</td>
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<td>.452</td>
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<tr>
<td>Cost and Benefit</td>
<td>-.460</td>
<td>.180</td>
<td>-.385</td>
<td>-2.553</td>
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</table>

Source: From SPSS output
### Table 10.

<table>
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<th>Respondent's Age</th>
<th>Un standardized Coefficients</th>
<th>Standardized Coefficients</th>
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<th>Sig.</th>
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<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
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<td>21-30</td>
<td>(Constant)</td>
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<td>.095</td>
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<td>Compliance</td>
<td>-.101</td>
<td>.090</td>
<td>-.156</td>
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<td></td>
<td>Convenience</td>
<td>.062</td>
<td>.135</td>
<td>.060</td>
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<td></td>
<td>Cost and Benefit</td>
<td>.430</td>
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<td>.562</td>
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<td>31-40</td>
<td>(Constant)</td>
<td>2.343</td>
<td>.749</td>
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<td></td>
<td>Corporal Efficiency</td>
<td>-.008</td>
<td>.098</td>
<td>-.009</td>
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<tr>
<td></td>
<td>Compliance</td>
<td>.042</td>
<td>.089</td>
<td>.044</td>
</tr>
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<td>Convenience</td>
<td>.352</td>
<td>.093</td>
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<td></td>
<td>Cost and Benefit</td>
<td>.237</td>
<td>.086</td>
<td>.260</td>
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<td>41 or above</td>
<td>(Constant)</td>
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<td>1.270</td>
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<td>.169</td>
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<td></td>
<td>Compliance</td>
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<td>.126</td>
<td>.141</td>
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<td>Convenience</td>
<td>-.047</td>
<td>.101</td>
<td>-.066</td>
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<td></td>
<td>Cost and Benefit</td>
<td>-.135</td>
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<td>-.191</td>
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Source: results from SPSS
Table 11.

<table>
<thead>
<tr>
<th>Category</th>
<th>First important Factor</th>
<th>Second Important Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>Convenience</td>
<td>Corporal efficiency</td>
</tr>
<tr>
<td>Female</td>
<td>Cost and benefit</td>
<td>Convenience</td>
</tr>
<tr>
<td>Private Sector</td>
<td>Convenience</td>
<td>Corporal efficiency</td>
</tr>
<tr>
<td>Self-employed</td>
<td>Corporal efficiency</td>
<td>Compliance</td>
</tr>
<tr>
<td>Govt. employees</td>
<td>Convenience</td>
<td>Cost and benefits</td>
</tr>
<tr>
<td>20000-30000 income level</td>
<td>Corporal efficiency</td>
<td>Compliance</td>
</tr>
<tr>
<td>31000-50000 income level</td>
<td>Convenience</td>
<td>Cost and benefit</td>
</tr>
<tr>
<td>50000 + income level</td>
<td>Convenience</td>
<td>Compliance</td>
</tr>
<tr>
<td>21-30 years</td>
<td>Cost and benefit</td>
<td>Corporal efficiency</td>
</tr>
<tr>
<td>31-40 years</td>
<td>Convenience</td>
<td>Cost and benefit</td>
</tr>
<tr>
<td>40+ years</td>
<td>Corporal efficiency</td>
<td>Compliance</td>
</tr>
</tbody>
</table>

Source: Derived From Above Regression Analysis
Quality perception of the customers towards services of domestic Islamic banks in Okara

**Part one:** Demographic information (please tick)

Your gender
- □ Male
- □ Female

Your age
- □ 21-30
- □ 31-40
- □ 40+

Your occupation
- □ Public sector
- □ Private sector
- □ Semi-Governmental agency
- □ Self-employed

You’re monthly income
- □ 20000PKR-30000PKR
- □ 30000PKR-50000PKR
- □ More than 50000PKR

**Part two** bank selection criteria

Please rank the bank facilities for following items. Rank them from 1 to 7. ‘1’ represents extremely disagree and ‘7’ respects for extremely agree.

<table>
<thead>
<tr>
<th>Please tick</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fast and efficient counter services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Speed and efficiency of transaction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Faster documenting processing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Availability of financial advice</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Knowledge on customer’s business</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Provision of interest free loans</td>
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<td></td>
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<td></td>
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<tr>
<td>Run on Islamic law and principles</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Strong global network</td>
<td></td>
<td></td>
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<td></td>
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<td>Sufficient time for transaction</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Convenient branch location</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Lower service charge</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average decent return</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

What is your level of overall satisfaction?

<table>
<thead>
<tr>
<th>Extremely Dissatisfied</th>
<th>Extremely Satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>

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Part three

Do you know that in Okara banks provide interest-free services?

☐ Not much    ☐ Sufficient knowledge    ☐ Very well

What extent of knowledge you have about Islamic banking and finance?

☐ Not much    ☐ Sufficient knowledge    ☐ Very well

By which source you come to know that in Okara bank offers interest free banking?

☐ Bank employee    ☐ Media (Newspaper, TV)    ☐ Internet
☐ Friends / Family

In what way you categories banking services?

☐ Interest rate/ profit    ☐ Convenience    ☐ Cost of banking
☐ Other; please specify………..

Having what idea you have chosen Islamic banking?

☐ Religion    ☐ Cheap products    ☐ Friends
☐ Conventional bank location    ☐ Other than above, please specify…..

Do you accept that interest-free services are costlier than non-Islamic services?

☐ No    ☐ Not sure

In what way you feel more satisfied, while dealing in Islamic products?

☐ Internet banking    ☐ Telephone banking    ☐ Personal visit

Would you prefer to sustain with Islamic banks, if Islamic products becomes costly?

☐ Yes    ☐ No
The legacy job satisfaction and its impact on performance of the firm: an empirical analysis

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Nadeem Talib
Assistant Professor NUML Islamabad

Abstract

This study aims to investigate the impact of Herzberg’s (1959) motivator-hygiene factors on the job satisfaction. A sample of 250 University faculty members around the country was selected as a statistical frame. Self-administered questionnaire was used for this study, known as “faculty satisfaction/Dissatisfaction Scale”. To determine the relationships between motivator-hygiene factors and overall satisfaction of the job, Structural Equation Modeling was used to investigate the complex relationships among different variables. The results suggested that job satisfaction of the employees has a positive impact on the overall performance of the firm. The university administrators must improve on Motivators and Hygiene factors along with investigating for further betterment in their system.

Key words: Job satisfaction, Motivator factors, Hygiene factors, organization performance

Introduction and literature review

Contented employees are the productive employees. Employees have attitudes or viewpoints about many aspects of their jobs, their careers, and their organizations (Lise, 2004). According to the definition of (Locke, 1976), “... a pleasurable or positive emotional state resulting from the appraisal of one’s job or job experiences”. Job satisfaction is one of the most important factors in the life of an employee. Similarly for the teachers too, one of the pivotal factors in teaching at higher education level is the job satisfaction of the faculty member that has to be pored over in order to enhance efficacy and productivity of teaching at this academic level. Teachers are the back bone of the educational institutions and the questions of quality of educations are directly related to the performance of the teachers. Dissatisfaction of faculty members with their jobs and/or disregarding the matter related to their work as being central concern can serious endanger the teaching line of work. It would therefore be useful to be in no doubt about the factors specifically the way they are closely related to perceived characteristics of the job, for instance, working environment, advancement in career, recognition and other practices particularly related to the class rooms, are allied with job satisfaction.

An increased waking to the concept of job satisfaction has been witnessed and it being dealt more and more with, practiced and acknowledged by researchers and managers
(Davis, 1971). According to (Rosnowski, 1992) the most essential information would need to have at work place is a corroborated estimation of his/her satisfaction with the job. Moreover, it is said that an improve insight into the job related satisfaction and factors which are related to it prove of a great help in routing the activities of the workers in the direction which is aimed at (Chaudhury, 2004).

The base of satisfaction phenomenon of job related satisfaction got initiated by (Maslow, 1970), who forwarded the concept of 5-step ladder of needs of human beings. The human needs which have been, today, recognized deprivation/gratification proposition, suggest that when one does not see a certain need being fulfilled, one makes efforts to gratify that particular need or one’s energies get directed towards gratifying that need which is to be satiated (Mertler, 1992). Need satisfaction models illustrate that there exist a close relation between the needs of an employee and the degree of their satiation by the environment or the work itself. Both factors are directly proportional i.e. the better is the need satisfaction, the better are the employee reactions. Similarly, the work and environment where desired outcomes are obstructed, dissatisfaction is sure to emerge (Jugdev 1995).

In this research the Herzberg’s Motivator-Hygiene (1959) factors were investigated among university faculty members of universities of Pakistan. In Pakistan where Higher education commission has been established and since its inception it has revolutionized the system of higher education in all respects. (Herzberg, 1959) developed a motivator/hygiene theory which proffers the belief that some factors are there in any work situation which may lead to satisfaction or dissatisfaction among employees of organization and his associates inquired factors which impinge on job attitudes of employees and resulting domino effect show that the factors which stimulate the workers and contributed to job satisfaction have been associated with the content of the work they do. These elements include work itself, responsibility, achievement, recognition and advancement. These factors were named by Herzberg as Motivators. On other hand the factors which instigate dissatisfaction related to the job were five in numbers. He listed them as Supervision, policy/administration, interpersonal relationships, Working conditions and Salary, Supervision, salary, interpersonal relations and working conditions. These factors were named as Hygiene factors.

With the view to measure a job satisfaction of university faculty in agriculture, studies were carried out in various countries (Schultz, 1977). Much of relevant research in education sector insinuates the support of Herzberg theory in education (Padilla-Velez, 1993). According to (Bowen, 1980) comes up with disbelief about the applicability of this theory in agricultural education. Further, (Bowen, 1980) reiterated that ten factors were in direct relation to job satisfaction whereas hygiene ones signified comparative higher proportion of satisfaction score variances than satisfiers ones. The job satisfier factor which had the most predictive power on the overall satisfaction was “work itself” (Schneider and Locke, 1971).The study of (Cano, 1992) reflected job satisfaction of both gender; male and female in state of Ohio. According to him, factors that stimulate the most were work itself. Fugar conducted a research and found that the most foretelling factor which effects the Job satisfaction the most, of clergy of Global Evangelical Church Ghana was work itself.

A lot of work has been done on the issue of job satisfaction of the employees in the past. The most renowned motivational model of Herzberg (1987) made a clear distinction between the extrinsic and intrinsic factors that affect the performance and satisfaction of the employees. The extrinsic factors, like that of handsome salary, arise from some basic need of human that is hunger. Similarly intrinsic factors are also very important for the
satisfaction of the employees that ultimately impact the performance of the overall performance of the organization.

When we talk about teachers in the educational sector, the satisfaction of the teachers is very imperative because that impact the performance of the institution as well as for the students as well. Teachers need job satisfaction because their performance is very much affected by both extrinsic and intrinsic factors. In educational sector intrinsic factors are directly related to job satisfaction. Intrinsic factors involves: the work itself, achievement and responsibility (Herzberg, 1987). Extrinsic factors also called as Dissatisfaction-avoidance: consists of factors that are policy of the organization, status, salary, fringe benefits and working environment. As compared to intrinsic factors, the extrinsic factors have less impact on the job but they always present in the circumstantial. The issue of job satisfaction of the employees has captured substantial consideration by the researchers all around the world (Gautam; Mandal and Dalal, 2006). There is a positive correlation between job performance and job satisfaction of the employees (Bowran and Todd, 1999). When the employees feel themselves satisfied with the job, then their morale will also be elevated, this will ultimately lead the organization towards prosperity and growth (Chaudhary and Banerjee, 2004). The managers and other human resource specialists are very much anxious about how to bring further improvement in job satisfaction (Cranny et al 1992). The theory of job satisfaction or in other words job motivation was first introduced by Maslow, to satisfy the hierarchy of man’s needs. Every individual needs satisfaction through the realization of the needs. In 1990, Eikeland studied those factors that have great influence on the academics like, the intentions of the teacher to leave the institute. He concluded that the relation among the colleagues was the major factor to leave the university. In short he concluded that intrinsic factors were more dominated in pursuing the teachers to leave the university. This conclusion describes the fact that the general environment of the university has a great influence on the job satisfaction of the teachers.

**Job satisfaction and firm’s performance**

A lot of research has been conducted to analyze the impact of job satisfaction on performance of the organization. According to study of (Iaffaldano & Muchinsky, 1985) concluded that job attitude of the employees is positively correlated to the performance of the firm. Same was concluded by the study (Judge, Thoresen, Bono, & Patton, 2001) that job satisfaction is positively correlated with individual performance. In the same way researchers like (Schneider, 2003) found the relation between attitude of the employees and performance. Correspondingly Argyris (1964), Likert (1961), and McGregor (1960) argued that the organizational performance can be judge by the employee’s satisfaction. The relation between job satisfaction and performance was first discussed by the socio-technical schools of thought. This approach suggested that the performance of the organization depends on the social structures of the firm (Emery & Trist, 1960). According to (Likert, 1961; McGregor, 1960) the productivity of the organization and its efficiency can be achieved by the satisfaction of the employees and their attention. The satisfaction of the employees can be achieved by providing the employees with full participation, trust, and decision making authority (Likert, 1961). Therefore if the employees are dissatisfied, it will create hindrance in organization’s way to progress. So we can say that the job satisfaction of the employees is very important in relation to the firm’s performance. Therefore, unhappy employees of the organization will miss the mark to participate in the drive towards the betterment of the organization (Likert, 1961). Another notable research on the relation between job satisfaction level of the employees and the performance of the business unit was conducted by the (Ostroff, 1992) and after examining a sample of more than 350 schools, concluded that job satisfaction is concomitantly related to the performance of the organization and its commitment. The relation between employee’s
attitude, productivity of the firm and satisfaction of the customers were studied by (Ryan, Schmitt, and Johnson 1996). The study conducted by the (Harter et al, 2002), concluded that employees job satisfaction is very important for the organization’s performance. In that study the author examined a positive correlation between satisfaction of the employees and productivity, profit of the organization and customer satisfaction on a data collected form 36 organizations. This study was supported by another study by (Schneider et al, 2003). According to the study, the author found the relation between organization performance which was measured by the return on assets (ROA), earning per share (EPS). According to the study there was a causal relation between organization’s performance and job satisfaction of the employees. Now the question is whether the companies with satisfied and happy workers are performing exceptionally well as compared to those which don’t have satisfied employees? The study of (Schneider et al, 2003) concluded that employees become more motivated by the fact that their firm is performing well and meeting its targets. The happiness of the employees or satisfaction is very much correlated to the organizational performance (Gross and Etzioni, 1985). Here at this point another question arises and that is, what are those factors that make the employees satisfied? The answer is the financial and non-financial enticements like that of training make the employees satisfied. This view is supported by the study of the (Peterson and Luthans, 2006) and found a significant sway on the organization’s profit and satisfaction of the customers too. The study also found that financial inducements have much greater influence of the job satisfaction of the employees.

Problem statement
The ultimate goal of any organization is performance in monetary terms. A lot of research has been carried out in the past to address the issue of job satisfaction of the employees. But a limited research has been done regarding job satisfaction of the faculty members of the universities in relation to performance of that institute. So the focal point of this research was to fill this gap and to find out the relation between job satisfaction of the faculty and performance of that institute.

Purpose of Research and Objectives
The study aims at describing the variances found in job satisfaction in university faculty members in the light of motivator as well as hygiene factors. The following research questions are formulated to ensure the clarity of study route.

1. Describe relationship between factors which motivate the faculty like (Work-Itself, responsibility, achievement, recognition, and growth) and job satisfaction.
2. Describe the relationship between Hygiene factors of the job (relationships, salaries, policy/administration, working condition and supervision) and jobs satisfaction.
3. To investigate the impact of job satisfaction on the performance of the organization?

Conceptual Framework
With the help of literature, the following conceptual framework was developed. As the objective of this research article is to investigate the impact of Motivators and Hygiene factors on the job satisfaction. Secondly the objective of this paper was to find out the impact of the job satisfaction of the employees on the performance of the institute or organization. There were four major variables (Endogenous) that were analyzed. Motivators were operationalized by its constructs (Observed variables) like Achievement, Growth, Recognition, Responsibility and work itself. Similarly the Hygiene (Endogenous) was operationalized by the observed variables like that of Supervision, Salary, Policy,
Relationships and Working conditions. Another variable, Organization performance (Endogenous) was operationalized by the observed variable like return on assets and Profitability.

- **Ha1**: Achievement is significantly associated with motivators
- **Ha2**: Growth is significantly associated with motivators
- **Ha3**: Recognition is significantly associated with motivators
- **Ha4**: Responsibility is significantly associated with motivators
- **Ha5**: Work itself is significantly associated with motivators
- **Ha6**: Supervision is significantly associated with Hygiene
- **Ha7**: Salary is significantly associated with Hygiene
- **Ha8**: Policy of institute is significantly associated with Hygiene
- **Ha9**: Relationship is significantly associated with Hygiene
- **Ha10**: Working conditions is significantly associated with Hygiene
- **Ha11**: Motivators are significantly associated with job satisfaction
- **Ha12**: Hygiene factors are significantly associated with job satisfaction
- **Ha13**: Return on assets and profitability is significantly associated with org. performance.
- **Ha14**: Profitability is significantly impacting organizational performance of the institute
- **Ha15**: Job satisfaction is significantly impacting organizational performance of the institute

Organizational performance = function( motivators, hygiene factors, job satisfaction) ..........................................................(1)

Organizational performance = β₁ + β₁*Motivators + β₂*hygiene factors + β₃*job satisfaction ..........................................................(2)

**Figure 1**
METHODOLOGY

Data Collection

The research was based on primary data, which was collected by means of survey questionnaire, self-administered from University Faculty members around the Pakistan.

Population

The population for this study is faculty members of the universities located in different cities of Pakistan.

Sample

The Sample size for the study is 250 faculty members and cluster sampling was used on the bases of region (Islamabad, Rawalpindi, Lahore, Multan, Gujranwala, Sialkot, Gujrat, Faisalabad, Kasoor, and Sheikhupura). The purpose of this cluster is diversity in culture and back ground of all employees influence the thinking pattern. After making cluster, stratified sampling was used. The sampling frame was divided into non-overlapping groups or strata, e.g. geographical areas, age-groups, genders. Data was collected with the help of self-administered questionnaire from 250 respondents. The response rate remained 80%.

Survey Instrument

The questionnaire was designed with the help of extensive literature review. The questionnaire consisted of 4 parts, each variable consist of 5 constructs except Job satisfaction which has one construct. The respondent were asked to reply on Likert scale (1=strongly agree to 5=strongly disagree). The reason for using Likert scale is that because it is psychometric analysis of respondent’s behavior (Likert, 1932). All the items were close ended because close ended questions allow the respondent to show their degree of agreement or disagreement.

Validity

The initial draft of the questionnaire was floated for the purpose of content validity, for which views were collected from the scholars as well as potential respondendts. Based on their view various items were ommitted, modified. After the changes questionnaire was floated to different organizations for pilot testing. The sample size for pilot testing was 15 and on the basis of results generated internal consistency of data was measured. It was found that all the variables met the cut of value (0.65) (Leech, et al., 2005).

Reliability

Reliability test was used to measure the internal consistency based on computed values of Cronbach alpha (α). Reliability of the sample was measured which shows that all the variables met the cut off value (0.65) that is acceptable for retaining the variables (Leech, et al., 2005).
Table: 1

Reliability Statistics

<table>
<thead>
<tr>
<th>Sr No</th>
<th>Variable Name</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Achievement</td>
<td>0.69</td>
</tr>
<tr>
<td>2</td>
<td>Growth</td>
<td>0.61</td>
</tr>
<tr>
<td>3</td>
<td>Recognition</td>
<td>0.71</td>
</tr>
<tr>
<td>4</td>
<td>Responsibility</td>
<td>0.72</td>
</tr>
<tr>
<td>5</td>
<td>Work itself</td>
<td>0.79</td>
</tr>
<tr>
<td>6</td>
<td>Supervision</td>
<td>0.77</td>
</tr>
<tr>
<td>7</td>
<td>Salary</td>
<td>0.68</td>
</tr>
<tr>
<td>8</td>
<td>Policy</td>
<td>0.77</td>
</tr>
<tr>
<td>9</td>
<td>Relationship</td>
<td>0.78</td>
</tr>
<tr>
<td>10</td>
<td>Working conditions</td>
<td>0.67</td>
</tr>
<tr>
<td>11</td>
<td>Profitability</td>
<td>0.74</td>
</tr>
<tr>
<td>12</td>
<td>ROI</td>
<td>0.64</td>
</tr>
</tbody>
</table>

Factor Analysis

The purpose of using factor analysis is to investigate the large number of relationships among inter-level variables. For factor loading principle component analysis method was used. Less than 0.40 of items values were omitted and did not use for further analysis (Leech, et al., 2005). Table-2 below shows the retained items that met the cut off values i.e. > .40

Table: 2

Component matrix

<table>
<thead>
<tr>
<th>Variable item</th>
<th>Ach</th>
<th>Gro</th>
<th>Rec</th>
<th>Res</th>
<th>Wi</th>
<th>Sup</th>
<th>Sal</th>
<th>Pol</th>
<th>Rel</th>
<th>Wc</th>
<th>Roa</th>
<th>Prof</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.74</td>
<td>0.6</td>
<td>0.79</td>
<td>0.70</td>
<td>0.76</td>
<td>0.73</td>
<td>0.49</td>
<td>0.84</td>
<td>0.70</td>
<td>0.41</td>
<td>0.44</td>
<td>0.72</td>
</tr>
<tr>
<td>2</td>
<td>0.34</td>
<td>0.67</td>
<td>0.69</td>
<td>0.29</td>
<td>0.82</td>
<td>0.73</td>
<td>0.42</td>
<td>0.60</td>
<td>0.50</td>
<td>0.54</td>
<td>0.51</td>
<td>0.67</td>
</tr>
<tr>
<td>3</td>
<td>0.73</td>
<td>0.71</td>
<td>0.74</td>
<td>0.70</td>
<td>0.84</td>
<td>0.71</td>
<td>0.41</td>
<td>0.43</td>
<td>0.60</td>
<td>0.66</td>
<td>0.70</td>
<td>0.52</td>
</tr>
<tr>
<td>4</td>
<td>0.68</td>
<td>0.74</td>
<td>0.78</td>
<td>0.70</td>
<td>0.32</td>
<td>0.79</td>
<td>0.45</td>
<td>0.41</td>
<td>0.70</td>
<td>0.42</td>
<td>0.41</td>
<td>0.49</td>
</tr>
<tr>
<td>5</td>
<td>0.53</td>
<td>0.49</td>
<td>0.67</td>
<td>0.68</td>
<td>0.56</td>
<td>0.61</td>
<td>0.43</td>
<td>0.49</td>
<td>0.73</td>
<td>0.47</td>
<td>0.53</td>
<td>0.36</td>
</tr>
</tbody>
</table>

KMO stands for Kaiser-Meyer-Olkin Measure of Sampling Adequacy (small value of KMO indicates factor analysis is inappropriate and). KMO indicates sufficient items for each factor. All the values are found greater than 0.5 (SPSS user’s guide). If the value of Bartlett Test of Sphericity (to test the null hypothesis that the correlation matrix is an
identity matrix which would indicate that the factor model is inappropriate) is less than .05 then it should be significant and indicates that the correlation matrix is significantly different from an identity matrix, in which correlations between variables are all zero (Leech, et al., 2005). Table 3 shows the values of KMO and Bartlett's Test of Spheric.

Table: 3

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Kaiser-Meyer-Olkin Measure of Sampling Adequacy</th>
<th>Bartlett's Test of Spheric</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Achievement (ACH)</td>
<td>0.61</td>
</tr>
<tr>
<td>2</td>
<td>Growth (GRO)</td>
<td>0.77</td>
</tr>
<tr>
<td>3</td>
<td>Recognition</td>
<td>0.81</td>
</tr>
<tr>
<td>4</td>
<td>Responsibility</td>
<td>0.79</td>
</tr>
<tr>
<td>5</td>
<td>Work itself (WI)</td>
<td>0.76</td>
</tr>
<tr>
<td>6</td>
<td>Supervision (SUP)</td>
<td>0.66</td>
</tr>
<tr>
<td>7</td>
<td>Salary (SAL)</td>
<td>0.71</td>
</tr>
<tr>
<td>8</td>
<td>Policy (POL)</td>
<td>0.67</td>
</tr>
<tr>
<td>9</td>
<td>Relationship</td>
<td>0.59</td>
</tr>
<tr>
<td>10</td>
<td>Working conditions</td>
<td>0.51</td>
</tr>
<tr>
<td>11</td>
<td>Return on Assets</td>
<td>0.63</td>
</tr>
<tr>
<td>12</td>
<td>Profitability</td>
<td>0.69</td>
</tr>
</tbody>
</table>

Descriptive Analysis

The entire 250 respondents have responded through emails and by visiting the respondents personally. Demographic data indicate that 75.7% were male and 24.3% were female. 73% were having Master degree, 5.7% were having M.Phil./MS, and 21.3% were having PhD. Data collected from public as well as private universities/organizations. Majority of the respondents were in 30-40 age groups (69%). Then come 41-50 age groups (27.7%) and 41-50 age groups (3.3%).

Hypothesis Testing and testing the model

A structural equation modeling technique was utilized to analyze the model. We have used SEM because it is used for testing relationships using different combinations of statistical data and casual assumptions. The LISREL 8.80 program was used for this purpose (Usuel et al., 2008; Jackson et al., 2005). The observed variables used to predict the latent variables in structural equation modeling were obtained by processing the data in the instrument (Jackson et al., 2005). The observed variables like achievement, growth, recognition, responsibility, work itself; supervision, salary, policy, relationships and
working conditions predict the latent/exogenous variables like motivators, hygiene factors and job satisfaction. Similarly observed variables like return on assets and profitability predict the exogenous variable, organization performance. The value of chi-square is 20.91 and the degree of freedom is 9 according to Usluel et al (2008) the chi-square will be divide by degree of freedom then the results generated will be less than 3 i.e. 2.33 which shows model is significant. The value of p is also significant because it is less than 0.05. Figure 3 shows the recommended model. Fit indexes (7) which are commonly used in the literature (χ²/d.f, GFI, AGFI, NNFI, CFI, RMSR, RMSEA) were employed to test model fit. According to Usluel et al. (2008) the best fit were acquired when all the seven fit indexes meet the cutoff values that were acknowledged in the literature. The commonly used measures of model fit, based on results from an analysis of the structural model, are summarized in table. In practice, Chi-square / degrees of freedom less than 3, GFI, NNFI, CFI greater than 0.9, an AGFI greater than 0.8, RMSR less than 0.10, and RMSEA less than 0.06 or 0.08 are considered indicators of good fit. As seen in table, all goodness-of-fit statistics are in the acceptable range (Usluel et al., 2008; Jackson et al., 2005).

Table 4

<table>
<thead>
<tr>
<th>Fit Index</th>
<th>Recommended Value</th>
<th>Observed values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square/ degrees of freedom</td>
<td>≤3.00</td>
<td>&lt; 2.33</td>
</tr>
<tr>
<td>GFI</td>
<td>≥0.90</td>
<td>&gt;0.97</td>
</tr>
<tr>
<td>AGFI</td>
<td>≥0.80</td>
<td>&gt;0.89</td>
</tr>
<tr>
<td>NNFI</td>
<td>≥0.90</td>
<td>&gt; 0.98</td>
</tr>
<tr>
<td>CFI</td>
<td>≥0.90 or ≥0.95</td>
<td>&gt;0.99</td>
</tr>
<tr>
<td>RMSR</td>
<td>≤0.10</td>
<td>&lt;0.057</td>
</tr>
<tr>
<td>RMSEA</td>
<td>≤0.06 or ≤0.08</td>
<td>&lt;0.032</td>
</tr>
</tbody>
</table>

GFI = goodness-of-fit index; AGFI = adjusted goodness-of-fit index;
NNFI = non-normed fit index; CFI = comparative fit index;
RMSR = root mean square residual;
RMSEA = root mean square error of approximation.
The observed variable (achievement, growth, recognition, responsibility, work itself; supervision, salary, policy, relationships return on assets, profitability and working conditions) used to predict the latent variables (motivators, hygiene factors and organization performance) in structural equation modeling. Table shows the coefficients, standard error, error variance, t value and p value and describes the acceptance and rejection of hypothesis.
Table 5

<table>
<thead>
<tr>
<th>Variables</th>
<th>Hypothesis</th>
<th>Estimate</th>
<th>Standard error</th>
<th>Error Variance</th>
<th>t</th>
<th>p</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achievement-Motivators</td>
<td>$H_1$</td>
<td>0.68</td>
<td>0.14</td>
<td>0.7</td>
<td>4.8</td>
<td>0.00</td>
<td>Accept</td>
</tr>
<tr>
<td>Growth-Motivators</td>
<td>$H_2$</td>
<td>0.67</td>
<td>0.24</td>
<td>0.67</td>
<td>2.7</td>
<td>0.00</td>
<td>Accept</td>
</tr>
<tr>
<td>Recognition-Motivators</td>
<td>$H_3$</td>
<td>0.56</td>
<td>0.10</td>
<td>0.77</td>
<td>5.6</td>
<td>0.00</td>
<td>Accept</td>
</tr>
<tr>
<td>Responsibility-Motivators</td>
<td>$H_4$</td>
<td>0.66</td>
<td>0.12</td>
<td>0.18</td>
<td>5.5</td>
<td>0.00</td>
<td>Accept</td>
</tr>
<tr>
<td>Work itself-Motivators</td>
<td>$H_5$</td>
<td>0.59</td>
<td>0.11</td>
<td>0.44</td>
<td>5.3</td>
<td>0.00</td>
<td>Accept</td>
</tr>
<tr>
<td>Supervision-Hygiene</td>
<td>$H_6$</td>
<td>0.47</td>
<td>0.19</td>
<td>0.57</td>
<td>2.4</td>
<td>0.00</td>
<td>Accept</td>
</tr>
<tr>
<td>Salary-Hygiene</td>
<td>$H_7$</td>
<td>0.55</td>
<td>0.17</td>
<td>0.34</td>
<td>3.2</td>
<td>0.00</td>
<td>Accept</td>
</tr>
<tr>
<td>policy-Hygiene</td>
<td>$H_8$</td>
<td>0.78</td>
<td>0.28</td>
<td>0.39</td>
<td>2.7</td>
<td>0.00</td>
<td>Accept</td>
</tr>
<tr>
<td>Relationship-Hygiene</td>
<td>$H_9$</td>
<td>0.69</td>
<td>0.16</td>
<td>0.44</td>
<td>4.3</td>
<td>0.00</td>
<td>Accept</td>
</tr>
<tr>
<td>Working conditions-Hygiene</td>
<td>$H_{10}$</td>
<td>0.47</td>
<td>0.18</td>
<td>0.61</td>
<td>2.6</td>
<td>0.00</td>
<td>Accept</td>
</tr>
<tr>
<td>Motivators-job satisfaction</td>
<td>$H_{11}$</td>
<td>0.42</td>
<td>0.11</td>
<td>0.47</td>
<td>3.8</td>
<td>0.00</td>
<td>Accept</td>
</tr>
<tr>
<td>Hygiene-job satisfaction</td>
<td>$H_{12}$</td>
<td>0.56</td>
<td>0.11</td>
<td>0.47</td>
<td>5.0</td>
<td>0.00</td>
<td>Accept</td>
</tr>
<tr>
<td>Return on assets-Org.performance</td>
<td>$H_{13}$</td>
<td>0.51</td>
<td>0.12</td>
<td>0.34</td>
<td>4.2</td>
<td>0.00</td>
<td>Accept</td>
</tr>
<tr>
<td>Profitability-Org.performance</td>
<td>$H_{14}$</td>
<td>0.60</td>
<td>0.073</td>
<td>0.34</td>
<td>8.2</td>
<td>0.00</td>
<td>Accept</td>
</tr>
<tr>
<td>Job satisfaction-Org.performance</td>
<td>$H_{15}$</td>
<td>0.55</td>
<td>0.14</td>
<td>0.71</td>
<td>3.9</td>
<td>0.00</td>
<td>Accept</td>
</tr>
</tbody>
</table>

**Findings:**

The results show that our entire hypotheses are accepted. The results show positive and significant relations among observed variables like achievement, growth. Recognition, responsibility and work itself with exogenous variable, Motivator. Moreover motivator is positively and significantly associated with job satisfaction. Similarly observed variables like supervision, salary, policy of the institute, relationships and working conditions are significantly and positively contributing towards the Hygiene. In the same way Hygiene factor is significantly impacting job satisfaction of the employees. Other two observed variables like return on assets and profitability have a significant relation with organization performance. Lastly, job satisfaction has a positive and significant relation with organizational performance.

**Results and discussions**

From the above results or finding, it can be said that job satisfaction of the employees are very much affected by the motivators and hygiene factors. This particular study also validated that achievement of the employees as well as of organization, growth of employees and organization, recognition, responsibility that the employees have, work itself, minimum supervision of the employees, handsome salary, policies of the organization, relationships of employees with other members as well as with the organization and working condition or good environment enhances the satisfaction of the employees regarding their job. Similarly it can be concluded from the results that job satisfaction significantly enhances the performance of the organization in terms of returns on assets and profitability.
Managerial Implications
This study was conducted to analyze the impact of motivators and hygiene factors on job satisfaction of university faculty members. This study can be helpful for the universities as it will possibly enhance the satisfaction of the faculty members regarding their job. They will not change their university frequently, provided that the university improves on the entire above mentioned dimensions fall under the category of motivators and hygiene. This model is equally important for all types of organizations whether public or private other than universities. Beside managerial implications, this study is equally important for the academia world. This model can be added to the syllabus of human resource management subject for better understanding and conceptualization for the students.

Practical Implications
The biggest hurdle in the way of conducting this study was limited time because the questionnaire was self-administered and it took a lot of time to gather the data. Another major hurdle was the non-corporative attitude of the respondents. Last but not the least cost constraint was also a hurdle in materializing this study to its final shape.

Suggestions for future research
Many questions and dimensions remained unanswered for which future research can be initiated. For instance this study can be expanded to other Asian countries. The study still has many gaps which are required to be filled as many other variables were not analyzed like emotional intelligence, commitment, job security and job involvement. The model can be further improved by the addition relevant variables in upcoming researches.
References


The impact of consumer behavior on FMCG’s
A study of Okara, Punjab (Pakistan)
Hafiza Hafsa Nayyab, Hamna Javed, Ahmad Ibraheem, Lubna Safdar

Abstract
In this report we put an effort to see the impact of consumer behavior on fast moving consumer goods. The consumer behavior is studied through different dimension by understanding demands patterns of the people regarding quality, price, brand loyalty and demographics. These are the independents variables through which the behavior of is gathered regarding different FMCG’s. Different FMCG’s company’s like Unilever, P&G, Continental biscuits, Coca-cola and others products are taken to obtain the behavior of regarding it. Our target market was Okara. The data was collected by the primary source through questionnaire. We used stratified random sampling in the report. The population of Okara is 27,915 and we have selected the sample of about 100 respondents from different classes that includes upper class, middle class and lower class (people having more then 15,000 income). We have seen that people in Okara mostly used Unilever products as they are easily available at near stores. We also saw that they consider quality when they purchase. There is no big retail store for the people. It was also seen that the market share is mostly obtain by multinational companies in Pakistan.

Keywords: Consumer behavior, FMCG’s, Brand loyalty, Demographics

Introduction
Few years back the FMCG companies ignore the small cities market, no interest was given for selling or producing products in Pakistan. That was the initial stage of FMCG companies in Pakistan. As the time passing the marketing strategies of FMCG companies are also changing. Small cities are the best opportunities for FMCG companies in Pakistan as most of the people lives there and also because it is less competitive then big cities (like Lahore, Islamabad and Karachi etc). As the time passing the income level of people is also increasing as well as the demand of FMCG.

FMCG stands for fast moving consumer goods. It is also known as consumer packaged goods and consumer goods. The fast moving consumer goods in Pakistan primarily deals with the production, distribution and marketing of consumer packaged goods. These are the products that can be used at regular intervals. The category of this sector includes foods& beverage, personal care, plastic goods, and household products etc. The FMCG market can be divided into four major consumer categories, namely; Food, Toiletry, Household, and Health categories (FMCG & Retail Report 2008). And the most popular items are soaps, shampoos, detergents, shoes polish, tooth paste, household accessories, packaged food items and many more.

These are the products on which most of the portion of monthly budget is being spend. The returns on this sector are large enough because these are products on which everyone has to spend on as these are the basic necessities of life.

Every company should develop a strong distribution networks to prevent the new entrants in the market. It would be done by developing the strong brand image and spending huge amounts on the promotional of the brands. Most of the companies from which upper class like to purchase are multinational companies in Pakistan because the national or local companies in Pakistan are not providing high quality goods to the consumers. But the lower and middle classes are using the national or local products too. This is the big reason why most of the FMCG companies are multinational that are getting good returns. A lot of multinational companies invested in Pakistan in FMCG sector and they are getting higher
margins. The FMCG Company’s operation was started in Pakistan by UPL in 1958 and then P&G also started its operations in 1991.

**Overview of FMCG sector**

FMCG consumer product companies of Pakistan are 780. These are the products that are available at the local markets. The FMCG sector of Pakistan is providing different jobs to people by both the multinational and national companies. These goods are relatively low in prices and have higher returns. The consumption patterns of upper class are estimated as 20%, middle class as 65%, and lower class as 90% (taken from government statistics, 2005).

Most FMCG companies have reported a downturn in the past few years. Because of inflation, low quality products, low availability of better raw material and also because Pakistan’s economy have recently faced a large scale floods The third quarter of 2007-08 given an average performance from FMCG Companies, which registered a rise in sales by 12% this quarter compared to the corresponding quarter last year (according to a report released by Relegate Securities).

We can simply say that the FMCG sector of Pakistan shows a moderate growth in the recent years and continues in the next years. But the increment in the prices and increasing competition are also the key segments.

**Growth perspective**

Almost all grocery retailing channels enjoyed strong value growth in excess of 5% in current value terms during 2010. The exception to this was other grocery retailers. Growth in 2010 was driven by a combination of improved economic conditions and steady population growth. The Pakistani economy picked up after the slowdown experienced in 2009 as real GDP growth reached 3% in 2010. Although inflation remained high at 11.5%, this was still lower than the inflation figures recorded in 2009 (according to Euromonitor International's Grocery Retailers report Jan 2011).

Better infrastructure will improve the supply chain. And also with the increasing income levels and the consumption patterns, FMCG sector can get more benefits. The increase in the per capita income opens many opportunities for the FMCG companies in Pakistan. Further, if the mindset of the consumers is being changed and offer new products in market it would be a big step forward for the growth of this sector.

**Few positive key factors for FMCG companies in Pakistan**

**Raw material availability**

Pakistan is the fifth largest country in producing milk in the world. As for the diary products its very material and the best FMCG companies get the material and make the products here in Pakistan. The availability of wheat, rice, sugar cane, potatoes, vegetables and fruits makes it more appropriate location for FMCG companies.

**Low labor cost**

Pakistan has an advantage of a vast, low cost source of labor, with wage rates among the lowest in the world. The Werner International 2007 Labor Cost Comparison study shows that Pakistan and Bangladesh have the lowest labor cost in the primary textile industry. However the nominal labor expenses alone cannot determine the competitiveness of the industry. The factor of labor productivity must be added to gain a more meaningful understanding of labor expenses. The potential benefit of low cost labor can be fully realized only if productivity levels are improved, especially in the more labor-intensive garment manufacturing sector. In Pakistan, there is a general shortage of highly skilled labor and good management personnel, particularly at the middle management level. This, likewise, has inhibited product development, innovation and fashion design in Pakistan.
## Apparel Manufacturing Labor Costs in 2008

<table>
<thead>
<tr>
<th>Countries</th>
<th>Labor Cost</th>
<th>Labor Cost</th>
<th>Labor Cost</th>
<th>Labor Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$ per hour</td>
<td>Biglions = 100</td>
<td>Vietnam = 100</td>
<td>India = 100</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>0.22</td>
<td>100</td>
<td>58</td>
<td>43</td>
</tr>
<tr>
<td>Cambodia</td>
<td>0.33</td>
<td>150</td>
<td>87</td>
<td>85</td>
</tr>
<tr>
<td>Pakistan</td>
<td>0.37</td>
<td>160</td>
<td>97</td>
<td>73</td>
</tr>
<tr>
<td>Vietnam</td>
<td>0.38</td>
<td>173</td>
<td>100</td>
<td>75</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>0.43</td>
<td>165</td>
<td>113</td>
<td>84</td>
</tr>
<tr>
<td>Indonesia</td>
<td>0.44</td>
<td>200</td>
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<td>86</td>
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<tr>
<td>India</td>
<td>0.51</td>
<td>232</td>
<td>134</td>
<td>100</td>
</tr>
<tr>
<td>Haiti</td>
<td>0.49-0.55</td>
<td>230</td>
<td>137</td>
<td>102</td>
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<tr>
<td>China III (Inland)*</td>
<td>0.55-0.80</td>
<td>365</td>
<td>176</td>
<td>131</td>
</tr>
<tr>
<td>Egypt</td>
<td>0.83</td>
<td>377</td>
<td>218</td>
<td>163</td>
</tr>
<tr>
<td>China II (Coastal 2)</td>
<td>0.86-0.94</td>
<td>409</td>
<td>237</td>
<td>176</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>0.97-1.03</td>
<td>455</td>
<td>253</td>
<td>196</td>
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<tr>
<td>Jordan</td>
<td>1.01</td>
<td>459</td>
<td>296</td>
<td>198</td>
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<tr>
<td>Russia</td>
<td>1.01</td>
<td>459</td>
<td>296</td>
<td>198</td>
</tr>
<tr>
<td>Philippines</td>
<td>1.07</td>
<td>486</td>
<td>282</td>
<td>210</td>
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<tr>
<td>China I (Coastal 1)</td>
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<td>461</td>
<td>284</td>
<td>212</td>
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<tr>
<td>Malaysia</td>
<td>1.18</td>
<td>530</td>
<td>311</td>
<td>231</td>
</tr>
<tr>
<td>Thailand</td>
<td>1.29-1.36</td>
<td>600</td>
<td>347</td>
<td>259</td>
</tr>
<tr>
<td>Colombia</td>
<td>1.42</td>
<td>645</td>
<td>374</td>
<td>273</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>1.53</td>
<td>695</td>
<td>403</td>
<td>300</td>
</tr>
<tr>
<td>Guatemala</td>
<td>1.55</td>
<td>750</td>
<td>434</td>
<td>324</td>
</tr>
<tr>
<td>Turkey</td>
<td>1.58</td>
<td>805</td>
<td>468</td>
<td>343</td>
</tr>
<tr>
<td>Mexico</td>
<td>1.55-1.96</td>
<td>765</td>
<td>461</td>
<td>343</td>
</tr>
<tr>
<td>S. Africa</td>
<td>1.75</td>
<td>795</td>
<td>461</td>
<td>343</td>
</tr>
<tr>
<td>Honduras</td>
<td>1.72-1.82</td>
<td>805</td>
<td>466</td>
<td>347</td>
</tr>
<tr>
<td>Peru</td>
<td>1.76</td>
<td>809</td>
<td>436</td>
<td>349</td>
</tr>
<tr>
<td>El Salvador</td>
<td>1.79</td>
<td>814</td>
<td>471</td>
<td>351</td>
</tr>
<tr>
<td>Lithuania</td>
<td>1.97</td>
<td>885</td>
<td>518</td>
<td>306</td>
</tr>
<tr>
<td>Morocco</td>
<td>1.97</td>
<td>885</td>
<td>518</td>
<td>306</td>
</tr>
<tr>
<td>Turkey</td>
<td>2.44</td>
<td>1,106</td>
<td>642</td>
<td>473</td>
</tr>
<tr>
<td>Mexico</td>
<td>2.54</td>
<td>1,155</td>
<td>656</td>
<td>490</td>
</tr>
<tr>
<td>Poland</td>
<td>2.55</td>
<td>1,156</td>
<td>671</td>
<td>500</td>
</tr>
<tr>
<td>Brazil</td>
<td>2.57</td>
<td>1,166</td>
<td>676</td>
<td>504</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>3.35</td>
<td>1,523</td>
<td>882</td>
<td>657</td>
</tr>
<tr>
<td>Slovakia</td>
<td>3.44</td>
<td>1,584</td>
<td>936</td>
<td>675</td>
</tr>
<tr>
<td>Slovenia</td>
<td>3.55</td>
<td>1,814</td>
<td>934</td>
<td>696</td>
</tr>
<tr>
<td>Romania</td>
<td>4.03</td>
<td>1,832</td>
<td>1,061</td>
<td>700</td>
</tr>
<tr>
<td>Latvia</td>
<td>4.23</td>
<td>1,923</td>
<td>1,113</td>
<td>829</td>
</tr>
<tr>
<td>Hungary</td>
<td>4.45</td>
<td>2,023</td>
<td>1,171</td>
<td>873</td>
</tr>
</tbody>
</table>

Source: Jasan – O’Reurke Group, LLC


Table 1: FMCG companies in Pakistan
FMCG companies in Pakistan

Unilever Pakistan LTD (UPL)
Procter & Gamble LTD
Continental biscuits limited
Nestle Pakistan LTD
Zulfeqar Industries
Coca-cola
Colgate-Palmolive (Pakistan)
Lay’s
L’Oreal
Marriana international

Literature review

Vandana Chandra, 2010 suggested that at first the FMCG companies ignores the rural market but as the time passes they started taking interest in selling the products in rural areas. In order to find the effect of consumer behavior on FMCG’s they have taken few dimensions that are income level of consumers, socio-economic status, demographics and geographical dispersion. They have taken different categories of the FMCG’s and note what consumer want to get. Most of the consumers as they have low income they choose small sachets packs for their use. About one third of population is below 35, so there is a chance of boom in consumption level because of young population. It will make a significant impact on the sector. And also there is huge potential of further consumption of goods and services due to the increased in the income level. But as we see in the rural areas as the consumer don’t have much money to spend on these products so they small or medium packs but however large or family packs are also being used by consumer having high incomes. The 4A’s model of Availability, Affordability, Acceptability and Awareness provide us with a means of developing appropriate strategies to tackle the market (according to Aithal, K Rajesh 2004).

Mayer and Buckley in 1970 suggested that Socio economic class referred to as people having same social or economic status, such as working class, professional class, upper and middle class. In their study on consumer buying behavior resulted that particular life conditions can be differentiated by social classes affects person's place in society, their buying behavior, living styles, opportunities and colors. As in Pakistan there is more population is residing in rural areas can affect the buying of FMCG products.

Aaker in 1991 concluded that under the influence of brand loyalty consumers continue to buy regardless the features, prices and convenience owned by its competitors. The more loyal the consumers are towards the brand, the less vulnerable the customer will be. Based on the practice that repeated purchase is one of the indicators for brand loyalty, Keller (1998). Brand loyalty can be benefited in three ways according to (Aaker, 1991). First, it can help reduce the cost of marketing of organization. Loyal customers have a higher possibility of repeat purchases and it is less costly to retain customers than to get new ones. Second, loyalty to a brand can enhance trade leverage. Some consumers with strong affiliation to one brand would switch to the shop in which a designated brand is sold. Third, loyal customers also can influence the others to purchase the brand. It is important to understand, how much loyal the customers are, to set proper organization strategies.
Martijn Pruijsen (June 2008) suggested that the brand knowledge and brand image and corporate image can less or high effect consumer buying behavior which is very critical finding and it represents that other factors are which also strongly effect the consumer buying behaviour such as family, friends or other reference group influences. Rossiter & Percy (1987, p.113) said that brand awareness increase the ability of buyers to identify and recall brand from memory. Brand awareness is highly affected by the demographics of people such as age, education and gender etc. Keller (1993, p.3) how much the people have strong brand awareness and it easily and quickly comes in mind the likelihood of brand purchase increases. In rural areas of Pakistan there is less literacy rate, which can affect the brand knowledge and thinking styles of whereas consumers, According to my thinking, proper marketing channels can enhance the brand knowledge and awareness to customers.

Basu Purba (2004) suggested that the lifestyles and behavioral patterns of rural consumers are changing. She takes into account the study of National Council for Applied Economic Research (NCAER). According to the NCAER projections, the number of middle and high income households in rural area is expected to grow from 140 million to 190 million by 2007. In Pakistan where the population is increasing day by day which will create huge demand for FMCG products in the future. It is important to consider the different demographics like income, age, education, gender of people which change their life styles.

Edward James Hallam, in 2008, suggested that the two constructs, product quality and satisfaction, are strongly related to each other. For the research in consumers’ satisfaction is seen more as a psychological state, which exhibits an overall feeling of consumers’ purchase and experience they had with the consumption with FMCG. Consumers’ perceived product quality is also theorizing as an antecedent to consumers’ overall levels of satisfaction. For FMCG companies to grow and survive in constantly competitive environment they must have clear understanding of customer perceived quality and expectation. The focus was to investigate customer’s perceived levels of product quality and also the overall level of satisfaction experience by the customer. Product offerings can be held to have common qualities such as safety in use, attractive and/or expensive looking packaging, natural ingredients (no artificial additives), and a well-known brand name (as a quality guarantee) and also meeting the industry standards. A well-known brand and long & stable market reputation are seen as very important elements in assuring high quality for all FMCG products (ACNielsen 2003). According to Anton and Perkins (1997:35), WOM recommendations (i.e., recommendations from friends and relatives) play an important role in consumers’ purchase of a product.

Paula Bennett, Mike Brennan and Zane Kearns, 2003 suggested that the consumer on average select the high priced products when prices in list are given in descending order and when the range of prices are wide rather than narrow. In order to check the affect of price on FMCG’s three categories of prices, price range, price order and number of price points are made to check that average price the respondents are willing to pay. It was noted that there are some other variables like income level of people and the age of the respondents also affects the FMCG’s. The effect on choice of respondent characteristics such as level of income has been noted in another study (Brennan & Laafai, 2003).

Price and quality are the major factors considered while purchasing FMCG products rather than only influence of advertising, are the major findings of the study conducted by Mr. Sukesh Singla, MBA final year student of Chitkara Business School under the guidance of Dr. Sandhir Sharma, Professor at CBS, Chitkara University.
Research objectives

- Evaluate the consumer behavior regarding different FMCG’s
- Evaluate the demand patterns of FMCG’s
- To understand how much the consumer consider the quality of products
- To understand that how the price of FMCG’s effect the consumer behavior
- To understand how demographics affect the demand patterns (age, income and gender) of consumers

Research Methodology

We have selected one independent variable and one dependent variable. The independent variable is the consumer behavior and to obtain the CB we have selected some moderating variables price, demographics (age income education and sex), quality, brand image and loyalty and in the last we have socio-economic status. And the dependent variable is FMCG’S (fast moving consumer goods).

Variables

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Behavior</td>
<td>FMCG products</td>
</tr>
</tbody>
</table>

Moderating variables

- Price
- Demographics (age, income, gender)
- Quality
- Brand Image & brand loyalty
- Socio-economic status

Model

On one side there is independent variable CB which can be determine from the moderating variables which are given above demographics, price, socio economic status, quality, brand image and loyalty. And on the right side there is dependent variable fast moving consumer goods.
Hypothesis
H1: the consumer behavior is affected by FMCG’s
H2: The buying behavior of consumer regarding FMCG didn’t much affected by the price

Population
The total population of Okara is 27,915 (according to national construction bureau govt. of Pakistan). Out of which 69% people are living in rural areas and 31% in urban area (according to govt. of Punjab, census 2004). As we can see most of the population of is living in rural areas and the literacy rate is also low in these areas as the job opportunities.

Sampling
We are targeting the Okara market. The sample we have taken is of 100 respondents and taken the information from different household, working people (male and female), college students and senior citizens. We have taken data from upper class, middle class and middle class (people having income more than 15,000).

Analysis
Table 2: DEMOGRAPHICAL ANALYSIS

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>59%</td>
<td>41%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Housewife</th>
<th>Employed</th>
<th>Students</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>37%</td>
<td>56%</td>
<td>07%</td>
<td>00%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Location</th>
<th>City</th>
<th>Town</th>
<th>Village</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>52%</td>
<td>32%</td>
<td>13%</td>
<td>03%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age</th>
<th>20-30</th>
<th>31-40</th>
<th>41-50</th>
<th>51 and above</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>01%</td>
<td>34%</td>
<td>33%</td>
<td>32%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Monthly income</th>
<th>Less than 10,000</th>
<th>10,000-25,000</th>
<th>25,000-50,000</th>
<th>50,000 and above</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>09%</td>
<td>28%</td>
<td>32%</td>
<td>31%</td>
</tr>
</tbody>
</table>

The above table shows the different demographics of the respondents we can see that there 59% of the respondents are male and 41% of the respondents are female it shows that most of the FMCG’s are purchased by males. And there is another factor that as most of the males is the only employed person in the family so they prefer to purchase the products. As we can see in the table that most of the respondents are employed about 56% in which we have male and female both are included. Then we have 37% housewives from which we obtain the data and 7% are the students. We have targeted the market in which most of the respondents live in the city like 52%, 32% are from town, 13% from village and 7% in other areas. We have different age category of the respondents in which we have 20-30 is 1%, 20-30 age group respondents are 33%, 40-50 age group respondents are 34% and 50& above age group respondents are 32%.
The income of different respondents is being showed. The respondents in less than 10,000 categories are 9%, respondents in 10,000-25,000 income are 28%, in 25,000-50,000 are 32% and 50,000 and above are 31%.

**Are you familiar with FMCG’S (fast moving consumer goods)?**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>86</td>
<td>84.3</td>
<td>86.0</td>
<td>86.0</td>
</tr>
<tr>
<td>To some extent</td>
<td>14</td>
<td>13.7</td>
<td>14.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>98.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>System</td>
<td>2</td>
<td>2.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>102</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Fig 1

Most of the respondents are familiar with the FMCG’s. When the data is taken at the spot they are being told about it also people may not familiar with the name but deals with the concept. About 86% are familiar and about 14% are not.
Above graph shows that about 88% respondents shop for the grocery items and 14% make it sometimes. As we have targeted those respondents who are more than 25 so they do go for shopping.
The above graph shows that about 37% respondents buys the products on the daily basis, 32% buys on the weekly basis and 31% on monthly basis. As most of respondents income is between 10,000- 50,000 but the people buys the products mostly on daily basis.
When do you prefer to purchase?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Daily basis</td>
<td>37</td>
<td>36.3</td>
<td>37.0</td>
</tr>
<tr>
<td></td>
<td>Weekly basis</td>
<td>32</td>
<td>31.4</td>
<td>32.0</td>
</tr>
<tr>
<td></td>
<td>Monthly basis</td>
<td>31</td>
<td>30.4</td>
<td>31.0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>100</td>
<td>98.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Missing</td>
<td>System</td>
<td>2</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>102</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Fig 4

Are you satisfied with the products you are using?

The above graph shows that most of the respondents are satisfied with the products they are using. It also shows that the respondents are brand loyal. They don’t want to switch to new brands that easy. About 70% are satisfied with the products they are using and about 30% respondents are not satisfied the products they are using. These are the respondents who are not brand loyal.
What do you prefer when shop?

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>55</td>
<td>53.9</td>
<td>55.0</td>
<td>55.0</td>
</tr>
<tr>
<td>Quality</td>
<td>45</td>
<td>44.1</td>
<td>45.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>98.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing System</td>
<td>2</td>
<td>2.0</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>102</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Fig 5

In the above graph the respondents are asked about what people prefer when they shop and most of the people replied with price about 55% and other with quality about 45%. There are other categories but respondents don’t really want to tell the exact answer. Respondents are price conscious because of their low income in this economic situation where prices are so high.
In the above the graph the respondents are asked from where they purchase the products and most of the respondents answer with near store. About 67% answer with near store as there is no big retail store so they have to buy the products from the near store. About 15% buys from the retail stores and 18% from the utility stores.
In the above the respondents are asked if they are brand conscious the people replied with Yes are about 37% as we have mostly people having 25,000 and above and respondents go with No are also about 37% because also people in below then 15,000 income. And few replied with sometimes about 26% because it depends on the product they are purchasing. and also the occupation and education is the factor.
In the graph respondents are asked with the toothpaste they prefer. Most of the respondent answered with Medicam as it is available on the every near store and also because people are price conscious. About 42% respondents go with medicam, 36% go with colgate, 6% with English and 16% uses others in which some imported toothpaste are used and some other toothpaste brands.
The above graph show what lotion/cream do the respondents prefer. About 30% of respondents go with fair & lovely as there about 59% of the women most of them use it and other uses others. About 7% go with pounds and 63% go with others. In which we have dove, Garnier, Vaseline and others.
Fig 10

In the above graph the respondents are asked about the chips they prefer to have and most of the respondents replied with lay’s 59%, kurkure 1%, potato chips 4% and 36% replied with others. In other’s we have cheetos and others but most people have lay’s because it is available in different sizes and everyone can eat it according to their income.
Which biscuits do you prefer?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuc</td>
<td>19</td>
<td>18.6</td>
<td>19.0</td>
<td>19.0</td>
</tr>
<tr>
<td>Café</td>
<td>22</td>
<td>21.6</td>
<td>22.0</td>
<td>41.0</td>
</tr>
<tr>
<td>Chocolate chip</td>
<td>14</td>
<td>13.7</td>
<td>14.0</td>
<td>55.0</td>
</tr>
<tr>
<td>others</td>
<td>45</td>
<td>44.1</td>
<td>45.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>98.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing</td>
<td>System</td>
<td>2</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>102</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Fig 11

The above graph shows the biscuits preferred by the respondents in which most of the respondents replied with the other option because there is so much variety of biscuit which all cannot be included in this category. Which includes lemon sandwich, gala, sooper, biscuits, bakeri, nice, zera plus and so much more. The respondents go with tuc 19%, 22% with café, 14% with chocolate chip and 45% with others.
Which shampoo do you prefer?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>pentene</td>
<td>25</td>
<td>24.5</td>
<td>25.0</td>
<td>25.0</td>
</tr>
<tr>
<td>Sunsilk</td>
<td>41</td>
<td>40.2</td>
<td>41.0</td>
<td>66.0</td>
</tr>
<tr>
<td>Garnier</td>
<td>14</td>
<td>13.7</td>
<td>14.0</td>
<td>80.0</td>
</tr>
<tr>
<td>others</td>
<td>20</td>
<td>19.6</td>
<td>20.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
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<td>98.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>System</td>
<td>2</td>
<td>2.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>102</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Fig 12

In the above graph the respondents are asked about the shampoo’s they are using and most of the respondents replied with sunsilk about 41%, 25% with pentene, 14% with Garnier and 20% with others. Different respondents also use different packs like sachets, medium and large packs according to the family size and their income.
Which detergent do you prefer?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aerial</td>
<td>7</td>
<td>6.9</td>
<td>7.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Surf Excel</td>
<td>48</td>
<td>47.1</td>
<td>48.0</td>
<td>55.0</td>
</tr>
<tr>
<td>Express</td>
<td>6</td>
<td>5.9</td>
<td>6.0</td>
<td>61.0</td>
</tr>
<tr>
<td>others</td>
<td>39</td>
<td>38.2</td>
<td>39.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>98.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>System</td>
<td>2</td>
<td>2.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>102</td>
<td>100.0</td>
<td></td>
<td></td>
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</tbody>
</table>

In the above graph the preference of detergents are checked. Most of the respondents uses surf excel about 48%, aerial 6%, express 7% and others. Because it is giving the best quality and people are also brand conscious so they prefer it.
What soap do you prefer?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capri</td>
<td>19</td>
<td>18.6</td>
<td>19.0</td>
<td>19.0</td>
</tr>
<tr>
<td>LUX</td>
<td>40</td>
<td>39.2</td>
<td>40.0</td>
<td>59.0</td>
</tr>
<tr>
<td>others</td>
<td>41</td>
<td>40.2</td>
<td>41.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>98.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing</td>
<td>System</td>
<td>2</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>102</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Fig 14

The above graph shows the soap most of the people prefer and it is LUX about 40% uses it and then Capri a local company about 19% and others 41%. There is lifebuoy, dove and others.
Which cooking oil do you prefer?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dalda</td>
<td>15</td>
<td>14.7</td>
<td>15.0</td>
<td>15.0</td>
</tr>
<tr>
<td>Mezan</td>
<td>14</td>
<td>13.7</td>
<td>14.0</td>
<td>29.0</td>
</tr>
<tr>
<td>Kisan</td>
<td>13</td>
<td>12.7</td>
<td>13.0</td>
<td>42.0</td>
</tr>
<tr>
<td>Nemat</td>
<td>26</td>
<td>25.5</td>
<td>26.0</td>
<td>68.0</td>
</tr>
<tr>
<td>Others</td>
<td>32</td>
<td>31.4</td>
<td>32.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>98.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing</td>
<td>2</td>
<td>2.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>102</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Fig 15

The above graph shows that different people use different cooking oils few go with the local company Nemat about 26%, Dalda 15%, Mezan 14%, Kisan 13% and others 32%.
The above graph shows the drinks most people prefer and they go with coke about 37%, sprite 32%, fanta 16% and other 15%.
Which pack do you prefer?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid small pack</td>
<td>37</td>
<td>36.3</td>
<td>37.0</td>
<td>37.0</td>
</tr>
<tr>
<td>medium pack</td>
<td>32</td>
<td>31.4</td>
<td>32.0</td>
<td>69.0</td>
</tr>
<tr>
<td>large pack</td>
<td>31</td>
<td>30.4</td>
<td>31.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>98.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing System</td>
<td>2</td>
<td>2.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>102</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The above graph shows that most of the people buy small packs for different products as they purchased on weekly basis. About 37% go with small packs, 32% go with medium packs and 31% go with large packs. People use different packs for different products. But mostly go with the small packs.
### Table 3

<table>
<thead>
<tr>
<th>Variables</th>
<th>Valid</th>
<th>Missing value</th>
<th>Mean</th>
<th>Mode</th>
<th>Standard deviation</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awareness</td>
<td>100</td>
<td>2</td>
<td>1.28</td>
<td>1</td>
<td>.697</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Shop items</td>
<td>100</td>
<td>2</td>
<td>1.24</td>
<td>1</td>
<td>.653</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Prefer purchase</td>
<td>100</td>
<td>2</td>
<td>1.94</td>
<td>1</td>
<td>.827</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>100</td>
<td>2</td>
<td>1.60</td>
<td>1</td>
<td>.921</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Brand conscious</td>
<td>100</td>
<td>2</td>
<td>1.89</td>
<td>1</td>
<td>.790</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Purchase product</td>
<td>100</td>
<td>2</td>
<td>1.51</td>
<td>1</td>
<td>.785</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Prefer in shop</td>
<td>100</td>
<td>2</td>
<td>1.45</td>
<td>1</td>
<td>.500</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Soap</td>
<td>100</td>
<td>2</td>
<td>2.63</td>
<td>4</td>
<td>1.203</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Detergent</td>
<td>100</td>
<td>2</td>
<td>2.77</td>
<td>2</td>
<td>1.053</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Tooth paste</td>
<td>100</td>
<td>2</td>
<td>2.62</td>
<td>2</td>
<td>.826</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Shampoo</td>
<td>100</td>
<td>2</td>
<td>2.29</td>
<td>2</td>
<td>1.057</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Lotion</td>
<td>100</td>
<td>2</td>
<td>3.03</td>
<td>4</td>
<td>1.359</td>
<td>1</td>
<td>4</td>
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<tr>
<td>Pack size</td>
<td>100</td>
<td>2</td>
<td>2.94</td>
<td>2</td>
<td>.827</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Biscuits</td>
<td>100</td>
<td>2</td>
<td>2.85</td>
<td>4</td>
<td>1.192</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Chips</td>
<td>100</td>
<td>2</td>
<td>2.17</td>
<td>1</td>
<td>1.436</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Drinks</td>
<td>100</td>
<td>2</td>
<td>2.09</td>
<td>1</td>
<td>1.065</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Cooking oil</td>
<td>100</td>
<td>2</td>
<td>3.46</td>
<td>5</td>
<td>1.445</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>

**Findings**

In this report we can see that there are different people to which we have targeted different category people. The people with the income of 10,000 to 50,000 are the mostly people this is the middle class. We also do have the category of the people of upper class but they are not much in Okara. And the people living below poverty line are not targeted because they are spending their life on few pennies and they just want to feed their self regardless of thinking what they have. Different people are using different company’s products so it’s hard to find a particular in Okara. If we see in overall Pakistan we can see that P&G and Unilever is top most companies but if we particularly see our target market then the people are also using the local companies.
In toothpaste we have Marriana international’s medicam which covers the most area in the target market. Then we have the lotion/cream category most of the people use Unilever’s fair & lovely and also some other companies are also there to give them competition like L’Oreal and some local companies. Then in chips most of the market share is obtained by lay’s it’s a multinational company but as it is available in different packs and taste is different most people wants to purchase it. In biscuits we have a local company LU providing different biscuits.

In shampoos, soaps, detergents and cooking oil Unilever is the top most company. In detergents P&G products are also used. In soaps Zulfeqar Industry’s Capri also got some market share. In shampoo’s L’Oreal’s products are also used by the people. In cooking oil a local brand Nemat also cover a good market share. In drinks the most shares is covered by Coca-cola but also sprite, Fanta and dew.

We have obtained the consumer behavior through different dimensions. Different respondent’s data have collected from the primary source. But there is also a thing that people don’t tell or give the right information regarding the questions asked about the income and others.

**Recommendations and suggestions**

The researcher wants to give few suggestions for the upcoming organizations in this field as well as the existing firms.

As we know that the demand of product is affected by its life cycle. If the product is in the introduction stage then it will defiantly be getting sometime to capture the market share and to create the awareness of the brand so it is necessary for the organizations to create brand awareness in the customers for that they can use different marketing strategies like sales promotion, direct marketing and others.

The consumer is trading up to experience the new or what he hasn’t. He’s looking for products with better functionality, quality, value, and so on. What he ‘needs’ is fast getting replaced with what he ‘wants’? A new report by Booz & Company for the Confederation of Indian Industry (CII), called FMCG Roadmap to 2020. Provide the customer with what he actually wants. After the awareness is being created then the promotional activities should be done and remind the customer of what one have.

If we see in the current market there are not enough retail stores to buy the FMCG’s there is a potential in this market. New stores can be opened and the people should be provided good high quality products at low prices. There are not much stores even in the surrounding areas of our target market so some new stores over there can also be built.

The other can be the *4A’s of marketing which may help the firms to make their flourish in this field  

(4A’S= Availability, Affordability, Awareness and Acceptance)

**Limitations**

Sample size- we just chose only 100 people as a sample in our study.

Accuracy- For understand the real facts and data; we conduct this study only to the educated people for accurate results.

Inadequate information- Uneducated people have not the proper knowledge about fast moving consumer’s product

Area of study- Our area of study is very limited having only few nearby locations in Okara district.
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Mr. Sukesh Singla, MBA final year student of Chitkara Business School under the guidance of Dr. Sandhir Sharma, Professor at CBS, Chitkara University.
1. Questionnaire

A dissertation report on “The impact of Consumer Behavior on FMCG’s”

Name_______________________

Gender a) Male b) female

Occupation a) housewife b) employed c) student d) others

Location a) city b) town c) village d) others

Age a) 20-30 b) 30-40 c) 40-50 d) 50 and above

Monthly income a) Less than 10,000 b) 10,000-25,000 c) 25,000-50,000 d) 50,000 and above

---------------------------------------------------------------

1) Are u familiar with FMCG’S (fast moving consumer goods)?
   a) Yes b) No c) To some extent

2) Do you shop for grocery items?
   a) Yes b) No c) Sometimes

3) When do you prefer to purchase?
   a) Daily base b) weekly base c) Monthly d) others_______

4) Are you satisfied with the products you are using?
   a) Yes b) No c) To some extent

5) Are you brand conscious?
   a) Yes b) No c) Sometime

6) From where you purchase the products?
   a) Near store b) Retail store c) Utility store d) others_______

7) What do you prefer when shop?
   a) Price b) Quality c) Convenience d) Others ________

8) Which soap do you prefer?
   a) Capri b) LUX c) Golden d) Pearl e) Others

9) Which detergents do you prefer?
   a) Aerial b) Surf Excel c) Express d) Others___________
10) Which toothpaste do you prefer?
   a) English       b) Medicam     c) Colgate     d) Others

11) Which shampoo do you prefer?
   a) Pentene       b) Sunsilk     c) Garnier     d) Others

12) Which cream/lotion does u prefer to use?
   a) Fair & lovely b) Care        c) Pounds      d) Others

13) Which pack you prefer to use?
   a) Sachet        b) small pack   c) medium pack d) Large  e) Others

14) Which biscuits do you prefer?
   a) Tuc           b) Café        c) Chocolate chip   d) Others

15) Which chips do you prefer?
   a) Lay’s         b) kurkure     c) Potato chips d) Others

16) Which drink do you prefer?
   a) Coke          b) Sprite      c) Fanta       d) others

17) Which cooking oil do you prefer?
   a) Dalda         b) Mezan       c) Kisan       d) Nemat   e) Others

Any suggestions:
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
Impact of Privatization on Performance of State-Owned Enterprises in Pakistan

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Abstract
The purpose of this study was to investigate the impacts of privatization on the performance of the state-owned enterprises in various sectors of Pakistan. The approach to this paper was to find out the answers of the research questions such as, "What was the background of Privatization in Pakistan?", "What were the basic needs of Privatization in Pakistan?", "What were the effects of Privatization on the performance of various institutions in positive as well as negative manners?" and "What was the impact of privatization on banking sector of Pakistan?". By answering these questions conclusions of this study was drawn about Privatization in south Asian Countries especially in Pakistan and this study acknowledged that privatization is a very useful strategy by the government of Pakistan which has a positive impacts on overall performance of corporate bodies and economy of the state with some counter effects on working and labor conditions. Many options has explored in this study for future studies related to various aspects of privatization of many other sectors in Pakistan and many other developing countries as well.

Keywords: Privatization, Nationalization, Impact of Privatization on Banking Sector.

1. Introduction
Privatization is a way to re-allocate the resources and functions of public sector to private sector and it seems to be a cause which plays an important role in the mission for growth (Filipovic, 2005). Savas (2000); Shah, Haroon-Ur-Rashid, Ullah, and Ahmed (2009) stated that privatization, also called denationalization, is a process in which ownership of the enterprises is transferred to private sector from the government. Moreover, Megginson and Netter (2001) reported that privatization is deliberate sale of state-owned enterprises (SOEs) to private hands by a government. According to Aftab and Nasr (2008), there is a lot of difference between the government and private owned enterprises’ performance and assumed that private ownership performs better then government. Kikeri, Nellis, and Shirley (1992) believed on this fact that the share of government tenure is going to be reducing due to increasing trend towards privatization of various enterprises in developing countries. Subsequently, Joshi (1999) told that when a lucrative public sector enterprise sale out to general public, it attracts others to take interest in privatization process.

Yoganandan (2010) reported that Pakistan has adopted the ‘economic liberalization’ not as a policy for development but as a requirement imposed by International Monetary Fund (IMF) and World Bank and privatization process has faced strong resistance from political entities and trade related unions. The political wagering, the panic of losing jobs and giving additional benefits to nears and dears created havoc to the privatization process (Yoganandan, 2010). Initially, the privatization was considered as an economical issue but later on it became the part of some political hindrances over the country’s real assets.
Privatization demands the government backed employees and supervisors to adjust in a new and sometime a sore environment of privatized company. So the need was to emphasis on managing the entire sector rather then an individual entity by the government (Megginson, 2000). In order to get the goals of privatization, all the government sectors must be accountable and political interference must be curbed with legal hands (ADB, 2008) and in order to get the more cost effective results from the sale of state-owned enterprises, there must be a restructuring policy, regarding various socio-economic issues, before and after the privatization process (Joshi, 1999). This important issue raised various questions to be answered and this study is aims at to address some of these questions.

2. Research Questions

The research questions of the study were:

RQ1  What was the background of Privatization in Pakistan?
RQ2  What were the basic needs of Privatization in Pakistan?
RQ3  What were the affects of Privatization on the performance of various institutions in positive as well as negative manners?
RQ4  What was the impact of privatization on banking sector of Pakistan?

According to a survey report, the transactions amounting $15 billions have been made in South Asia related to privatization process and Pakistan and India have major contributions. While in Pakistan, telecom, banking and production sectors were widely affected by privatization process (Kikeri, Nellis, & Shirley, 1992) and Lieberman, Sukiasyan, Traver and Welch (2003) observed that privatization has reduced the government ownership in finance sector especially in Europe and Central Asia.

3. History of Privatization in Pakistan

The idea of privatization was not new for Pakistani policy makers. In 1950s, Pakistan Industrial Development Corporation (PIDC) was formed for the purpose of development of industrial sector in the country. PIDC established more than 50 industrial entities with successful management and operations and than these undertakings were transferred to the private sector from public sector (Bokhari, 1998). Government of a country involved in the financial system was facing two types of views; development view; and political view. In development view, government intervenes in the financial institutions to give direction to their citizens for the purpose of development in the country. In developing countries, governments started to increase ownership in the financial institutions after observing the importance economic development in the period of 1960s and 1970s (Khalid, 2006) and it mostly government adopt only one type from above stated views.

In 1970s, Pakistani government took a step to redistribute national assets from the private employers to the State of Pakistan. At that time, Government realized that national wealth was in the hands of some families and the rich was becoming richer and the poor was becoming poorer (Ishrat Husain, 2005). Financial sector was nationalized in 1970s under Banks Nationalization Act 1974 (Khalid, 2006). All the entities were nationalized in 1970s in Pakistan (Bokhari, 1998). The step of nationalization was taken with the object to direct the financial institutions and to provide funds to the government (Khalid, 2006) but the size of public owned undertakings were increased unmanageable extent when nationalization policy was adopted in 1970s in Pakistan (Bokhari, 1998). In 1970, after failing to achieve the objectives of nationalization; the government had to reframe its strategies regarding
nationalization process. So, in 1977, the government modernized its policies to encourage the private entrepreneurs to participate in de-nationalization process (Yoganandan, 2010). Privatization process was started in late 1980s, but its full momentum was begun in 1991 when the Government of Pakistan formed “Privatization Commission of Pakistan” to create and support the practices of privatization (Bokhari, 1998).

According to Bokhari (1998), the privatization process became effective in Pakistan in 1991 but again privatization process got its track when the government set the foundation of ‘privatization Commission’ that enlist the name of 106 state-owned companies eligible for privatization proceeds in Pakistan (Yoganandan, 2010). Government announced privatization as its primary objective of economic policy in November 1990 and declared the agenda of privatization to cover the fields like banks, tele-communications, industries, development finance institutions and infrastructure facilities (Bokhari, 1998). The concept of privatization of public owned financial institutions was introduced in the early 1990s and two government owned banks (Muslim Commercial Banks and Allied Commercial Banks) were privatized (Khalid, 2006). The first banking sector reform initiated in late 1980s, while in 1992, two main financial institutions (Muslim Commercial bank and Allied bank of Pakistan) started their working under the liberalization policy in Pakistan (Yoganandan, 2010). Government of Pakistan constituted “Pakistan Telecommunication Corporation Ordinance” in 1991, for the purpose to develop private competition and licensed cellular phone companies. Total telecom sector was privatized and liberalized but PTCL was not. In 2006, 26% management share of PTCL was sold for 2.6 billion US dollar by Government of Pakistan to Etisalat, a UAE based company, and in this way; PTCL became totally private organization (Shah, Haroon-Ur-Rashid, Ullah, and Ahmed, 2009); ADB, 2008).

The period between 1992 to 1994, Pakistan privatized assets worth near to Rs. 120 billion and between 2001 to 2002 about Rs. 65 billion (Shah, Haroon-Ur-Rashid, Ullah, and Ahmed, 2009). In Feb 2002, government involved general public by creating their shares in public enterprises through a useful program to enhance their interest towards privatization in Pakistan (ADB, 2008). Until December 2006, notable planned sales in the sectors of finance, energy, electricity and manufacturing, have been made in Pakistan. The assets value PKR 418.6 billion had been privatized from 49 dealings (ADB, 2008) but in early 2007, the privatization program faced a hindrance when the privatization of the Pakistan Steel Mills (PSM) was stopped by the Supreme Court of Pakistan because of some major political and economic issues (ADB, 2008).

4. Needs for Privatization in Pakistan

Privatization is important to improve efficiency and to decrease financial burden of the government. The performance and development of state owned enterprises (SOEs) were not satisfactory; therefore, Government took the step of privatization of these enterprises for their betterment (Kikeri, Nellis, & Shirley, 1992). According to Joshi (1999), the need of privatization was usually based on 3 major reasons:

i. Increased the number of private enterprises in overall economic growth;

ii. Enhancement in the economic development and employment; and

iii. Decrease in the financial deficits.

But it was realized after two decades that nationalization was unrealistic and the results were not in the favor of Pakistan (Ishrat Husain, 2005). The size of public owned undertakings was increased unmanageable extent when nationalization policy was adopted in 1970s in Pakistan (Bokhari, 1998).
It was also observed that the reasons of privatization was that whenever a government manager was come to lead a company, his 1st objective was to hire the labor on political basis rather then merit (Aftab& Nasr, 2008). In Pakistan, the public offices were loaded with a large number of un-skilled employees selected on the basis of political references and highly paid, low morale of workers and lack of check and balance system created the need of privatization (Yoganandan, 2010) and the incompetency at public owned organizations was connected to the surplus of employees hired on the behalf of politicians. Continuous government control also became the cause of decrease in integrity and proved helpful to build constant pressures for advancing the loans toward preferred borrowers, and has a negative affects on earnings aspects of the banks (Caprio, Gerard, Fiechter, Litan, & Pomerleano, 2004). Therefore, there was a need to take serious steps to enhance the outcomes of state-owned organizations by making reasonable changes in our policies regarding privatization and open the doors for new entry in this sector (Kikeri, Nellis, & Shirley, 1992).

5. Impact of Privatization in Pakistan

Privatization has purely emphasis on economic goals rather then political goals, which let us to expand the market economy (Filipovic, 2005). The privatization or liberalization policies gave a great change in financial sectors (Khalid, 2006). Privatization of state-owned assets was anticipated to reduce waste, decrease corruption, and expand the attention and excellence of services such like financial sector (ADB, 2008). The impact of the privatization process was admirable in Pakistan. In Pakistan, Privatization was the cause of many successful improvements in the fields of banking, textile, telecom, sugar, cement and fertilizers. As a result, about 77 percent of commercial banks and 100 percent of telecom and textile companies are now handed over to private sector (ADB, 2008). The performance of privatized sectors like automobile, power generation, cement and financial institutions are satisfactory, improving in quality and financial health by new successful management (Bokhari, 1998).

Most of the developing countries have used privatization as an instrument to improve the performance of state-owned enterprises that shows relatively poor performance as compared to private enterprises (Kikeri, Nellis, & Shirley, 1992). Previous studies illustrated that not more then 79 state-owned companies of various developing countries displayed a remarkable change in profitability and efficiency from 1980 to 1992 and dramatically increase in productions, efficiency, profit, investment opportunities of the firms being privatized and they offered good returns on investment to their investors as private firms do, due to the privatization (Megginson, 2000) and workers have also benefited in terms of higher salaries and better working conditions (Bokhari, 1998).

It was observed that government encouraged the privatization policies to enhance efficiency, create competition, promote foreign direct investment and raise revenue for the government (Megginson, 2000). Privatization also provides a way for foreign direct investment (FDI) to come in and it also plays an important role in the growth and development (Filipovic, 2005). The privatization of PTCL and increasing number of cellular companies open many ways for foreign investors (ADB, 2008). Privatization can also helpful to diminish financing deficits arise mostly because of continuous losses of public enterprises and subsidization by the state (Joshi, 1999). In Pakistan, a major portion of the proposal value for privatization was used for payment of golden handshakes (Kemal,
Privatization helps us to gain efficiency, better financial results and growth in accessibility of credit for private owned firms (Filipovic, 2005). The performance of Pakistan Telecommunications Company Limited (PTCL) was increased after privatization and development came through technological changes, wireless communication technology and innovation in wired (Shah, Haroon-Ur-Rashid, Ullah, and Ahmed, 2009). In Pakistan, the formation of Pakistan Telecommunication Authority (PTA) and strong government policies regarding privatization of telecom sector were the key factors of the success of Pakistan Telecommunication Limited (PTCL) after its privatization in 2006 and it still lead the market with 98% of total market share (ADB, 2008). The performance of Karachi Electric Supply Corporation (KESC) was going to be improved after shifting of its control towards private sector from Government (ADB, 2008). The efficiency and performance of Kot Addu Power Company (KAPCO) had increased after its privatization in 1996 (Humayun & Anjum, 2000). The government concentration towards public sector lead inefficiency in banking zone (Haque, 1997) and it was a fact that the shift of ownership from public to private investor can bring a straight forward change in reward and labor policies in the boundaries of privatized entities, the power was shifted towards management and it discouraged the labor unions (Megginsen, 2000). In Pakistan, the part of labor union has been significantly reduced as privatization of a public enterprise (Joshi, 1999).

According to a recent survey, it was observed that more then 60-80 percent people felt that their living standards becoming worse after privatization process (Kikeri, Nellis, & Shirley, 1992). The policy of privatization was going to be shocking when Supreme Court of Pakistan issued a decision against the privatization of Pakistan Steel Mill due to controversy in the process of privatization (The News, 2006; MCB Bank Limited; and Shah, Haroon-Ur-Rashid, Ullah, and Ahmed, 2009). It was concluded by one of the researcher that high un-employment, low performance of agriculture-trade sectors, increase poverty and many other problems were the results of privatization process in Pakistan (Yoganandan, 2010). The privatization of some sectors like roti plants and edible oil was not so result oriented (Bokhari, 1998). Privatization generally leads to bad economic fluctuations, worse liberalizing policies and deficiency of public information (Kikeri, Nellis, & Shirley, 1992).

6. Impact of Privatization on Banking Sector in Pakistan

In Pakistan, the privatization of financial sector became more effective when there was a remarkable change in ownership towards private sector from public sector and its aggregate assets worthiness had increased from 44% to 77% during 2000-05 (ADB, 2008). Also the share in the assets of government owned banks was reduced from 92 percent in 1990 to 41 percent in 2002. The share in the deposits of private banks reached from 0 to 45 percent in 1990 and the share in deposits of public owned banks was reduced from 93 percent in 1990 to 43.5 percent (Khalid, 2006). In the time of Nationalization, banking sector was badly affected by the incompetent management control, overstaffing and inefficient policies. This situation creates the need of privatization of banking sector of Pakistan (ADB, 2008).
Table 1: The Impact of Privatization on Assets in Banking Sector

<table>
<thead>
<tr>
<th>Years</th>
<th>Number</th>
<th>Share (%)</th>
<th>Amount (Rs. billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>7</td>
<td>5</td>
<td>92.2</td>
</tr>
<tr>
<td>Private</td>
<td>-</td>
<td>16</td>
<td>-</td>
</tr>
<tr>
<td>Foreign</td>
<td>17</td>
<td>17</td>
<td>7.8</td>
</tr>
<tr>
<td>Total</td>
<td>24</td>
<td>38</td>
<td>100</td>
</tr>
</tbody>
</table>


Figure 1: Percentage of Shares in Assets in Banking Sector before and after Privatization


Figure 2: Amount in Billions in Assets in Banking Sector before and after Privatization

Table 2: The Impact of Privatization on Deposits in Banking Sector in Pakistan

<table>
<thead>
<tr>
<th>Years</th>
<th>Number</th>
<th>Share (%)</th>
<th>Amount (Rs. Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>7</td>
<td>5</td>
<td>93</td>
</tr>
<tr>
<td>Private</td>
<td>-</td>
<td>16</td>
<td>-</td>
</tr>
<tr>
<td>Foreign</td>
<td>17</td>
<td>17</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>24</td>
<td>38</td>
<td>100</td>
</tr>
</tbody>
</table>


Figure 3: Percentage of Shares in Deposits in Banking Sector before and after Privatization


Figure 4: Amount in Billions in Deposits in Banking Sector before and after Privatization

Table 3: Privatization and Budgetary Deficit variations of Different South Asian Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>No. of units privatized</th>
<th>Budgetary Deficit (% age of GDP)</th>
<th>Privatizations receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sri Lanka</td>
<td>75</td>
<td>7.7</td>
<td>$715 millions</td>
</tr>
<tr>
<td>India</td>
<td>39</td>
<td>6.5</td>
<td>Rs. 126.38 billions</td>
</tr>
<tr>
<td>Nepal</td>
<td>10</td>
<td>6.4</td>
<td>Rs. 797 millions</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>1083</td>
<td>5.4</td>
<td>$ 2.0 millions</td>
</tr>
<tr>
<td>Pakistan</td>
<td>106</td>
<td>5.4</td>
<td>Rs. 59.6 billions</td>
</tr>
</tbody>
</table>

Source: Regional meeting on privatization in South Asia, November (1999)

7. Conclusions

The aim of our study was to know, how privatization can affect the outcomes of an organization. Research questions were used to support our findings and it was concluded that there was a deep and positive impact of privatization process on the performance of various entities in Pakistan. Our past showed that privatization always shaped desirable results regarding various industries such as auto-mobile, cement, telecom and power generation organizations. Volume, profit, efficiency, progress; promoted FDI and investment opportunities increased; and improved working conditions in the organizations and living standards of the employees also increased due to privatization and there was a highly significant impact of privatization on the performance of financial institutions especially in banking sector. Privatization also produced many strict rules and regulations regarding labor and working environment but it can be improved by making flexible policies. The limitation of our study was that it discussed the performance analysis of banking sector of Pakistan only but it opens many doors for future studies about other sectors of Pakistan like power generation companies, cement industries, telecommunication companies that are being privatized till date.
References


Effect of Personal's Performance Assessment System (PPAS) on Human Resources Productivity (HRP) in Isfahan Province Telecommunication Company

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Abstract

Nowadays, management in organizations seeks for establishment of those systems which ensure appropriate conditions for increasing productivity in order to reach intended goals. Among the main systems in an organization is personal's performance assessment system (PPAS) which analysis personal's behavior, their qualifications and development to reach goals of the organization, clearing personnel training needs and presenting necessary feedback to them. Personal's performance assessment helps in realization and development of organizational knowledge level goals and productivity. It can result in human resource upgrading and development. The objective of this research was to make an analysis of the effects of personal's performance assessment system on human resources productivity. The research framework and Performance has been assessed in view of the components of Hersi and Goldsmith Model. The related data has been gathered from Isfahan Telecommunication Company. The survey hypothesis was "there is a relationship between personal's performance assessment and human resources productivity". The research is considered applicable, descriptive-analytical, survey type. It has been implemented in a cross-sectional with statistical sampling of 114 personnel from Isfahan Telecommunication Corporation, which has been achieved using improbable sample taking method. To gather the data a questionnaire has been distributed. For analyzing the data and testing hypothesis descriptive statistical methods (frequency table, mean and etc) and inferential statistical methods (variance analysis and T-test) have been used. SPSS software has been used in all phases for data analysis. In general, the results of the tests done and those achieved from analysis of data in Isfahan Telecommunication Company indicated that there is not a significant relationship between PPAS and HRP in this Company. Accordingly, it means that PPAS has no effect on HRP in the Isfahan Telecommunication Corporation.

Key words: Personal’s Performance Assessment (PPA), Human Resources productivity (HRP), Performance Management and Human Resources.
Introduction
Compiling and executing of an appraisal program of employees' effective performance is one of the actions that will be leaded to individual performance improvement and organizational effectiveness. Appraisal in human resources management is one of the key tasks through which the existent situations of human forces are studied and their weakness and strength points are identified. Every individual in each organization needs to understand his situation for progression and attaining of his determined job purposes. Such understanding helps him to be aware of his weakness and strength points and apply necessary and proper modifications or arrangements so that his attempts would be effective.

Research literature
Too many topics and issues have been mentioned in the ground of appraisal. It is certain that appraisal has been considered as one of the main tasks and performances of modern management and even classic management in the scope of management performance and tasks. Today, this situation still continues to be the same. Practical and operational planning on the organization's personnel will be effective when they are evaluated based on a proper appraisal system and their deficiencies are removed.

Appraisal process includes the task of a formal series of actions for studying of employee's performance during a certain time period which consists of all the behaviors of individual in relation to his function during the time period (Soltani, 2005).

Appraisal resources of employees' performance
1- Direct leaders and managers
2- Partner
3- Subordinates
4- Self-evaluation
5- Committee appraisal

Concept of performance management
Performance management plays a major role in human resources development as a modern management attitude. It is possible to provide the necessary grounds for implementation of process of resources development by performance management. It is a process based on a series of activities and has been constructed to improve efficiency and organizational effectiveness through securing of continuous improvement of individuals and groups' performance. Performance management is a part of human resources management (HRM) that its task is to create relation among management and also considers individuals' creativities and innovations in performance appraisal process (Soltani, 2010).

Generalities about various aspects of productivity
The term "productivity" was proposed for the first time in an article by Quensnay in 1776. Subsequently, in 1883 Litter defined productivity as of "power and ability of production that states concept of enthusiasm for production. This term obtains a more precise concept as of the relationship between output and applied factors and tools in order to produce that output.

Effective factors on increasing productivity level
Enhancement of productivity needs comprehensive planned attempts and is obtained through applying of different criteria of productivity in practice that are:
1- qualitative improvement of the work factor
2- modifying the manager and employees' relations and accurate leadership
3- applying of employees' opinions and suggestions
4- achievements of technology  
5- Increasing of investment in equipments and machineries.  
6- savings resulted from production in extensive scale (Imaee,1996)

**Models expressive of effective factors on human resources productivity**

In addition to the viewpoints that are considered in relation to the effective factors on productivity, it is possible to propose models in the form of working performance of the organization and especially human resources (as the creator of productivity). Two samples of it are presented here:

- Murray Inswurth and Neivil Smith model  
- Hersey and Goldsmith model

Given the current conditions and factors in Isfahan Electronic Communications Company, Hersey and Goldsmith model is used as framework for this survey.

**Introducing Hersey and Goldsmith model**

**Achieve** model has been designed by Hersey and Goldsmith in order to help managers to determine the reason for performance problems and establishing change strategies for solving such problems.

The manager will evaluate the manner of impact of the current or potential performance of employees and improving of their productivity in the field of a certain task by means of Achieve model. Then he must take the necessary steps according to unique condition of that specific problem. There are seven current actions in this model along with the conventional remedies in order to solve such problems. (Hersey, 1997)

<table>
<thead>
<tr>
<th>1- ability (knowledge and skills)</th>
<th>2- clarity (understanding or conceiving of role)</th>
<th>3- assistance (organizational support)</th>
<th>4- motivation</th>
<th>5- appraisal (education and performance feedback)</th>
<th>6- authenticity (authentic and legal acts of the personnel)</th>
<th>7- environment (environmental proportion)</th>
</tr>
</thead>
</table>

**Research background**

In 2010 a thesis entitled "comparison of performance appraisal system and human resources productivity in Financial Affairs and Electric Communications Company in Ardebil province" has been performed by M. H. Madani. The major purpose of this research was to measure the amount of impact of performance appraisal system on human resources productivity. Performance appraisal was measured with regards to two aspects of being fair and the individual's awareness from his performance. Obtained results of human resources productivity in two organizations revealed that there was a significant difference between various levels of performance appraisal and human resources productivity. Also productivity average in Financial Affairs was more than the Electric Communications Company but was not significant.

**Research hypotheses**

Every research is based on a series of questions that the researcher intends to test them. This survey is not excluded from this general principal, so it has one primary hypothesis and seven secondary hypotheses.
Primary hypothesis:
Appraisal system of employees' performance has relation with human resources productivity.

Secondary hypotheses:
1) Appraisal system of employees' performance has relation with component of "ability".
2) Appraisal system of employees' performance has relation with component of "clarity".
3) Appraisal system of employees' performance has relation with component of "assistance".
4) Appraisal system of employees' performance has relation with component of "motivation".
5) Appraisal system of employees' performance has relation with component of "appraisal".
6) Appraisal system of employees' performance has relation with component of "authenticity".
7) Appraisal system of employees' performance has relation with component of "environment".

Research methodology
In terms of content this research is of applied type and the researcher has established his research methodology on "descriptive-analytical, survey basis. It is survey in the way that the researcher intends to study and investigate in order to identify the situation of performance appraisal in the organization and its relation with human resources productivity and to represent a picture of it. The desired data has been obtained through sampling from the statistical population that will be used and analyzed.

Statistical population and statistical sample
All men and women employed in the Electronic Communication Company of Isfahan province participated in this survey that total number of them was 1985 persons. One hundred fourteen (114) persons were specified as statistical sample after calculations.

Reliability and validity of the research
In order to enhance the validity of the questionnaire, it has been tried to design questions simply and clearly so that not being ambiguous and incomprehensible for those taking part in the case study. Also, at the beginning a preliminary questionnaire was distributed among the employees and after gathering it was studied by professors of Isfahan University and guiding professor of the survey and experts of Electric Communication Company too. Some modifications were done for improvement and were confirmed by them. Reliability of the questionnaire was measured using cronbach alpha that was equal to 0.96.

Data analysis
Data analysis was done at two descriptive and inferential levels. Average central tendency index, frequency distribution table, standard deviation and diagram mapping were applied at descriptive level. At the inferential level T-parameter test was used in order to test the hypotheses and variance analysis of the repeated measures was applied.
to study the difference impact of performance appraisal system on each of the components of human resources productivity.

Conclusion
Given to the results obtained from analyzing of data related to the impact of performance appraisal on human resources productivity in the above company, it was concluded that performance appraisal had no impact on human resources productivity. It means that performance appraisal system had no impact on increasing of productivity in employees' viewpoint; rather it had been leaded to establishment of a relation-oriented viewpoint based on relations in this system. In this regard employees' attitude towards this system has been pessimistic and some of them feel that the above system is implemented traditionally without any purpose or especial program. Therefore, it was recommended to Electronic Communication Company specially and all of the traditional organizations generally to focus on performance appraisal system. Managers of each organization makes decisions according to obtained results of the performance appraisal system that has been designed and compiled by the related experts in each period to both facilitate enhancement of qualitative level of the work which shall result in increasing employees' satisfaction and consent. It was also recommended to managers to avoid involving their personal judgments in performance appraisal and execute it so that every employee is evaluated based on his performance. This could be leaded to establishing of a system in which meritocracy is dominant and this issue will certainly be ended in employees' satisfaction and following that productivity of employees will be increased. Also it was recommended that employees be acquainted with results of their performance to find out their working weakness and strength points. Performance appraisal gives helps individual performs his working performance accurately and precisely without the need for a continuous supervision. Similarly, it reinforces employees' motivation and causes employees to resort to job and professional skills proportional to their job. As a result, sense of cooperation and participation will be established and increased in the organization.
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Exports and Economic Growth: Empirical Evidence from Canada

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Abstract
The purpose of this paper is to assess the effects of exports and public expenditure on economic growth of a developed economy i.e. Canada which is the 10th largest exporter in the world, for the period of 1985-2009 with annual frequency. Ordinary Least Square (OLS) method to know the relationship between exports and economic growth of Canada has been adopted. To deduct the problem of multicollinearity, heteroskedasticity and autocorrelation, various diagnostic tests have been applied. Empirical findings show the positive relationship of both, exports and public expenditure on economic growth. Exports have significant relationship in terms of one $ increase in exports leads $ 2.03 increase in economic growth, similarly one $ expense on public expenditure also has significant effect on the development of economy. Government decision makers may find it supportive.

Keywords: Exports, Economic growth, Canada, Public expenditure.

1. Introduction
Exports are vital element for economic growth. All the countries around the globe, including many developed nations, achieved remarkable growth due to expansion in their exports in past few decades. Exports also play an important role in enhancing the labour skill, achieving economies of scale, productivity in local as well as international markets. Moreover, exports help in the development of industrial network that leads to infrastructure development and employment opportunities. Jin (1996) also share the view that exports have significant importance for the economic development of any country, generally speaking all the nations which are considered developed these economies have major contribution in their growth from trade sector. In the current era if any country wants its appearance at international markets level it has to come up with quality products which in turns provide specialization for specific product to a specific country and contributing in growth.

Canada is one amongst the developed nations of the world and its exports contribute up to 30% in its GDP. Being the 10th largest exporter in the world and its major exports are high tech products and natural resources as compared to developing and less developed nations which have common and not high tech goods for exports, contributing less significantly towards economic growth. Canada has major export partnership with US, UK and New Zealand, due to its geographic location major partner of exports is USA which accounts for 73% of its exports. Canada experienced growth in its exports when trade barriers had been removed and free trade era came; regional trade agreements, preferential tariffs and North America Free Trade Agreement (NAFTA). After the removal of all trade barriers and quotas the country experienced a non stop undisrupted growth in its development. After these facts the trend of growth remained positive continuously, even in the period of world financial crises it observed growth. Wernerheim (1999) argues that these factors allowed continuous growth and contribute towards economic development of Canada. The trend of growth over the period of 25 years from year of 1985-2009 is depicted as under which shows continuous up-ward trend in growth.
To study the effects of exports and public expenditure on the economy of Canada which is holding the position of 9th developed nation in the world and having the pool of natural resources, how it has sustained this position among developed economies, despite the fact that it has limited trade partners USA, UK and New Zealand. Background endogenous growth theory declares exporters more productive than non exporters so this paper is to study whether this endogenous growth theory applies in case of Canada.

This study refers to a developed nation who is member of G8 group. The paper aims to study the effects on exports in the period of financial crises when all the countries experienced chaos in their economic development due to reduction in exports. The method used for empirical findings is ordinary Least Square method which shows how much exports influence the economic growth from the year of 1985-2009. The overall model includes GDP as dependent variable, exports and public expenditure as independent variables.

The paper organized in various sections, apart from first section, rest of the paper consists on the following sections: section 2 shows literature review section 3 elaborates data and methodology, section 4 discusses empirical findings, and section 5 includes conclusion and policy implications.

2. Review of Literature

2.1 Exports and Economic Growth

To explain the relationship of exports and growth of economy is an interesting subject matter among the researchers now days. There is a consensus on theory that exports lead economic growth after industrialization of countries. The hypothesis that exports lead economic growth is widely appreciated and also provide basis for devising economic policies (Feder, 1982 and Krueger, 1985:1990) and help developing countries to improve their growth (World bank development reports, 1987:1992). Whereas there is differing opinion among researchers that exports and growth has some complex context of relationship (Watanabe, 1985; Sayron and Walsh, 1968 and Kavoussi, 1985). However there is a consensus among most of the researchers and policy makers that exports are one of the vital elements that determine economic growth of any country (Wadhra, 1998; Prasad, 1997 and Nilanjan, 2001). Jones (1998) suggests endogenous growth theory also
plays an important role in enhancing the exports of country; endogenous growth theory focuses on expenditure for the development of different sectors that are directly related to exports.

A large number of evidences are available in literature on the role of exports in enhancing the growth of countries. Exports expansion allows a country to increase allocation of resources, increase in efficiency, enhance optimal capacity utilization, and provide opportunity to achieve economies of scale. Balassa (1985:1988) suggests that increase in exports leads to infrastructural improvement help in proper allocation of resources and decrease unemployment rate. Some other scholars also share his point of view (Tyler, 1981; Bhagwati and Srinivasan, 1979; Krueger, 1980 and Helpnan and Kregeman, 1985). Besides economies of scale, expansion in exports enables the country to increase research and development efforts that helps in innovation among the products and provide a way to sustain in market for a longer period of time, Human capital development in terms of skills that leads towards labour specialization and also helps in improvement by applying the concept of learning by doing. Romer (1987:1991), Barro (1991) and Mankiw (1995) shared the view on research and development expenditure matter a lot in growth of exports and ultimately effects economic growth.

Yang (1998) reported that product differentiation does matter in exports. Exporters with differentiation of goods compete imperfectly in goods market. These countries have some kind of power in price setting and monopoly in their markets. To maintain its competitive position in the market exporters need to be innovative with having a handsome stock of innovative ideas that can attract the market and gain market share to maintain or gain sustainable position in market.

Other factors that are considered much important for the growth of exports are technology and innovation. Any country which comes up with new ideas and variety of products it experiences better effect on its growth due to increase in exports (Edwards, 1992:1993). Innovation can be materialized in to two forms of products; one is imperfect alternative of existing products and second form is perfect alternative of existing products. In first kind of innovative product the economy size increases horizontally because of new products are being entered in product line. While in second form the economy expands in vertical manner because new and innovative products make the already existing products obsolete (Grossman and Helpman, 1991).

The relationship between exports and growth basically depends on economic structure and development level. In a very poor economic structure and development, the expansion of exports does not have significant effect on growth. On the other side when development and economic structure is up to the mark or certain level, exports do have significant relationship with growth. This is called in fact minimum development hypothesis. Yaghmaian and Ghorashi (1995) and McNab and Moore (1998) also support this hypothesis that there should be existence of minimum level of infrastructure development and economic structure that can support increase in exports base of any country.

Public expenditure can be defined as the expenses incurred for employment arrangement, pension benefits, infrastructure development and human welfare, here in this study for the sake of public expenditure general government final consumption expenditure are considered in this regard. Some researchers are of view that public expenditure and economic growth has weak relationship but mostly scholars suggest strong relationship. Higher the public expenditure more the growth there would be because deprived part of society got benefits from these expenditure (Anand and Ravallion, 1993; Chakraborty, 2003 and Qureshi, 2008).

From the above concise and brief theoretical framework the clear idea that can be derived is that exports are very much necessary for the economic growth. Exports can be said as the
backbone of the Canadian economy because its contribution up to 30% in total GDP. Being the developed country and the 10th largest exporter country of the world it has positive relationship between exports and growth of the economy. Natural resources, technological innovations all the factors are contributing towards exports. In the case of Canada it lacks its exports in utilities and trade relationships with developing countries also the limited their portfolio. They are just focusing on high tech products and natural resources in raw form.

2.2 Empirical Literature Review:

The importance of exports in economic growth has been demonstrated by many researchers in literature. They are all of the view that exports play an important role in the development of developing as well as developed nations (Emery, 1967; Balassa, 1978; 1985; Rana, 1988; Rana and Dowling, 1990; Fosu, 1990; Salvator, 1983 and Fajana, 1979). Expansion in exports led the economic growth in Hong Kong, Singapore, South Korea, and in Taiwan (Jin, 1996). Recent studies on India perspective shows that the direct relationship between exports and economic growth (Gill and Ghuman, 1982; Wadhva, 1998; Prasad, 1997; Bhattacharyya, 2001; Kaushik and Paras, 2000 and Nilanjan, 2001). The study on Oil producing countries also gives the positive result between exports and the economic growth (Roshan, 2007). Exports have a greater contribution towards GDP of the economy. In financial crisis the GDP of U.S economy collapsed due to fewer exports in that year (Baldwin and Evenett, 2009). Here are some empirical evidences from a survey of 45 studies on 33 countries from the year of 1995-2006 that suggest that exporters are more productive than the non exporter countries (Wagner, 2007).

The literature review describes that the exports have received a considerable attention from the researchers in the perspective of economic growth. All of the studies carried out so far, related to developed and developing nations. Least study is conducted on this country exports which has top 69 largest companies of the world out of top 100 and also a member of G8 group. The study focused to fill this gap. Here is a table below showing the relationship of exports and economic growth. Mostly scholars found positive relationship that exists between exports and economic growth and a few people found negative relationship. Similarly public expenditure also has direct relationship with growth.

Table 01: Exports and public expenditure relationship with GDP reported by some major studies

<table>
<thead>
<tr>
<th>Variable</th>
<th>Positive</th>
<th>Negative</th>
<th>Insignificant</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Roshan (2007)</td>
<td>Sayron and Walsh (1968)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Wadhva and Yang (1998)</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Prasad (1997)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Jin (1996)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>Wagner (2007)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenditure</td>
<td>Fosu (1990)</td>
<td></td>
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<tr>
<td></td>
<td>Mncab and Moore (1998)</td>
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<tr>
<td></td>
<td>Rana (1988)</td>
<td></td>
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<td></td>
<td>Qureshi (2008)</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Chakraborty (2003)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3 Data and Methodology:

3.1 Data and Variables

This paper includes three variables – Exports (EP) and Public Expenditure (PE) are independent variables whereas Economic Growth (EG) is taken as a dependent variable. The theoretical and empirical findings of our study are explained below in detail. The data used in paper is secondary in nature and obtained from an online data source of World Bank known as World Development Indicators (WDI) mark 2010. The frequency of data that is used for this study is on annual basis form year of 1985 to 2009.

3.1.1 Exports

Exports are most important element in the development of country. Exports of any country matters a lot in its economic development and contributes positively in terms of achieving economies of scale, optimal production, competitiveness, reduction in unemployment, and contributes towards infrastructure development. (Bhagwati and Srinivasan, 1979; Krueger, 1980; Helpman and Krugeman, 1985). Endogenous theory of growth also support that there is a positive effects of export on economic growth. Exports allow any country long term growth that causes ultimately specialization in those particular sectors, increase in Research and Development and human capital formation. All these factors are very much critical for growth. (Romer, 1987; Rivera-Batiz and Romer, 1991; Grossman and Helpman, 1991; Krugman, 1991; Barro, 1991; Mankiw et al., 1992, Barro and Sala-I-Martin, 1993, Mankiw, 1995; Sachs and Warner, 1995). Recent studies provide evidences that as the exports increases and country go for liberalization, its economic growth also increases (GOI, 2005). If the economy is closed as was during the period of 1952-1978 there was no economic growth in countries but when the deregulations came in world the economies boost up (Pyle, 1997). As the exports increases foreign reserves also improves that increase the purchasing capacity and provide opportunities to target the world international markets and capture more share. Inflation that makes product and services costlier also results in exports instability. The expected relationship between economic growth and exports is positive with positive sign. Study is using exports of goods and services (current USD) as proxy of export.

3.1.2 Public Expenditure

The sole purpose for inclusion of this variable in the model is to put light on the significant relationship that exists between public expenditure and economic growth. Government incur such expenditures to fulfil certain goals like increase in per capita income that is efficient indicator of economic growth. Historical wisdom tells, as the public expenditure increases the economic growth in return also increases. Keynes (1936) and his supporters, also support the view that use of fiscal policies i.e. expansion in public expenditure increase the overall output. In research background different theories can be found related to public expenditure whether they are having positive or negative relationship with growth. Aschaur (1989) and Barro(1990:1991) found positive relationship between public spending and output of economy. Public expenditure is considered endogenous to economic growth because as the EG increases Public expenditures are also tend to increase (Wagner, 1883). We also support their view because as government spend for the welfare and infrastructure of the economy the economic growth increase by all means. For long term growth of economy, public expenditures are inevitable (Scully, 1989). Human resource is most important factor of growth for any country if the government is likely to spend more on its human resource it would result in increased growth, satisfaction of all the sects in community and improve overall performance (Anand and Ravallion, 1993; Chakraborty, 2003). The expected result of this variable could be significant and the proxy that we are using for this variable is general government final consumption expenditure.
The expected sign for this particular variable is positive. The dependent variable in the model is Economic Growth (EG) in current USD.

3.2 Econometric Model
This paper aims to study the effects of exports and public expenditure on the economic growth of Canadian economy. Study uses multiple regression model to show the relationship between these variables. The reason of using multiple regression model is that the variables in the model are linearly related and model is correctly specified because it does not change its coefficients up to significant level even if we change any variable. We expect that there is no multicollinearity among the variables and the errors variance is also constant. Due to these stated reason we are using this technique.

\[
(EG_t) = \beta_0 + \beta_1 (EP_t) + \beta_2 (PE_t) + U_t
\]  

(3.1)

In this economic model (EG) is dependent variable, economic growth. \(\beta_0\) is constant term that shows minimum level of growth even if there is no contribution from the various factors of growth, depicts where the fitted line of OLS cuts axis, whereas \(\beta_1\) is slope coefficient that explains the variations in dependent variable due to this particular independent variable. It shows that one $ change in EP leads to \(\beta_1\) times change in EG. \(\beta_2\) is another slope coefficient of public expenditure. It shows that one $ change in PE leads to \(\beta_2\) times change in dependent variable EG. \(U_t\) is the error term included in the model.

4. Empirical Findings
The empirical findings of the model are shown in a table form below with their significance level and diagnostic tests that are applied to data to check the validity of data is also presented in table to assure that data is free from all the problems that can affect the true results of any model.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficients</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export</td>
<td>2.03</td>
<td>0.00*</td>
</tr>
<tr>
<td>Public Expenditure</td>
<td>3.47</td>
<td>0.01*</td>
</tr>
<tr>
<td>R-Square</td>
<td>0.89</td>
<td></td>
</tr>
<tr>
<td>Adjusted R-Square</td>
<td>0.88</td>
<td></td>
</tr>
</tbody>
</table>

Diagnoctic test (Breusch Pagan) \(Prob > \text{chi2,} \quad 0.093\)

Durbin Watson Test Statistic \(1.56\)

* Significant at 1% level.

Here are the results of our model in table form. The first independent variable Exports (EP) shows a slope coefficient of 2.03. It simply means that one $ change in exports leads to 2.03 times change in dependent variable EG. The P-value shows that this variable significant at 0% that is very much highly significant level. Normally in social sciences we use 5% significance level that is considered very good confidence but in this case the 0.00 shows that the independent variable is significant at 0%. It means we can say with 100% confidence that exports matter in economic growth. Similarly in second variable public expenditure the slope coefficient is 3.47 that means one unit change in PE would lead to change 3.47 times change in EG. Second variable significant at 10% level that means it have significant effect on dependent variable of EG.

R-Square shows the explanatory power of model. It means our model explains 89% variations. The adjusted R-Square is having the value of 0.88 percent. For the purpose of detecting the heteroskedasticity we applied the Breusch Pagan test the value of BP test shows Probability of 0.093 that means our \(H_0\) of constant variance is rejected at the level of 5%. So we can say with confidence even at 95% of significance level that there is no
heteroskedasticity in the model. To detect the multicollinearity in the model we used PP-Plot. There is pattern of relationship among independent variables. To remove the multicollinearity we take the second difference of public expenditure then running again regression among the variables found these coefficients that are almost free form multicollinearity. For the purpose of detecting the correlation in the model, applied Durbin Watson test and find that there is no auto correlation exist among the errors.

5. Conclusions and Policy Implications
The aim of this paper is to examine whether exports has positive effect on economic growth of a developed country and how much it influences its economic development. The approach used in this paper is ordinary least square method to find out the relationship between exports and growth for the period of 25 years from year of 1985-2009. The findings of this paper show that exports have significant positive relationship with economic growth. Higher the exports more the prosperous economy there would be. Baldwin and Evenett (2009) also suggest that exports led growth for any country. The paper also concludes that exports play major role in development of economy of Canada. A country with high level of exports is more productive in terms of economic growth. Wagner (2007) Bhagwati and Srinivasan (1979) also share the view of more exports led economic development that is totally consistent with the findings of this study.

The government of Canada is not very much risk taker as they have limited their exports only with USA and UK. Due to limited trade partnership, the exports are more vulnerable for Canada as experienced in 2009 due credit crunch in USA. They should expand their trade partnership with other developed as well as developing nations. They should expand their services sector and banking sector which is very much conservative, so that these sectors can also contribute in economic growth. Major contribution in exports consist of natural resources which are exported in raw form to other countries if these resources will be refined and exported in the form of finished products then these can contribute more in exports income.

Canada experienced decrease in its growth due to reduction in exports for the year of 2009 it can be further area of interest. This paper incorporates the overall exports of Canada, however further consideration may be the commodity wise exports and its individual effects on economy. Another gap that can be explored is that Canada is 12th largest importer of the world but despite this fact it has sustainable growth over the long period of time. Moreover, exports of Canada with its major exports partner USA and its sole effects on the economy of Canada may also be explored.
References


Globalization of SMEs process  
(A review of Anoto Group AB)

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Abstract
The purpose of this study is to investigate and describe the internationalization process of SMEs which choose strategic alliances as entry mode. Understanding the internationalization of small firms is important to enhance knowledge of how they develop their business activities in international markets. Moreover, a strategic alliance perspective gives a critical insight of firms’ strategy to challenge in global competition. The qualitative approach is chosen to carry out the research question and achieve the purpose of this study. A case study is therefore used to generate advanced knowledge and understanding. Anoto group AB, a small Swedish company is picked as a sample due to the criteria fitting. I collected both secondary and primary data through various sources. The findings reveal that internal factors and external factors strongly influence the small company’s strategy. The advantage and core values of using strategic alliances motivate the small firm to go abroad. Due to the limited resources and knowledge, the small firm could not go globally alone. Using a strategic alliance can enable the firm to gain resources, gain market power and leverage competencies. Therefore, the small company can accomplish the goal in short time and be successful in international markets through managing alliances.

Key Words: Internationalization, SMEs, Strategic alliances

Introduction
Small and medium-sized enterprises have been identified as significant components of economic activities for employment, wealth creation and innovation (Birley and Westhead, 1990; Acs et al., 1997). Moreover, improving the international contributions of the small business sector is widely examined as a priority and policy support in many countries (Organisation for Economic Co-operation and Development [OECD], 1997). Therefore, the internationalization of small and medium sized enterprises (SMEs) has increasingly received attention in the international arena (Boter and Holmquist, 1996; Gankema, Snuif and Zwart, 2000; Li, Li and Dalgic, 2004). As the development of fast changing and increasingly complex global marketplace such as changing consumer preferences,
developments in manufacturing, communication and information technologies, and changing competitive conditions, SMEs are encountering the difficulties in their international expansion due to obstacles of foreignness, newness and smallness (Lu and Beamish, 2006). These lead to disadvantages in competing with local firms, and being limited by resources and capabilities (Bell, Crick and Young, 2004). Hence, SMEs must develop and enhance their capability quickly in response to globalization. These facts are reflected in the increasingly used strategic alliances in global competition. “Strategic alliances are a logical and timely response to intense and rapid changes in economic activity, technology and globalization” (Doz and Hamel, 1998, p. xiii). There are two competitive challenges which firms must face. First, globalization has opened the race for firms to pursue opportunities and enter to markets. Second, the race for the future forces firms to seek new opportunities, new solutions and new answers to meet customers needs. The formation of strategic alliances are defined as voluntary interfirm co-operative arrangements (Das and Teng, 2001). To date, alliances play an important and strategic role in a growing company. Entering strategic alliances is to provide: access to resources, access to new markets, access to technology, access to capital, and access to international and closed markets (Rothkegel, Erakovic and Shepherd, 2006; Ireland, Hitt and Vaidyanath, 2002). Moreover, there are four strategic advantages: blocking rivals, focusing on competencies, surviving and competing against a common rival (Hoffman and Viswanathan, 1997). In addition to Doz and Hamel (1998), there are three key purposes: co-option, value creation, and learning and internalization. Alliances not only serve normal purposes, but also reduce uncertainties and accelerate learning. Consequently, many firms depend increasingly on their collective activities with other firms to acquire collaborative advantage which influence to their performance and survival.

Literature Review
Research into internationalization has mainly been inspired by the Uppsala model. This model explains a firm’s experience in international markets in stages. Then, academic research in this area has been increasing. However, the model has been criticized for failing to explain how or why firms start and the characteristics of the firm in each stage. According to the findings of Bell (1995), an established chain which proposed by the Uppsala school model does not adequately reflect the underlying factors which influence the internationalization of small firms, In addition, the Uppsala model has limited utility to analyze the internationalization process strategies of small firms due to overlooking the planning phase and ignoring firm-specific motivation (Yip, Biscarri and Monti (2000); Li, Li, and Dalgic (2004). Moreover, there are more different entry modes such as with subsidiaries, branches or joint venture that the company can involve in the market (Bell, 1995; OECD, 2008). Despite the variety of internationalization processes, none of research completely captures the internationalization of SMEs using strategic alliances as the entry mode. Nowadays changing competitive conditions have provided a favorable environment for small firms’ internationalization, strategic alliances are used to pursue many objectives in international markets. (Ireland, Hitt and Vaidyanath, 2002; Alvarez, Ireland, and Reuer, 2006). In order to fill the gap and add valued contribution to internationalization theory, there are two main perspectives, as follow; (1) the strategic alliances and (2) the internationalization process that will be used to construct a theoretical framework. Internationalization literature is important to grasp the international development of SMEs. Moreover, the strategic alliance perspective gives critical insights into why small firms enter strategic alliances as the entry market mode and how this strategy enables them to develop international activities.
Strategic alliances

Entering into alliances is one way for firms to access critical resources and increase their market power over competitors (Barringer and Harrison, 2000). SMEs therefore enter into partnerships to take advantages of complementary assets (Ireland, Hitt and Vaidyanath, 2002). For example, SMEs can exploit their financial resources and distribution channels through a partner. Moreover, the broad resource based view reveals alliances formation based on firms’ resources such as knowledge and technology (e.g. Kogut, 1988). Barringer and Harrison (2000) suggested that there are 2 motives for firms to use strategic alliances as follows.

- Obtaining resources: Firms use a local partner to seek the crucial resources such as local facilities, knowledge and connections through forming international alliances (Beamish, 1987)
- Retaining resources: Firms need to engage in alliances to maintain certain resources but lack the know-how to develop or use their resources. Firms hence prefer to secure competitive advantage for the future through holding with a partner than selling their resources (Kogut, 1988).

According to Hamel (1991), the primary objective for using international alliances is the internalization of partner skills. Companies in the alliance learned such as business knowledge, technology processes, market environments, customer needs and so forth, and have been transformed by this. There are three broad determinants of learning outcome: intent referred collaborations as an opportunity to learn; transparency, referred to as the openness of each partner; and receptivity, referred to as a partner’s capability for learning. Each stage of successful learning has become the gateway to the next step of internalization. Commingling unique skills and capabilities are enable firms to create potential powerful learning opportunities for firms which lead to learning organization (Iyer, 2002). Firms can increase their capacities and competitiveness through absorbing skills from the partner. For example, technology transformation is basically a skill which can be improved with practice. Whereas the know-how of managing a business with a partner is a learning experience which enables firms to launch further entries into non-core business (Tsang, 1999). Using alliance is a strategic choice to increase market power, increase political power, increase research, production and marketing or other functions, and provide product or service (Barringer and Harrison, 2000). Furthermore, cooperative strategy as joint venture can provide firms a better solution to the problem of markets. Moreover, pooling and sharing information and knowledge through international cooperation is able to reduce uncertainty (Beamish and Bank, 1987).

“There are numerous advantages to strategic alliances but, if not handled properly, such cooperative can result in major problem for all parties”, Lorange and Roos, 1993, p. 18. To date, a number of studies have found high failure rates of alliances (e.g. Reuer, 1999). Hence, managing alliances is crucial for firms to make strategic alliances work, and from which firms can gain competitive advantage and create value chain with a partner (Ireland, Hitt and Vaidyanath, 2002). Forming successful strategic alliances, firms need to know how to manage the different process (Lorange and Roos, 1993). According to Yoshino and Rangan (1995), there are four key activities for firms to employ strategic alliance successfully: rethinking the business, crafting an alliance strategy structuring an alliance and evaluating an alliance. However, the key risks may affect alliance success, alliances
management can be viewed as four essential stages based on key risks and firms’ management (Das and Teng, 1999).

1) selecting partner: finding a fit between firms, awareness both of resources fit and strategic fit are needed. Resource fit refers to the resource that can be effectively integrated into a value creation whereas strategic fit refers to the degree to which the partners have agreeable goals in alliances.

2) structuring the alliances: There are various structures of alliances, such as joint ventures and minority equity alliances to joint production, join marketing and so forth. It is, therefore, important for firms to have the most appropriate types of partners. One key to having an advantage is to consider the level of flexibility which affects alliance formation and success.

3) operating alliances: effective cooperation is the foundation for collaborative firms to pursue common advantage. As a result, firms restrain from their self-interested activities and exploiting their partners for their private interest. However, it is unavoidable to focus on their interest because competition is essential for firm to protect their tacit knowledge and for preventing the alliance becoming a direct competitor.

4) evaluating alliances: There is no general acceptable measure of alliance performance, but the most practical approach is to examine which alliance has served the objectives of each partner. In evaluation, alliance performance is also realized either short-term orientation or long-term orientation. Moreover, partner firms will consider overall context more than just financial outcome. Although researchers agree that alliances evolve in stages, research had failed to consider the stability area in each process. Then, Jiang, Li and Gao (2008) followed four stages of Das and Teng (1999) which focus on the factors underlying alliance stability in each stage to fill the managerial gap. Selecting a partner is a critical first step. Firms should consider three crucial criteria; resource complementarities, reputation and prior ties. Then, firms decide an appropriate governance form, alliance scope and division of labor and then are committed to an alliance. The implementation stage is important for alliance evolution and success, firm should manage unstable factors and deal with adverse conditions. This lastly translates to performance outcome which is assessed as the extent to which the partners’ set objectives are met.

Internationalization process

The internationalization process is the patterns of international operations which is the basis of interaction between attitudes and actual behavior (Johanson and Widershiem, 1975). The most important obstacles to internationalization are the lack of knowledge and resources, which can be reduced through incremental decision making and learning about the foreign market and operations. Due to lack of knowledge and resources and to avoid uncertainty, firms start exporting to their neighbor markets through independent representatives.

A stepwise of the operation development in individual countries can be identified in four stages, as shown below:

1) no regular export activities: firms lack of information and experience to foreign market, thus has no commitment of resources to the market.

2) export via independent representatives (agents): firms have a channel to get regular information, thus start commitment the market.

3) sales subsidiary: firms prefer to control information that flows directly from markets to firms.

4) production/ manufacturing: firms make a larger resource commitment.
Then, Johanson and Vahlne (1977) clarified and developed previous research to explain the incremental characteristic of internationalization. The internationalization decisions have an incremental decision due to lack of market information between countries regarding psychic distance. The dynamic model therefore, was proposed by the state aspects and change aspects. Their model focuses on the development of the individual firm, gradual acquisition and use of knowledge about foreign markets and operations through incremental commitments. Even though the stage theory of internationalization as known as Uppsala model has gained considerable support, some researchers have raised criticism against the idea.

According to the findings of Bell (1995), the established chain, which proposed by the Uppsala school model, does not adequately reflect the underlying factors which influence the internationalization of small firms. On the other hand, the decision of operation in foreign markets is dependent on foreign customer followership, the targeting of niche markets and industry-specific consideration. Moreover, there are the little supports how firms move form exporting to other market entry modes. The evidence also shows the limitation of explanation in complex, dynamic and non-linear behavior. In addition to the findings of small software firms, network relationships influence firms’ activities during the internationalization process for market selection and mode of entry (Coviello and Munro, 1997). Yip, Biscarri and Monti (2000) claimed that the Uppsala model overlooks the planning phase and ignore firm-specific motivation. Motivation of small firms to go abroad is to leverage their strength, obtain economic returns and acquire competitive advantage. When small firms are systematic, they seem to achieve better performance due to the thoroughness of planning at each stage of the internationalization process.

According to Li, and Dalgic (2004), the Uppsala Model has limited utility to analyze internationalization process strategies of small firms. The finding suggests small firms should examine their motivation and their competence carefully as a first step. Then, they have to find the right strategy to go abroad. Due to the large scope for international development, the incremental export development route may not be the mode of international development for small, high technology firms. Firms’ decisions are related to the nature of the firms’ businesses, resource needs and the development opportunities (Jones, 1999). Owing to the high level of competition in the world, the Uppsala model is invalid in the situation of highly internationalized firms and industries. Firms are likely to leapfrog the stages in the established chain and move forward more directly to some kinds of foreign investment. There are more different entry modes such as with subsidiaries, branches or joint venture that the company can involve market (Bell, 1995; OECD, 2008).

Furthermore, Firms today can hire people who have experiences and knowledge about doing business abroad, so it is no longer necessary to build up knowledge in a slow and gradual way. (Hollensen, 2007). The international operation of business companies has been growing. The developing approach was taken with a number of studies of the business operations abroad (Welch and Luostarinen, 1988). Hence, the term “internationalization” needs clarification. An increasing commitment as greater operation is not related only to greater experience, skill and knowledge of foreign markets, but also to the exposure to opportunities or the success of one method of operation. For example, success in exporting via an agent can finally lead to production subsidiary. As a consequence, the internationalization could be broadened by the concept of increasing international involvement as outward sign of the linkage between outward and inward movement. As discussed above, some small firms’ findings support the view of the stage model but other
small firms do not. Due to the complexity of internationalization, lack of knowledge is not only main factor influencing firms’ choice of foreign market and entry mode. Internal factors, external factors and the motivation of firms also strongly affect firms’ decision. Moreover, when experiencing competitive challenges, firms may not initiate internationalization via the export mode, but instead choose the right strategy for market choice and entry mode to go internationally.

Theoretical Framework
The theoretical framework of this study as shown in figure 2.3 is developed on the basis of a number of relevant theories which are discussed in the literature review. In this study, I proposed that using strategic alliances to develop the international business of SMEs consists of five major phrases: initiation, planning, commitment, managing and performance. I use arrows to show the dynamic loop of the linkage between inward and outward movement in the process of SMEs’ internationalization.

Phase1: Initiation
According to the distinction between small firms and large firms, SMEs usually have limited resources to acquire for information and knowledge in foreign markets (Yip, Biscarri and Monti, 2000; Li, Li, and Dalgic, 2004). SMEs are inexperienced in international markets compared to large companies (Yip, Biscarri and Monti, 2000; Li, Li, and Dalgic, 2004). Today, SMEs confront more different global environments to start international expansion than those which large firms which faced two or three decades ago. Differences in legal system, cultures and languages present higher risks for smaller firms than for larger firms to international expansion (Acs, Morck, Shaver and Yeung, 1997).

It is important for firms to understand internal factors and external factors which influence their strategic decisions. Considering the strategy carefully will provide an insight into both advantages and disadvantages before they make a commitment to participate. As Boter and Holmquist (1996) found, their research indicates that the history and the internal situation of the company strongly influence the internationalization in a small firm. Furthermore, the environment in which the firms are operating heavily affect small firms. The analysis in internationalization therefore must be based on these main factors. Given the challenges in globalization most SMEs face, they hopefully expect all the benefits from their partners. International alliances are especially crucial for small and medium enterprises in their internationalization process. Forming international alliance is therefore a potential way to overcome the difficulty of three obstacles in their international expansion. An entrepreneurial firm can expand into international markets with the support of their partners and thus increase sales growth (Leiblein and Reuer, 2004). Moreover, to make opportunities in global markets, SMEs require a partner to do what they can not do alone. In a research of Doz and Hamel (1998), the value creation for the alliances is represented as opportunities for winning the race. The fundamental incentives that drive firms to go abroad with alliances is the need to gain competitive capabilities, leverage resources and to gain competence through internalized learning.

Phase2: Planning
The first stage in building an alliance is the key to creating successful alliances. There are many different criteria for selecting a good partner. Firms should find a fit between resource and strategy (Yip, Biscarri and Monti, 2000; Li, Li, and Dalgic, 2004). Resource fit is important because the resources and capabilities of alliances eventually influence firms’ performance. Complementary resources are needed for firms to pursue market
opportunities and achieve desired objectives (Das and Teng, 1999; Ireland, Hitt and Vaidyanath, 2002; Jiang, Li and Gao, 2008). Supplementary resources are needed for firms to achieve competitive advantage (Das and Teng, 1999). In addition, Jiang, Li and Gao (2008) mentioned a partner’s reputation which is the source of mutual trust and prior ties and which is a critical factor for the dynamic. In order to select a right partner, firms need to acquire more knowledge and planning to decide. General and market knowledge seems to be a key of this phase. Firms then collect important data and information for the overall comparison of alliances. When firms initiate learning from their partners, and reevaluate the potential of the alliance to create value, the expected balance between each other and the ability to adapt to the existing conditions of the alliances, the cycle of success and growth initiates as well (Doz and Hamel, 1998).

**Phase 3: Commitment**

The commitment is made when the resources are committed to the market. This commitment influences several aspects of the company: human resources, organizational structure, marketing strategies and so on (Yip, Biscarri and Monti, 2000). The decision of the level involvement is strongly dependent on firms’ specific competencies. For instance, firms with limited knowledge and experience are supposed to involve at the low risk and low-level commitment. There are various structural forms to set up an alliance: joint ventures, minor equity alliances, joint product, joint marketing and R&D, and licensing (Das and Teng, 1999). Jiang, Li and Gao (2008) considered alliance governance forms as having two primary form: equity and non-equity alliances. According to Das and Teng (1999), flexibility is denoted as a key advantage of alliances in a highly competitive environment; however, rigidity to consolidate the relationship is necessary as well. Jiang, Li and Gao (2008) argued that looser inter-connection and fewer commitments tend possibly to lead to instability and failure. In contrast, equity alliances seem to be appropriate for greater risk of opportunism and behavior uncertainty. As discussed, making a commitment is an important decision because the chosen form impacts on the future alliance development and performance (Jiang, Li and Gao, 2008). Furthermore, determining alliance scope is one critical involvement in alliances. Firms have to decide the ownership and application of both tangible and intangible assets (Ireland, Hitt and Vaidyanath, 2002; Jiang, Li and Gao, 2008).

**Phase 4: Managing**

The primary objective of SMEs in making a commitment in an international market is to develop their competences that finally lead to a better overall performance. Firms can acquire, from this commitment not only a number of sales, but also competitive advantage and knowledge which generates success through internationalization (Yip, Biscarri and Monti, 2000). Managing an alliance is a foundation for a successful alliance. Jiang, Li and Gao (2008) suggested that firms must take a variety of action to manage unstable factors and handle adverse conditions over time. Relationship management and control are key approaches to reduce risk within alliances (Ibid). Furthermore, firms should not overlook either cooperation or competition in an alliance which can harm the company (Das and Teng, 1999), since, without sufficient cooperation; firms can not be operated smoothly. Without attention to competition, firms may lose their competitive advantage. In successful alliances, firms need to continue improving their learning in five key areas: the environment, the tasks, the process of collaboration, partners’ skills and goals (Doz and Hamel, 1998).
Phase 5: Evaluating

According to Welch and Luostarinen (1988), the internationalization process which focuses only on outward movement is too narrow in dynamic changes, examining inward movement will broaden the concept. Hence, the evaluating stage is conducted to explain the firm’s performance as the result of previous operation stages. The simplest way to evaluate is to measure foreign sales relative to total sales. The performance can be linked with the internationalization process by competitive advantage acquired in international operations (Yip, Biscarri and Monti (2000). Thus, the process of internationalization may enhance firms’ competencies and improve their performance. The measurement of alliance success is complicated due to different criteria. For instance, firms often have different objectives in alliance, so the alliance’s performance may vary among them (Das and Teng, 2001). However, alliance performance can be strongly influenced by financial or market-based indicators (Gulati, 1998; Das and Teng, 1999) and its network position in the industry (Gulati, 1998). Furthermore, the achievement of alliance objectives is one measure underlying a number of factors such as government regulation, political risks, rivals and competencies (Jiang, Li and Gao, 2008) and the cost that firms incur should also be considered. As a result, performance evaluation reflects the collaborative relationship. If evaluated performance is better than expected, a firm will try to maintain and invest more resources to benefit more from the relationship (Doz and Hamel, 1998; Jiang, Li and Gao, 2008). Similarly, higher level of learning and higher expectation firms is willing to make deeper commitments and improve the efficiency of the further relationship. If evaluated performance is worse than expected, a firm may switch the strategic objectives or restructure the alliance forms (see the arrow that turn back to outward movement) or modify the behavior to correct the outcome or sell its stakes or finally cease trading (Jiang, Li and Gao, 2008).

METHODOLOGY

Choice of Research Strategies

To conduct research, it is crucial to connect theory with empirical data. Theoretical considerations in whether a deductive or an inductive approach is useful to guide and influence the collection and analysis of data (Schutt, 2006; Bryman and Bell, 2007). The process of a deductive approach starts with a theory and then test some of its implications with the data. On the other hand, the process of an inductive approach starts collecting data first and then developing a theory which explains pattern in data (Ibid). Due to an increasing number of findings in SMEs internationalization process, existing research has limited application. In this study, an inductive approach is needed because the characteristic of the inductive approach is strongly regarded as the generation of theories out of data (Bryman and Bell, 2007). In other words, particular instances from observations are moved to general principles. The inductive strategy of linking data and theory is also associated with a qualitative research approach, which is most useful for hypothesis building and explanation (Ghauri and Gronhaug, 2005).

Qualitative or Quantitative Strategy

Qualitative research studies things in their natural setting and attempt to make sense of various phenomena as interpretive research (Thomas, 2003). It involves the collection of a variety of empirical material. In other words, the qualitative strategy is constructed to put emphasis on words and understanding, and on the generation of theories (Bryman and Bell, 2007). It also focuses on respondent’s and information’s perspectives, which are transformed into a critical theme by a researcher (Ghauri and Gronhaug, 2005; Hesse-Biber and Leavy, P2005). By contrast, quantitative strategy tends to be based on the numerical measurement of specific aspects of phenomena (Thomas, 2003). It is used to seek general
descriptions or to test causal hypotheses. Similarly, the quantitative is constructed to emphasize the quantification in the collection data and analysis of data, and is placed on testing theories (Ghauri and Gronhaug, 2005; Bryman and Bell, 2007). According to the research problem and objective in this study, qualitative research is more appropriate to reveal SMEs’ behavior and to provide details and understanding in its internationalization process by entering strategic alliances (Ghauri and Gronhaug, 2005).

Choice of Research Design

Research design is related to data collection and analysis of data. Although there are different methods: historical review and analysis, surveys, field experiment and case studies, different designs are suitable for different types of studies (Ghauri and Gronhaug, 2005). In fact, a case study design often favors qualitative methods because it is helpful in the generation of the intensive and detailed examination of a case. In addition, the case study is likely to advance the knowledge and understanding of a given topic. It also helps to identify the criteria for selecting and screening potential to be studied and suggests the relevant variables of interest (Yin, 2003). Despite the small number of samples on the relevant issue, several aspects of the research problem can be analyzed sufficiently in this case (Ghauri and Gronhaug, 2005). Moreover, the case study has considered the abilities for generating the answers to questions “What, Why and How” (Saunders, Lewis and Thornhill, 2007). The case study often involves data collection through multiple sources such as personal interviews and observation as primary data. It also involves data collection through sources such as financial report and operating statement (Ghauri and Gronhaug, 2005). To consider the case study issues, it is appropriate to use this method in this study. A single case is, therefore, chosen because of two main features: it is a particular case and a unique case. The single case is appropriate when it meets all the objectives necessary to confirm, challenge and extend the theory. Another feature is to provide useful insight (Yin, 1994).

Case Selection

In a research method, it is important to decide where to conduct it, and who to include in it because it is impossible to study everyone everywhere. The type of sampling is known as convenience, the selection of sample is dependent on who is available and is willing to supply the information needed for the research (Hesse-Biber and Leavy, P2005). This implies accessibility of events, activities or individuals who are significant in the selection procedures. Moreover, the number of cases selected, and the particular case selected are affected by the amount of time and money available (De Vaus, 2001). As the result, a Swedish company was chosen as a case study. The purposeful sampling is also considered to select a representative of Swedish company (Patton, 2002). The selection criteria are based on the purpose of study and the possibility of identifying participants who will have the knowledge to answer the research questions. According to the purpose of this study, an internationalized small and medium-sized company which uses a strategic alliance is chosen as the sample. The selected Swedish company in this study is Anoto Group AB. This company has approximately 110 employees and has used strategic alliance for entering the international market. Anoto Group AB matches my criteria for this study.

Data collection

Secondary Data

The common uses and functions of secondary data are to provide the necessary background, to understand the problem situation, to provide information that is useful to
gather primary data, to serve as a check for the evaluation of primary data and to provide
an insight into the sample selection (Stevens, Wrenn, Sherwood and Ruddick, 2005).
Another important, the secondary data should be gathered first because it is generally
quicker and cheaper, before moving on to a primary data gathering. The sources of
secondary data which are used in this study are mainly found through the university’s
library and website. Halmstad’s library provides such books, articles and relevant
literatures. The university website also provides articles through journal collections. The
chosen company website presents information about the company, its history, its goals, its
conception and vision, its strategy, its organization, its finance and its annual report and so
forth.

Primary Data
Primary data are data generated in a research project for a specific purpose or collected
from a specific population sample (Stevens, Wrenn, Sherwood and Ruddick, 2005). The
primary methods of collecting primary data are communication and observation.
Communication includes various direct approaches of asking questions to respondents. In
this study, an interview is chosen in order to collect data because this method is useful for a
researcher to focus on particular topic and gain information from individuals (Hesse-Biber
and Leavy, 2005). It is a kind of conversation between an interviewer and interviewee in
which the degree of division and hierarchy is regularly low. Semi-structured interviews
were employed because they are useful for asking a set of questions to guide the
conversation. Moreover, semi-structured interviews allow interviewees freedom to talk
about what is of interest or importance to them (Hesse-Biber and Leavy, 2005). This can
lead to a new and unexpected direction for researcher to develop and explore new topics.

Conducting interviews
As the company which fitted the criteria was selected, I asked the company to agree to
participate in this research via email. After the company had accepted, the time and the
place of the interview were discussed via email as well. The interview was arranged with
the key respondent who has a specific knowledge of the international process and strategic
alliances, or other information or experiences that I wanted to know about (Hesse-Biber
and Leavy, 2005). Finally, I went to Anoto Group AB in Lund to interview with Ebba Asly
Fahraeus, VP Sales and Marketing at Anoto Group AB. She has been working there since
2000, and now she plays an important role in group management. I spent around one hour
interview with her. During the conversation, I took notes and recorded by MP4. After that,
I sent the finished data to her for checking.

Criteria of Evaluating Research
It is necessary to establish and assess the quality of research. Reliability and validity are the
appropriate criteria for qualitative research (Bryman and Bell, 2007). Reliability refers to
the extent of data collection procedure and analysis generating similar interpretations and
findings however, and whenever, it is carried out (Franklin and Ballan, 2001). It is related
to testing the credibility of results with the various sources. Validity is an important key to
effective research which gives the correct answer through observing, identifying, and
measuring. this study, I was concerned with increasing the reliability and validity of the
data collected and its subsequent analysis. There are different ways to enhance the
reliability of data and interpretation. For instance, the quality of recording and documenting
data has become a central for assessing. A field note for collecting data is used. A
confirmation check between interviewer and interviewee also occurred to increase the
reliability in results. Moreover, the findings and interpretations are concerned with testing
credibility from various sources (Ibid). To increase validity, I used triangulation for the purpose of achieving confirmation of constructs by multiple methods. In this study, multiple theories and perspective is interpreted as a single set of data. Multiple data such as secondary and primary data are used. Moreover, I had to demonstrate that data collection was conducted to identify and describe the subject accurately (Ibid).

EMPIRICAL FINDINGS
In order to investigate how SMEs use strategic alliances in their internationalization process, findings were presented which were obtained from both primary data and secondary data. Primary data was collected from the interviews with Ebba Asly Fahraeus, VP Sales and Marketing at Anoto Group AB. Secondary data was collected from annual data and relevant information through the company’s website.

Anoto Group AB in brief
Anoto Group was founded as C-technologies in 1996 because of a technological idea of its founder, Christer Fahraeus. The following year, after several key mergers and a partnership had been formed, the Anoto Group was established. To date, Anoto Group AB is a world leading technology company in the area of digital pen and paper, which enables the fast and reliable transmission of handwritten text into a digital format. The company operates through global partners which focus on user-friendly forms solutions within different business segments such as healthcare, bank and finance, transport and so forth. The Anoto Group AB has its head office in Lund, Sweden as well as offices in Boston (USA) and Tokyo (Japan). The group employs approximately 110 people, and most of them are in Lund. The Anoto share has been listed since 2000 and trades on NASDAQ OMX Nordic Small Cap list [2].

Anoto Group AB using strategic alliances in internationalization process
In 1999, after Anoto initiated the establishment of a global de facto standard for paper-based digital communication, the company started working with more partners. In order to achieve its goal, Anoto required collaboration with world-leading companies. At the same time, the company has developed a strong technology platform and commercializes it through partner companies. During 2006, Anoto adopted a new strategy to focus strongly on forms solutions with local and new partners. In this section, I will focus on the process of Anoto Group AB, and how it uses strategic alliances to achieve its internationalization.

Initiation
Internal factors
According to Ebba, Anoto’s competences are the unique technology and human resources. The core technology is advanced image processing in real time which can enable development of products and services. Anoto continuously develops its competence for the integration of electronic hardware and software by using digital camera technology. Hence, the products; pen and paper are superior to the digital writing tool to share emotion, ideas and thoughts. Handwritten text, sketches and drawings can transferred directly from paper to computer, mobile phone or PDA anywhere in the world. The employees are highly skilled: 90 percent hold university graduates and almost 10 percent hold doctoral degrees. They are professionally competent in their areas. Due to the size of the company, there is no in-house production, because it is too expensive and the volume is not high enough to run the factory, according to Ebba. The company prefers to use outsourcing through suppliers and sub-contractors for production, because it is beyond the company’s competence.
External factors
Digital pens industry, Anoto has three main competitors; Smartquil, Vpen and Crosspad. However, there is a fundamental difference between Anoto and its competitors. Anoto is the only company having developed a technology enabling the use of paper and pen. Due to the challenges in the IT and telecom sectors, Anoto has managed to establish a significantly stronger foundation for further growth. Moreover, the speedy increase in the number of e-mails and SMS signaled a rapidly expanding market for Anoto in the early years. “When the market is changed, the idea of what the company wants to sell also changed” Ebba said. It influences the company’s business strategy.

Motivations
“No another way to do it for us, it is impossible to compete alone in the world when you are a small company in Sweden. We need a strong partner; we need market knowledge; we need strong brand-name and we need distribution channels. They are very important.”: Ebba said. Anoto has used strategic alliances with players in industries such as consumer electronics, mobile telephones and services, operator services and system integration to establish a new technology platform in the global market and commercialize it. Anoto has never sold anything directly but uses partnerships instead. As Ebba told me, the partners have abilities that Anoto does not have. Partners also facilitate the distribution of products and services enabling Anoto functionality. In addition to Ebba, the company has no specific knowledge of what customers want and does not have knowledge of all markets in the world. The only way that the company can go international is by entering into partnership. It is about making the first move. Furthermore, license fees and profit sharing from partners who offer products, applications and services based on Anoto functionality, they generates the firm, and this is an important part of the company’s revenue.

Planning
In the beginning, Anoto’s statement is to create a global de facto standard for paper-based digital communication. “The company early identified Japan as an interesting market. Due to Anoto’s digital pen and paper technology catching handwriting, it is of course has more value when you have more than a thousand signs that you need to capture than with twenty-eight letters”, Ebba said. The markets selected were Japan, China, United States and Europe respectively. Then, the company went to Kokuyo in Japan, Esselte in Sweden, Mead in US, and to France and UK at the same time, because the company wanted to own the note-taking market. Without partnership no one could enter that market, as Ebba said. The first business ideal of Anoto was to sell the product to customer. The original idea was note-taking and the company approached all the major note-taking companies in the world as well as the note-taking leaders in each market. Then, the company started to that this ideal should be changed due to the changing in services of products and So, Anoto has turned the focus on business-to–business, rather business to customers “At that point we first wanted to connect to the important paper players in the world. We did not want to produce the pen by ourselves because we realized that this would mean a lot of investment. So we soon established partnerships with Sony Ericsson, Nokia, Logitech and Maxell”, Ebba said. They have both the necessary and complementary resources for bringing a product to the market. According to Ebba, the pen has no value without paper, so the paper is very important. Also, for mobility, the mobile phone and Bluetooth connection are required so that documents can be sent. This is how the company picked the partner in the first phase. In the second phase, Ebba told me: “there are a lot of forms in the world into which people are filling information, so we need application developers to develop specific
application in different markets and vertical markets that want to use forms. The strategy of significant agreements can be presented as follows:

Before 2001, Anoto signed an agreement with major companies such as Sony Ericsson and Vodafone. In 2001, Anoto collaborated with Hitachi to develop a strong technology platform and commercialize it. In 2002, Anoto signed an agreement with leading companies in the telecom and PC industries such as Microsoft, Logitech, Nokia and Hitachi Maxwell. One year later, Anoto widened its venture in the Japanese market by the establishment of the Anoto de facto standard and platform for the market introduced through high-value partners. Anoto has reached this goal to establish a commercial agreement with HP in 2004, Anoto continued signing significant agreements with world-leading companies, including Dai Nippon Printing in Japan and Leapfrog. At the end of 2004, the number of partners was continuously growing to 250 companies. In 2005, Anoto’s business concept still focused on the establishment with new partner to develop powerful commercial applications based on its technology. Moreover, the company was also moving forward to sign significant partnership agreements with world-leading companies.

In 2006, Anoto adopted a new strategy to facilitate and shorten the sale processes for the partners. Furthermore, the company used a partner as driven business model. The partners were in a wide range of sectors such as health care, transport, sales and services, education and logistic partner. The requirements of commitment level are In 2007, Anoto signed an agreement with a new U.S. pen partner in Oakland, California and Livescribe in U.S. At the end of the year, Anoto had approximately 300 partners, especially in Europe, the United States and Japan. Despite an increasing number of partners, the company was still looking further partners, especially in banking, finance and insurance. During 2008, Anoto made significant partnership agreements to focus on delivering complete products that meet customer needs. Moreover, the company is looking for new partners, which are market-leading companies, and are able to identify new applications for Anoto technology such as in the game and entertainment product area.

Managing

According to the different levels of partnership, Anoto has made an effort to work closely with deep relationship partners to create a global standard for paper-based digital communication. Also, Anoto has focused on further development of the company’s technology platform to facilitate its partners making solutions easier to use and less expensive. As Ebba said; “When we work with large leading companies, we always invest a lot of time that is mostly in technological development projects and we use many resources in this even though we do not have a large engineering staff. In contrast, small companies use little resources because we already develop platform for them. So, we can do a limited number of large projects that we employ our resources in and that we believe have a saleable product”. Anoto aims to offer support that will make both kinds of partners have stronger standard and maintain a good relationship. To achieve the growth and satisfy a range of customers through partners, Anoto provides a comprehensive tool and programs enabling partners to rapidly develop, market, sell and support solutions based on Anoto’s technology as represented in the figure 4.2. Anoto’s partner program shows a lot of communications between the company and its partners. This is a way that Anoto controls and maintains the relationship as Ebba had said. The company provides a partner newsletter every three weeks, supports event markets, and arranges conferences every year. The partners come from all over the world to attend, in which Anoto will talk about strategy, roadmaps and the partners also bring customers to show the successful case and
training techniques. Having a lot of meetings is useful for the companies to work together; therefore, knowledge and skill are transferred to each other.

**Performance**

After Anoto had initiated collaboration with world’s leading companies, in 2002, Sony Ericsson introduced the first digital pen enabling Anoto functionality, connected to mobile in Sweden, Denmark, UK and Italy. As well as Logitech, the first digital pen for PC was introduced in United States, Germany, Sweden and Austria. Revenue was primarily generated through license fee and partnership development projects and sharing profits from services. Significant revenue came from Hitachi, Logitech, Sony Ericsson and Vodafone. In 2003, Nokia and Hitachi Maxell launched the digital pen enabling Anoto functionality. Hitachi provided a service solution to other companies. A major part of the income was related to product development from partners. Anoto saw an increasing number of commercial customers from partners’ marketing and sales effort in 2004.

Partners like Logitach, Nokia, DNP and Hitachi have implemented major installations at their customers. Moreover, the company’s products and services are marketed and sold by a broad network of partners. In 2005, Leapfrog launched the FLY Pentop Computer enabling Anoto functionality. Furthermore, Anoto got the valuable order from Dai Nippon around SEK 36.5 million. Anoto’s income was still increasing in 2006, 2007 and 2008 because partners could generate greater sales. Anoto got many license fees and royalties from products through both local and world’s leading partners.

![Figure 4.3: Anoto’s net sales between 2001 to 2008](image)

A commercial launch of Anoto functionality in international markets is the key to a potentially significant source of the company revenue. The company income is primarily generated by the sale of shares in royalty and license from partners, as presented in figure 4.3. According to Ebba, there are differences between large leading companies and small or local companies. The local companies typically sell custom-made forms processing application to, for example, the police, doctors and home care. The products are very specific and integrated as customized products which have less volume. On the other hand, the large leading companies sell packaged products as standardized products with larger volume than some mentioned above. However, strategy objective and market sales are important for Anoto to evaluate the level of commitment. As Ebba said; “how they communicate, how they cooperate in marketing projects with us. When they give us the
correct credit and mentioning in their market communication, this is an important part of our willingness to invest resources and marketing support in them”. In addition, the level of commitment can increase when the partner moves up and improves its sales. They can become bronze, gold and platinum partners. When they commit more, they get much more support.

Analysis
Empirical finding will be analyzed through theoretical framework in order to investigate using strategic alliances of SMEs in the internalization process of the selected company. The process will be examined and analyzed step-by-step of all five phrases.

Case analysis
To investigate how Small and Medium-sized enterprise (SME) using strategic alliances for the internationalization process, Anoto Group AB as a case study will be analyzed throughout the analytical model presented in theoretical framework. The model consists of five phrases: initiation, planning, commitment, managing and performance. The critical analysis will be examined in each phase.

Anoto Group AB using strategic alliances to internationalization process
Initiation
Anoto’s core competence is advanced image processing in real time. This technology platform enables the development of products and services. Moreover, Anoto has highly skilled employees, many holding university degrees and doctor degrees, and are professional in every area. Moreover, the opportunity in the market is such that there was a rapid increase in number of services in e-mails and SMS during 2000. The advantage of working with alliances has motivated the company expanding abroad by using strategic alliances as a global strategy (figure5.1). Due to the size of the company, Anoto has limited resources and does not have a marketing knowledge of every market. It is difficult for the company to do it alone, even though the company has a core technology. Yoshino and Rangan (1995) and Ireland, Hitt and Vaidyanath (2002) suggested that when the companies can not work alone, they have to think in term of working with others.

Anoto has decided to create a global de facto standard for digital paper through partners. Using strategic alliances Anoto can do what the company thinks is impossible. First, the company seeks the crucial resource from its partners and leverages its technical resources for the establishment a global de facto standard (Beamish, 1987; Kogut, 1988; Barringer and Harrison, 2000). Second, the company pursues expansion abroad by strategic alliances, which increases the market power and provides market solutions to the company (Beamish and Bank, 1987; Barringer and Harrison, 2000). Strategic alliances can help Anoto with potentially adverse selection and moral hazard problems when attempting to adapt technological capability for market access (Leiblein and Reuer, 2004). As discussed, internal factors and external factors influence strongly to Anoto’s decision and strategy for going internationally (Boter and Holmquist, 1996). Entering into strategic alliances is important for Anoto to gain competitive advantages. The resources are integrated between the company and its partners. Then, the company increases its capabilities through absorbing skill and knowledge from partners. This refers to value creation from strategic alliances. These advantages affect the company’s performance in terms of sales growth and revenue, thanks to the establishment of commercial cooperation with partners for successful market penetration.
Planning

The partner selection is an important step that has implication for skills and resources, the operations and procedures. Hence, Anoto has tried to find alliances that have resources and strategies that fit to each other (Das and Teng, 1999). So, Anoto acquired more knowledge and information by considering the right partner. The company vision is to create a global standard. Hence, in the beginning of Anoto’s internationalization, the company went to the large leader companies related to pen and paper industries in selected markets such as Japan, US and Europe. Geography is one criterion for Anoto in selecting alliances in order to access markets as well as priority strategy (Underhill, 1996). Anoto recognized that the business concept should be changed from business-to-customer to business-to-business. The company, therefore, uses partners to produce and commercialize instead, due to less marketing knowledge. Moreover, the company does not want to produce the pen by itself (i.e. own the production facilities). As a result, Anoto has established the global standard through a wide range of industries like telecommunication, IT and operators. The main reason is their reputation is that it is reliable, accountable and trustworthy (Glaister, Husan and Buckley, 2004). Standardized product can be produced through the world’s leading companies. By contrast, using small and local companies, commercialized products can penetrate to various customers. Business strategy strongly affects partner selection. Consideration of resource complementarities is so critical for Anoto to initiate its mission that the company can not do it alone (Glaister, Husan and Buckley, 2004; Jiang, Li and Gao, 2008). Hence, the company pools its resources and capabilities with alliances in order to increase the benefit of co-operation. For example, Anoto recognized that complementarities resources between Sony Ericson and its company would be high in term of transmission of hand written texts or sending email through mobile.

As analyzed, the critical criteria for Anoto to select partners are business strategy and resources, as some examples show in table 5.1

Table 5.1: Strategy and resource fit to Anoto

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Partners</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>- B2C</td>
<td>Kokuyo and Pilot (Japan), Mead (US), Esselte (Europe)</td>
<td>Pen and paper</td>
</tr>
<tr>
<td>- B2B (standardized)</td>
<td>Sony Ericsson, Nokia, Logitech, Microsoft, Matsushita, Hitachi, Maxell</td>
<td>Telecommunications, IT, Electronics</td>
</tr>
<tr>
<td>- B2B (customized)</td>
<td>Sysnet (UK), Destiny Wireless (UK), Telecom Italia Mobile (Italia), ChialHui (Taiwan), Milcom(Denmark), Dai Nippon Printing, Nittsu (Japan), Order-Made Souyaku</td>
<td>IT, Telecommunication, Printing, Transport, Healthcare</td>
</tr>
</tbody>
</table>

Source: Analysis by the author.
5.2.3 Commitment

Due to Anoto’s rule, Anoto has formed usual alliances with its partnership agreements. The majority agreement provides the rights of collaboration scope for partners. The partner scope is important for task and functional interaction between companies (Jiang, Li, and Gao, 2008). The contract arrangement refers to the type of non-equity such as joint product or service enabling Anoto functionality, joint marketing and joint manufacturing. Forming Anoto’s partners in term of non-equity made the company flexible enough to involve with partners in various ways, depending on its objectives (Das and Teng, 1999). However, this structure is loose. For example, in the case of Sony Ericsson and Vodafone, it was terminated easily when the objectives and interests were different. Although Anoto usually sets up partnerships formed with majority agreement, the company divides the level of commitment into four levels; bronze, silver, gold and platinum commitment. Partners can move forward to higher involvement after fulfilling the requirements.

On the other hand, there was one exception to the rule. Anoto has entered into a joint venture with Maxell in order to control sales in Japan markets and have ownership. This type of relationship makes more trust and confidence (Jiang, Li, and Gao, 2008). However, it leads to higher costs for the company to operate. According to the strategic alliances in inter-firm link of Yoshino and Rangan (1995), Anoto structuring form with alliances can be divided as presented in table 5.2. The major scope of commitment with world-leading companies is marketing, production and technology, respectively. In only one exceptional, Anoto has used a joint venture with Hitachi Maxell.

Table 5.2: The significant structural form between Anoto and large leading firms

<table>
<thead>
<tr>
<th>Alliances</th>
<th>Contractual agreement (Non-equity)</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Joint technology</td>
<td>Joint marketing</td>
</tr>
<tr>
<td>Sony Ericsson</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>Hitachi*</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>Microsoft</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>Logitech*</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>Nokia</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>Hitachi Maxell*</td>
<td>(i)</td>
<td>(i)</td>
</tr>
<tr>
<td>Leapfrog*</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>HP</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>Dai Nippon*</td>
<td>/</td>
<td>/</td>
</tr>
</tbody>
</table>

Note: * still committed
Source: Analysis by the author.

The most structural form between partners is a contractual agreement, because Anoto is flexible enough to enter with partners in different ways, based on its objectives. By contrast, commitment in terms of equity is only one partner. The company could be closer to the market, but the operating cost is high (figure 5.1).
Managing

Although Anoto has different level of partners’ relationship, the company continuously maintains and increases this relationship through developing technology platforms and providing a better benefit for partners. Technology platforms provide a better solution to partners, whereas Anoto’s partners benefits can decrease the adverse conditions and risk between the company and alliances (Das and Teng, 1999; Jiang, Li and Gao, 2008). Anoto’s partner program seems to be a mechanism of the company to manage and control partners. The program shows the linkage of communications in various styles between the company and partners. Technical support, product, marketing and sales information is provided to partners. Especially, participation activities open the chance for the company and partners to learn and discuss. Communication and working together are the bases of learning process. Feedback from partners in the meeting, conference, case study and so forth are important for the learning processes in the company. When Anoto improves learning in the environment, the tasks, collaboration, skills and goals, the company enhances its competence through value creation (Doz and Hamek, 1998). In addition to meetings, the company can implement strategic objectives and information, as well as a business plan to its partners, in order to clarify cooperation in functions and activities. Moreover, Anoto’s partner program presents the level of relationship. When the partners make more commitment, it leads to mutual trust between the companies. Anoto can feel more confidence, lower conflict and higher satisfaction (Jiang, Li and Gao, 2008). The company, therefore, provides more benefits to tie the relationship. As a consequence, managing partners is crucial for Anoto to enhance its competence and accomplish it goals through collaboration with partners. This is the foundation of success in terms of partnership and the performance of the firm’s internationalization (Jiang, Li and Gao, 2008), (see the arrow continue from outward movement to inward movement in figure 5.1).

Performance

To cooperate with world’s leading companies, the company is expected to create a global de facto standard for digital paper and to commercialize it. By contrast, Anoto uses small and local companies to penetrate markets around the world because they know and understand customers’ need. They can integrate vertical suppliers and reach many kinds of customer. The company has expected the high volume sales for these companies without increasing cost. One measure for evaluation the company’s performance is the objectives that are met between the company and a partner (Das and Teng, 2001; Jiang, Li and Gao, 2008). Despite of the different objectives, all partners generate sales to Anoto. The level of commitment will be considered by commercial success, experience and expertise. The foundation requirement is the amount of sales. Then, the partners who fulfill the requirement set can move forward to another level. This implies Anoto’s performance can be evaluated by financial indicators (Gulati, 1998; Das and Teng, 1999) and the collaboration area. The evaluation of Anoto’s performance in term of revenue, collaboration and objective influences the level of commitment with partners (see the arrow that turn back to outward movement in figure 5.1) as Welch and Luostarinen (1988) suggested the internationalization process is not only outward movement, but also link to inward movement. When a partner fulfills Anoto’s requirements, the company will make a tighter commitment and provide more benefits (Doz and Hamel, 1998; Jiang, Li and Gao, 2008).
Conclusion and Discussion

The Internationalization process has been studied widely since the conceptualization of Uppsala model. Internationalization process of small and medium-sized enterprises is one perspective that has attracted the researchers from looking at large companies. However, an increasing amount of research in Internationalization of SMEs has important limitations. Exporting may not be a suitable entry mode for a small firm. Nowadays, strategic alliances play an important role for firms to gain competitive advantage. Hence, in this study, I would like to investigate and describe how SMEs are using strategic alliances to develop the international business. This evidence suggests that internal and external factors influence significantly a small firms’ decision to go abroad. The small firm chooses strategic alliance as market entry mode because this strategy can enhance a firm’s capacities and gain for them a competitive advantage in international operation. The small firm can chose the partner and makes a commitment with that partner who can help firm spread globally. In order to be successful in international markets the small firm need to mange alliances and evaluate them in accordance with firm’s objectives.

Theoretical contributions

Due to the characteristics of small firms, my finding supports the idea that stage theory of internationalization is not appropriate to describe the internationalization process of SMEs (Bell, 1995; Li, Li and Dalgic, 2004; Hollenson, 2007. An understanding of SMEs internationalization process is necessary to consider all aspects. The evidence reveals that the company’s decision to go abroad is affected not only lack of market knowledge as Uppula model proposed, but internal factors and environmental factors are also strong factors influencing firm’s strategy. This implies that the stage model overlooks the planning phase, firm’s strategy and environment factors. However, some aspects such as knowledge and commitment are still critical factors.
Managerial implications
Despite the importance of strategic alliances, making alliances work is difficult for firms. The company which cannot handle this problem will face the major problem. Hence, managing alliances is critical for the company to successfully work with partners. Managing alliances also affect directly the result of internationalization process of SMEs. When the company decides to enter strategic alliances, the first step that the company should be aware is to select the right partner. The important criteria to choose are strategy match, supplementary resources, reputation and geographical area. Then, the company can set up the structural form with the partner. The contractual arrangement is the usual choice for a small firm. The company has more flexibility in various types of involvement. In contrast, rigidity collaboration in terms of joint venture is too big for the small firm to handle. However, the company needs to talk with the partner about the scope for working together. After the small company had committed with the partners, it must operate and deal with the risks that may occur when working with the partners. Moreover, the company must control and maintain the relationship through communications and activities. This process not only provides a better relationship, but also leads to a learning process which skills and knowledge are transferred to each other. Mature trust will increase, that can decrease conflict and generate a greater cooperation. The result of managing partners will influence to the company’s performance in term of accomplishing objectives or in terms of revenue. To be successful by using strategic alliance in the internationalization process, the company must be aware since the initiation step, and continuously manage partners in each step in order to gain a better performance. This is important for a firm to survive and move forward in globalization.
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Performance of Business Operation in Transition Economies: A Case study between China and Malaysia

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Abstract
This research paper analyses the efficiency and effectiveness of business operations that have shifted from the West to the Asian Giants. Most of the Multinational Companies have contracted most of their non core functions to service provider from developing countries because of the fact that there is low cost labor recently. This research focuses on comparing and analyzing the three important aspects (Country infrastructure, Human expertise and resources and Cultural issues) of elements that motivate MNCs for offshore BPO. In addition, an evaluation of the impact of emergence of Malaysia in BPO market on China also discussed.
Key words: China, Malaysia, Business, Performance, Efficiency

Introduction

Country Profiles Comparison and ICT Figures

According to The World fact Book: In terms of size both these countries contrast each other, China has a total population of around 1.33 billion, which was 52.6 times bigger than in Malaysia, and the total area is almost 30 times is bigger than Malaysia, but Malaysia GDP per capital is nearly 2.6 times higher than in China. China held an 11.9% annual economic growth compared to 6.3% in Malaysia, but its service industry has been growing with average 9.7% according to MITI (Malaysia Ministry of international trade and industry). Moreover, it is more reasonable to focus on the similarity of economic growth and other important resources such as country infrastructure, cultural issues and human expertise and resources they possess.
ICT as one of the most important factor that enables BPO practices take place, the following figures shall give readers a clear picture of the ICT development in both China
It was stated by Hertzell (2001) that the accession of China to the WTO has opened up several of her transportation and logistics sector to direct participation (cited by Lau, K. H, and Zhang, J. M. 2006). As result, the competition becomes intensive and challenging between Chinese companies and foreign companies. The increasing in competition and growing awareness of China service providers for BPO required improving their service quality in order to compete competitively at international level. Particular to the newly fast-emerging countries in the neighborhood, such as Malaysia, Vietnam, etc. the author chooses Malaysia for his study due to the rapid development of BPO industry impressive government policy and fast developed ICT sector in Malaysia and According to Gartner recently research, Malaysia has just ranked behind India and China as third favoring destination for BPO, moreover, with the strong government support, trends show it has potential to catch up or even overtake the dominance of India in several sectors. In consideration of competing effectively, it is needed for Chinese BPO industry players to accelerate its consolidation process and reinforce its standard to a higher level to sustain its impressive BPO growth in next decade.

The main objective of this dissertation is to compare BPO development at macro-level and in both countries. The author believes this will add to the literature in BPO development in Asia because China and Malaysia are two important countries in Asia and both countries
has been categorized into transition economies that transfer its economy from manufacturing to industrial society. Their market-oriented economy and very supportive government policies have made them highly competitive locations for BPO location. There is a number of research that has been conducted in the field of outsourcing in India, however, there is little research conducted in the emerging Southeast Asia emerging countries in this field. Perhaps, they are still in their infant stage. Therefore, this research may contribute some insights of BPO practices in these countries in this area of research. The final recommendation aims to help BPO player in China to improve their performance.

Literature Review

There are a quite number of studies about offshore outsourcing worldwide, but most of them involved in IT outsourcing rather than business process outsourcing. It’s been widely accepted that by outsourcing to a third party for some of companies’ non-core activities not only contributed to cost saving but better efficiency of companies’ resources. The practice of offshore BPO varies from companies. Which country should be the best offshore BPO destination becomes a first and key question. Many research based companies have published vast reports for MNCs to refer. Different aspects of outsourcing environment in different countries have been evaluated in different ways. The literature review of this research based on research company’s report, book, international journals, and academic research papers in the field of outsourcing. A number of researchers have identified some critical elements in offshore BPO and proposed some appropriate theoretical framework and empirical evidence around the world. Furthermore, data and relevant journals from universities both in China and UK were accessed. Recent published academic journal and reports have also been taken into consideration.

Introduction of Offshore BPO

Duening, T, N and Click R, L (2005) defined Business process outsourcing (BPO) is simply as the movement of business processes from inside the organization to an external service provider. With the global telecommunications infrastructure now well established and consistently reliable, BPO initiatives often include shifting work to international providers. They also listed out 5 international hot spots that specialized in various business processes and exporting services and have comparative advantages in the specific functions from the perspective of BPO (Duening, T, N and Click R, L (2005):

- India. Engineering and technical
- China. Manufacturing and technical
- Mexico. Manufacturing
- United States. Analysis and creative
- Philippines. Administrative

It is quite similar with definition from Brown & Wilson (2005), which defined as “The procurement of goods or services by a business or organization from a supplier -- who is often foreign -- typically to gain the benefits of lower costs for identical or similar labor costs”. More precisely, it is about transferring the responsibility for a specific business or from an employee group to a non-employee group. According to Bendor-Samual (1998), by outsourcing to outsider, companies can focus on their core activities. The terminology of BPO in MNCs often divided into three according to different location. There are
international BPO (Offshore BPO), domestic BPO (onshore BPO) and neighbors BPO (Near shore BPO). Despite of different specific objectives for different MNCs to outsourcing, Ian, B and Jill ,P (2003 ) has listed the following reasons as the potential goals of any outsourcing programme cited by Kobayashi-Hilary, M. (2004) in his book; Outsourcing to India. Focus on core competences- if any business activities are not creating an advantage over the competition, then it could be considered to get done by experts who can do better, firms could concentrate on its main business. Quality of service- a company like Daksh can handle your customer services email and telephone call better than you can do it internal. Because all they do is live, breathe and dream of customer services for several Fortune 500 companies, including Amazon.com. companies such as this have the infrastructure in place to offer a high quality service that can even be measured using global standards such as ISO. Recruiting the best- As service providers, it is in the interest of these companies to keep their employee skills up to date because clients demand experts when

Better technology- an outsourcing vendor can afford to invest in better systems, networks and other technical services because the cost will be spread across various clients Wider skills pool- when working with an outsourcing vendor, the latest skills are always guaranteed to be available .Agility- outsourcing frees the company from the capital considerations of office space and equipment. This allows a level of flexibility that is impossible to achieve with in-house services). Employee benefits- while recruiting the best is clearly in the interest of the client firm, the training is in the direct interest of the employee (Kobayashi-Hilary, M, 2004)

Series of studies on what activities should MNCs be outsourced, it varies from companies to companies. Based on vast sourced of studies, it falls into 7 different categories in terms of functions:
Business process outsourcing (BPO) has emerged as one of the leading business and economic issues of our time. A natural extension of the free-trade movement that has been a dominant force in global economics over the past two decades (Duening, T, N and Click R, L, 2005). According to Forrester Research predicts that 3.3 million service jobs will move to countries such as India, Russia, China, and the Philippines (EXHIBIT 1) that is the equivalent of 7.5% of all jobs in the United States right now. Estimates from leading research firms more than support this trend. The Gartner Group, a Stamford, Connecticut-based research firm, predicts that:

One in ten jobs at specialty information technology firms in the United States will move abroad by 2005, along with one in 20 IT jobs in general business-a loss of about 560,000 positions.

The beginnings of trend in the business process outsourcing in Europe was signaled by the contract between BP Exploration and Andersen Consulting in 1991 by 1993, input identified an exciting market of $150 million (Rothery, B & Robertson, I, 1995). In addition, the cult of core competency was reinforced by another significant management theory in the 1990s, with that trend, organizations studied in detail way of their business process to find ever more efficient ways of carrying them out. Armed with this knowledge of process and frustrated by the difficulty of generating real performance gains, many executives followed reengineering to one of its logical conclusions: outsourcing processes to external providers that could perform them more efficiently (Cohen, L, et al, 2006).

According to the China Outsourcing latest report that 95% of the World Top 1000 companies (Fortune) has made their offshore strategy. And averagely 5-10 companies are doing on-the-spot investigation in potential offshore destinations every week. Furthermore, in the rapid-growth phase at the inception of the internet-based economy, many organizations experimented with outsourcing in an effort to accelerate time to market, manage growth, and gain access to hard-to-find and expensive skills. During the downturn,
outsourcing leaped to the fore as a cost-saving quick fix when budgets came under pressure. Soon every element of a corporation’s IT and business operations was potentially up for outsourcing consideration, with the reinforcing impact of technology and communications advances, it is expected that the next result of all these factors have not just been a largely successful explosion in outsourcing, with the overall services outsourcing market reaching three-quarters of a trillion dollars in annual revenue by 2008. (Cohen, L, et al., 2006). Subsequently, the next question would be “who would grab these opportunity will very much depend on level of infrastructure, low-cost talent pool and other important factors countries possess.

Competition pressures have forced companies to look objectively and critically at business processes. Companies have been outsourcing Manufacturing operations, business services and even entire business line successfully for a long time now. Recently, contract manufacturing sector has benefited with considerable outsourcing, initiated by the electronics and pharmaceutical industries. Business processes such as information technology (IT), payroll, logistics and human resources (HR) management are among the common ones regularly outsourced. Outsourcing of core functions like engineering, research and development (R&D), manufacturing and marketing are being considered by corporations (Ghodeswar, B and Vaidyanathan, J, 2008). Furthermore, Outsourcing has become an important strategic tool in today’s competitive business environment (Zhu, Z.W., Hsu, K. and Lillie, J, 2001). Managers are searching for any strategy that can provide them with success. BPO is one of the most important strategies that can lead to greater competitiveness (Embleton and Wright, 1998). The use of BPO has been increasingly in today’s business practices more than ever. According to Nasscom Analysis (2006) India alone exported BPO services worth $6.3 billion during FY 2005-2006, and it yields 35 per cent growing worldwide (Nasscom Analysis, 2006). There is no doubt that offshore outsourcing have immensely contributed to success of many MNCs around the world. But there are worries from some experts from this field. The Linda Cohen as managing vice president in Gartner Research argued that high expectation associated with outsourcing is increasingly hard to meet. As more and functions are outsourced, integrating and managing a portfolio of service providers is becoming more difficult and I causing significant service disruptions in many organizations. According to their research outsourcing to cut costs no longer provides significant competitive advantage because all your competitors are using outsourcing as well and are reaping the same cost advantages. their research also showed that fully 50% percent of outsourcing contracts signed between 2000 and 2004 will fail to meet expectations. In their book, she suggested a new concept “Multisourcing” which defined as the disciplined provisioning and blending of business and IT services from the optimal set of internal and external providers in the pursuit of business goal (Cohen, L and Young, A, 2006)

According to a survey commissioned by info-tech service provider Unisys, it reported that Malaysia companies are more advanced in back office business process outsourcing (BPO) adoption than companies in Singapore. It also mentioned that Malaysia is already a leader in BPO market. Another finding of ACA Research survey of major Singapore and Malaysian companies involved in financial services showed that Malaysia companies were more likely to reap the benefits of outsourcing their back office operations from the rapidly growing BPO market in the next five year (Unisys)
Relevant frameworks

The figure 3 (source of country selection criteria; Terdiman and Berg, 2001) below shall provide an overview of theoretical framework possibly being employed in this research. According to Terdiman and Berg (2001), country’s factors are more important than offshore outsourcing vendor’s expertise.

![Country selection model](image)

**Figure 2.3.1: country selection model**

(Source of country selection criteria; Terdiman and Berg, 2001)

**Country Infrastructure**

The regulatory environment within the country, and whether factors such as intellectual property law and export regulations have negatively impacted on business activities. The communication infrastructure and the type of facilities available for business use, and whether the communications infrastructure is adequate for conducting business.

- Human Expertise and Resources
- The use of quality certification
- The availability of skilled labor resources
- The competence of IT graduates and their training provision
- Foreign language proficiency
- Knowledge of global business practices
- Cultural Issues
- Cultural difficulties and issues when engaged in offshore projects (Brendan D’ Cruz)

**The status of Offshore BPO industry in China and Malaysia**

According to India's National Association of Software and Services Companies (NASSCOM) report (2007), China's BPO industry is valued at $1.06 billion for 2006, while Malaysia's BPO market, is estimated to have posted $1.01 billion in total revenues last year, with industry spending estimated to reach $979 million,
According to A.T. Kearney’s 2004, China ranks second in the index, enjoying cost advantages and a large educated labor pool although it lags behind India in terms of experience and other key factors such as IT and management education, language skills, and overall country risk. Particularly it scored low in areas of intellectual property and bureaucratic red tape. The 2008 Olympics are expected to provide useful experience with the English language. But the fact is leading global companies are tapping Chinese talent. IBM, for example, opened three new BPO data centers in the summer of 2003. India’s service firms are in China as well, including Satyam, TCS, Infosys, as well as smaller players such as Igate Global Solutions and Mphasis Group. With the China’s entry into the World Trade Organization has extended a further investment. 130 R&D facilities in China have been established by Western MNCs, and the special economic zones (SEZs) AND 15 national software industries parks pushed the foreign invest a another level. Shanghai, home of Pudong Software Park, is becoming a service hub. More than half of the roughly 1,000 foreign start-ups in Shanghai in 2002 were in service industries, challenging Hong Kong’s long track record in attracting service-sector investment. In addition China is also becoming a destination for companies targeting the Japanese and Korean market. In the northeastern city of Dalian, Dell Computer and CSK Corp. are opening Japanese language call centers. South Korea’s Kookmin Bank is moving its customer service center to China, where it will employ ethnic Koreans as well as local Chinese staffers. Japan’s top IT companies plan to double their software development staffs in China. From the perspectives of Chinese government, it is serious about creating a first-class high-tech labor force. Beijing’s IT promotion center provides coding training, and cities are helping local firms cover the costs of acquiring Carnegie Mellon Capability Maturity Model (CMM) certification. Both multinational and Indian firms are also providing training in partnership with the government. At undergraduate, post-graduate and adult education levels, universities and training institutes are increasingly emphasizing training in software development and applications and other technical skills. English language proficiency is another skill gap receiving attention. For example, some Shanghai elementary school students receive math and science instruction in English. As the supply of bilingual, IT-skilled labor grows, China’s low wages will make it an increasingly formidable competitor to India. China’s vast labor pool and low costs made it Malaysia ranked third as the most attractive location for offshore business development in the A.T. Kearney’s 2004 offshore location attractiveness index as well as the A.T. Kearney Global Services Location Index 2005. On the other hand, India and China ranked first and second respectively in the 2005 global services location index. In 2003 and 2004, India and China were also ranked first and second respectively in the 2003 Six-Industry Survey and the 2004 offshore location attractiveness index by A.T. Kearney. It can be seen that Malaysia had not yet been discovered as an offshore location during 2003. It means that Malaysia only took off as an attractive location for offshore business development in 2004 (Kelly, 2005). According to IMPS’s latest report, its total share of services in Malaysia’s GDP has expanded from 48.8% in 1987 to 53.4% in 2007, furthermore, the government has been targeted its outsourced industry as the engine of growth under Malaysia’s Third Industrial Master Plan (IMP3), Apparently, both governments hold a very firm conviction for the contribution of BPO industry to its economic growth.

According to A.T. Kearney (2004, p.1), “The annual index is a tool to help companies understand and compare the factors that make countries attractive as potential locations for offshore services. It measures the viability of countries as offshore destinations based on their financial structure, people skills and availability, and business environment”. In the A.T. Kearney’s 2004 offshore location attractiveness index, India ranked first in both
As for the business environment category, Singapore ranked first among all the countries. Malaysia ranked ninth in the business environment category, tenth in the financial structure category, and twentieth in the people skills and availability category. Unfortunately, China was not in the list. In the A.T. Kearney Global Services Location Index 2005, India is no more a leader in the financial structure category and the people skills and availability category. Both the Philippines and Ghana ranked first in the financial structure category. On the other hand, the United States ranked first in the people skills and availability category. As for the business environment category, Singapore maintained as the top in the list. Malaysia ranked tenth in the business environment category, fifteenth in the financial structure category, and nineteenth in the people skills and availability category. Compared to Malaysia, China ranked in a better position, fifth in the financial structure category confirms its financial ability to support large projects. In the ranking of people skills and availability, China has same score with Singapore ranked fifth in A.T. Kearney Offshore Location Attractiveness Index 2004.

Table 1 A.T. Kearney Offshore Location Attractiveness Index 2004

<table>
<thead>
<tr>
<th>Rank</th>
<th>Financial Structure</th>
<th>Business Environment</th>
<th>People Skills and Availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>India</td>
<td>3.72</td>
<td>1.31</td>
</tr>
<tr>
<td>2.</td>
<td>China</td>
<td>3.32</td>
<td>0.93</td>
</tr>
<tr>
<td>3.</td>
<td>Malaysia</td>
<td>3.09</td>
<td>1.77</td>
</tr>
<tr>
<td>4.</td>
<td>Czech Republic</td>
<td>2.64</td>
<td>2.02</td>
</tr>
<tr>
<td>5.</td>
<td>Singapore</td>
<td>1.47</td>
<td>2.63</td>
</tr>
<tr>
<td>6.</td>
<td>Philippines</td>
<td>3.59</td>
<td>0.92</td>
</tr>
<tr>
<td>7.</td>
<td>Brazil</td>
<td>3.17</td>
<td>1.41</td>
</tr>
<tr>
<td>8.</td>
<td>Canada</td>
<td>1.00</td>
<td>2.48</td>
</tr>
<tr>
<td>9.</td>
<td>Chile</td>
<td>2.99</td>
<td>1.68</td>
</tr>
<tr>
<td>10.</td>
<td>Poland</td>
<td>2.88</td>
<td>1.57</td>
</tr>
<tr>
<td>11.</td>
<td>Hungary</td>
<td>2.71</td>
<td>1.68</td>
</tr>
<tr>
<td>12.</td>
<td>New Zealand</td>
<td>1.59</td>
<td>2.24</td>
</tr>
<tr>
<td>13.</td>
<td>Thailand</td>
<td>3.44</td>
<td>1.19</td>
</tr>
<tr>
<td>14.</td>
<td>Mexico</td>
<td>3.12</td>
<td>1.26</td>
</tr>
<tr>
<td>15.</td>
<td>Argentina</td>
<td>3.25</td>
<td>1.08</td>
</tr>
<tr>
<td>16.</td>
<td>Costa Rica</td>
<td>3.06</td>
<td>1.33</td>
</tr>
<tr>
<td>17.</td>
<td>South Africa</td>
<td>2.83</td>
<td>1.21</td>
</tr>
<tr>
<td>18.</td>
<td>Australia</td>
<td>1.11</td>
<td>2.13</td>
</tr>
<tr>
<td>19.</td>
<td>Portugal</td>
<td>1.84</td>
<td>1.99</td>
</tr>
<tr>
<td>20.</td>
<td>Vietnam</td>
<td>3.65</td>
<td>0.70</td>
</tr>
</tbody>
</table>

Note: The numbers are index numbers. The weight distribution for the three categories is 40:30:30, meaning that the financial structure is rated on a scale of 1 to 4, and that

Table 2: Malaysia ranked ninth in business environment category

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country Risk</th>
<th>Country Infrastructure</th>
<th>Culture Adaptability</th>
<th>Security of Intellectual Property</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1.41</td>
<td>0.40</td>
<td>0.43</td>
<td>0.39</td>
</tr>
<tr>
<td>2.</td>
<td>1.26</td>
<td>0.41</td>
<td>0.40</td>
<td>0.41</td>
</tr>
<tr>
<td>3.</td>
<td>1.39</td>
<td>0.27</td>
<td>0.45</td>
<td>0.37</td>
</tr>
<tr>
<td>4.</td>
<td>1.14</td>
<td>0.36</td>
<td>0.35</td>
<td>0.39</td>
</tr>
<tr>
<td>5.</td>
<td>1.13</td>
<td>0.40</td>
<td>0.18</td>
<td>0.42</td>
</tr>
<tr>
<td>6.</td>
<td>1.11</td>
<td>0.32</td>
<td>0.28</td>
<td>0.34</td>
</tr>
<tr>
<td>7.</td>
<td>1.06</td>
<td>0.28</td>
<td>0.38</td>
<td>0.30</td>
</tr>
<tr>
<td>8.</td>
<td>1.03</td>
<td>0.27</td>
<td>0.37</td>
<td>0.32</td>
</tr>
<tr>
<td>9.</td>
<td><strong>1.03</strong></td>
<td><strong>0.24</strong></td>
<td><strong>0.28</strong></td>
<td><strong>0.22</strong></td>
</tr>
<tr>
<td>10.</td>
<td>0.62</td>
<td>0.38</td>
<td>0.40</td>
<td>0.34</td>
</tr>
<tr>
<td>11.</td>
<td>0.88</td>
<td>0.26</td>
<td>0.27</td>
<td>0.27</td>
</tr>
<tr>
<td>12.</td>
<td>1.03</td>
<td>0.29</td>
<td>0.11</td>
<td>0.25</td>
</tr>
<tr>
<td>13.</td>
<td>0.91</td>
<td>0.19</td>
<td>0.24</td>
<td>0.23</td>
</tr>
<tr>
<td>14.</td>
<td>0.91</td>
<td>0.25</td>
<td>0.01</td>
<td>0.24</td>
</tr>
<tr>
<td>15.</td>
<td>0.83</td>
<td>0.20</td>
<td>0.10</td>
<td>0.18</td>
</tr>
</tbody>
</table>

Note: Calculated on a scale of 1 to 3.

Table 3: Malaysia ranked tenth and China ranked fifth in financial structure category

<table>
<thead>
<tr>
<th>Rank</th>
<th>Compensation</th>
<th>Infrastructure Costs</th>
<th>Tax and Regulatory Environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. India</td>
<td>3.19</td>
<td>0.23</td>
<td>0.30</td>
</tr>
<tr>
<td>2. Vietnam</td>
<td>3.17</td>
<td>0.25</td>
<td>0.23</td>
</tr>
<tr>
<td>3. Philippines</td>
<td>3.14</td>
<td>0.22</td>
<td>0.23</td>
</tr>
<tr>
<td>4. Thailand</td>
<td>2.88</td>
<td>0.27</td>
<td>0.29</td>
</tr>
<tr>
<td>5. China</td>
<td><strong>3.00</strong></td>
<td><strong>0.23</strong></td>
<td><strong>0.09</strong></td>
</tr>
<tr>
<td>6. Russia</td>
<td>2.74</td>
<td>0.28</td>
<td>0.23</td>
</tr>
<tr>
<td>7. Argentina</td>
<td>2.91</td>
<td>0.20</td>
<td>0.14</td>
</tr>
<tr>
<td>8. Brazil</td>
<td>2.84</td>
<td>0.17</td>
<td>0.16</td>
</tr>
<tr>
<td>9. Mexico</td>
<td>2.64</td>
<td>0.27</td>
<td>0.21</td>
</tr>
<tr>
<td>10. Malaysia</td>
<td><strong>2.50</strong></td>
<td><strong>0.33</strong></td>
<td><strong>0.26</strong></td>
</tr>
<tr>
<td>11. Turkey</td>
<td>2.68</td>
<td>0.23</td>
<td>0.16</td>
</tr>
<tr>
<td>12. Costa Rica</td>
<td>2.60</td>
<td>0.24</td>
<td>0.22</td>
</tr>
<tr>
<td>13. Chile</td>
<td>2.56</td>
<td>0.22</td>
<td>0.21</td>
</tr>
<tr>
<td>14. Poland</td>
<td>2.45</td>
<td>0.26</td>
<td>0.17</td>
</tr>
<tr>
<td>15. South Africa</td>
<td>2.34</td>
<td>0.25</td>
<td>0.24</td>
</tr>
</tbody>
</table>

*Note: Calculated on a scale of 1 to 4.*


According to Taing (2005), the reasons why Malaysia is fast gaining as an attractive location for offshore business development include a well-developed infrastructure, low wage inflation, a stable government, attractive business environment, strong government support, and a workforce with good language skills (Kelly, 2005). The infrastructure in Malaysia is well-developed with reasonably low costs. According to the Ministry of Energy, Communications, and Multimedia Malaysia (2003), it is estimated that it costs 30 to 35 per cent less to operate contact centre operations in Malaysia than in more advanced countries in this region. In addition, “The Multimedia Super Corridor (MSC) offers a highly attractive value proposition which includes: (1) 2.5-10bps fiber optic backbones; (2) multiple local and international service providers; (3) multiple sub-sea
linkages to Asia, the Americans, and Europe; (4) an international Internet gateway; (5) globally competitive telecom tariffs; (6) performance and benefits guarantees” (Downe, 2004; Multimedia Development Corporation (MDC), 2004). Taing (2005) pointed out that “Malaysia derives much of its advantage from the MSC…is extremely well placed to become an offshoring heaven as it is located within the quadrant most desirable for outsourcing [a relatively high quality at a very competitive price with lower attrition rates]”. On the other hand, Malaysia has an attractive business environment for an emerging market because of its stable political environment as well as rational regulatory framework that offers consistency and predictability for enterprise planning (Downe, 2004; Ministry of Energy, Water, and Communications, 2004). Then again, Malaysia has strong government support for the information and communications technology (ICT) sector which makes Malaysia an attractive offshore location (A.T. Kearney, 2004). Last but not least, Malaysia has a strong global exposure workforce that can possess strong English and regional language skills (Downe, 2004). With all the industry strengths, “Malaysia is among the countries that will challenge India’s dominant position in business process outsourcing in the next five years” (A.T. Kearney, 2005, p.8).

According to A.T. Kearney (2004, p.8), “As a small country with only 22 million 34 people, Malaysia will not be able to match India’s scale advantages, and piracy will continue to be a major drawback”. In addition, “Talent deficiencies may exist with many of our university graduates, limiting their potential within the contact centre or CRM environment” (Downe, 2004). Besides, Malaysian’s English language skills may not be sufficient for some CRM requirements and there is a lack of attention to the importance of accent neutralization (Downe, 2004; COPC Asia Pacific, 2004). These are the reasons why Malaysia ranked twentieth and nineteenth in the people skills and availability category in the A.T. Kearney’s 2004 Offshore Location Attractiveness Index and the A.T. Kearney Global Services Location Index 2005 respectively. In order to further improve Malaysia as an attractive offshore location, there is a need to improve Malaysia’s workforce in terms of skills needed in the industry.

Research Design

China’s BPO industry is still just in its developing edge except in manufacturing sector, which has already become a leader in Global offshore outsourcing lied to the low cost labor and semi-skilled labor pool. According to the China outsourcing association’s report, it is believed that most of BPO projects are contracted by a small number of state-owned companies which accounts for around 70% of all revenue. Therefore, in this study, we only take those service providers with offshore experience into consideration. Malaysia’s BPO industry has bigger range compared to China due to its strong government support and well developed ICT infrastructure throughout the country. The multiple widely-spoken languages made it a competitive environment for BPO industry.

This research sources mainly based on a pre-structured questionnaire which derived from researcher Terdiman and Berg (2001)’s Country Selection Model to collect primary data. Besides it, a limited number of face to face interviews were also carried out for better understanding the survey by questionnaire. It is well believed by many MNCs that country’s macro-level business environment is more important than offshore service provider’s capability. According to Terdiman and Berg (2001), he writes: “Enterprises must consider country suitability for offshore projects before they consider individual vendors” (Terdiman and Berg 2001). Many others research bodies also suggest that MNCs
should give country selection the priority when deciding which service provider to outsource. For example, the reputable research firm Gartner’s selection motto is “country before company” (Terdiman and Berg 2001).

In order to minimize the bias of information given by respondents, the secondary data came from available journals in the field as well as reports from field associations in both countries. As the objective of this paper is to analyze the perception of the industry service providers rather than MNCs, BPO practices related government agents and 20 companies were contacted to generate empirical evidence. The information and data obtained from the questionnaire survey was analyzed using the Country selection model from researcher Terdiman and Berg (2001). It served as basis model to analyzed information from questionnaire survey. The model was chosen because it critically covers the important reasons why MNCs outsource their business processes in foreign countries. Basically, it will test out the attractive factors relatively in these two countries. The outcome of interview analyzed in line with theoretical models so bias can be minimized. Process of outsourcing model (source: Brown and Wilson, 2005) applied for interview outcome analysis to identify which part still need to improve in order to have better performance. One approach which begins deductively makes use of data categories and codes that derive from the theoretical frameworks to analyze the collected data (Saunders et al, 2003). The implications of different data give a essential insight and guide for MNCs who plan to do BPO projects in these two countries.

Method & data collection

Data collection consisted of a well-structured questionnaire considered as primary data both in China and Malaysia. In addition, a few interviews (telephone interview employed as Malaysia Company prefers it) with CEOs from a few selected companies whose opinion could possibly represent the majority voice in BPO industry while others bases on well-structured questionnaire. The reason why both quantitative and qualitative methods were applied because they are complementary to each other and better results could be produced. The secondary data for this study was drawn from wide resources according to Yin (2003)’s suggestion that information obtained from interviewees are often subjective, therefore, secondary data is necessary to be gained from company’s published report and others. As author fortunately have some contacts with people who working in this field. It made it possible to have chance for face to face interview with some of relevant persons. Therefore, The research data for this study will be also draw based on qualitative data that can generally be defined as “non-numerical data or data that have not been quantified” (Saunders et al, 2003). The character of this data is mostly primary data which is defined as “material that you have gathered yourself” (Jankowicz, 2005). It is always useful to gain information face to face to add bonus to primary data that conducted based on well-structured questionnaire.

For the data collection in Malaysia, the author had chance to visit Malaysia on Sep 2008 in order to conduct a survey and Semi-structured interviews with a few relevant people in Malaysia. Firstly, the questionnaire was mailed to 20 randomly selected companies who had offshore experience and 14 responses were received after one and half week. For the other six, we have made follow-up telephone calls, various reasons were given, such reasons like, people in charge were not available at moment, and bosses were on the trip for business negotiation. Fortunately, in each responded company, the majority of the response
was the senior managers who are responsible for external affairs, particular directly dealing BPO with MNCs. The author believes the information given should be valuable. Compared to questionnaire survey, interview with a few relevant personnel were rather a success. First person interviewed was the CEO of MDC (Multimedia Development Corporation). It was selected because The MDC (Multimedia Development Corporation) was primarily selected which acts as government agent to promote Malaysia is the world’s best environment to harness the full potential of ICT and multimedia technology (Multimedia Super Corridor). Another company was IDRO (M) SDN BHD which had offshore BPO experience in Malaysia. The duration for each interview was 45 minutes on average.

For the data collection in China, the questionnaire was mailed to randomly 20 selected offshore BPO service providers. Telephone follow-up was also done to have more response, it was quite a success, and 16 responses were received with help of one of China Sourcing association. But the majority of response was notified that are division executives rather than senior managers. The reason could perhaps attribute to the Chinese cultural that middle management people taken care of this kind of survey. Two interviews were carried out as author was back to China for holiday. Company ZT was primarily selected as it is one of the first Chinese telecoms equipment provider and authors’ inside contact made it possible to interview its senior manager. Content of interview was not only related to questionnaire, but additional information was gained as well. Interview topic ranged from number of failure rate of BPO projects to determine the major obstacles faced by the company the future perspective of BPO in China. Second company interviewed was one of new company, TS group. It is small, but it had several offshore BPO experiences. TS group see BPO as a very important strategic movement for new and fast growing company. The CEO of TS group was interviewed.

It is estimated that the result of this survey should be better off than a pure questionnaire or interview. With author’s effort for face to face interview, a comprehensive understanding of BPO practices in China and Malaysia gained and it will be helpful for latter quantitative analysis.

Sampling methods

Qualitative enquiry is very often about depth, nuance and complexity, and understanding how these work. Therefore, the act of concussing through sampling is likely to be as strategic as it is practical (Mason.J, 2002). In order to obtain relevant information for the study, 20 companies with offshore BPO experience have only been carefully selected for a questionnaire survey even though it was random selected based on author’s knowledge. Besides that, several face to face interviews were also conducted to gain an insight in BPO industry. The overall response rate for the questionnaire was 70% in Malaysia and 80% in China. It is considerably very high might due to the help with relevant government body. With author’s limited resources, one company and one government body were approached in Malaysia and two companies were approached in China.

Limitations

Three important limitations of this study need to be highlighted. Firstly, this study generalizes and compares results for the whole China and Malaysia with no concern of regional differences. Due to the differences of infrastructure level and culture in southern china and northern china, the primary data obtained from questionnaire survey could only
give MNCs a general guide. The sample size apparently is second limitation. With a small number of sample selected discredit the accuracy, reliability of the information obtained. Further studies with larger samples are considered in the future. Especially, the perspective of MNCs needed to study in order to make effective improvement for service providers both in China and Malaysia. The last limitation is regarded to the secondary data that most of resources in this field were engaged in offshore information technology (IT) outsourcing rather than business process outsourcing.

Findings and Discussion

Respondents’ profile

The range of the firms that have taken part in this research differs from one another, but one thing is same that they all have had offshore experience with clients from U.S, Europe and other developed companies. Surprisingly, even some of them had experience with developing nations like India. The only drawback is that some of them just had offshore IT projects experience in stead of business process outsourcing projects. The overall respondents’ profile consider highly relevant to the aim of this study. The response rate is 70 percent in Malaysia and higher in China, which is 80 percent.

Market orientation

Responding companies targeted their market differently even though they all involved in both international market and domestic market. But the reality is always not matched with their early expectation; therefore, changes are always expected according to the market value proportion.

“Still remember the initial targeted market for our company a few years ago was international market because many Chinese companies did not recognize the importance of contracting their non-core activities to a third party. But now, with the financial crisis, and government’s economic stimulate plan, and the awareness of benefits of Chinese companies pushed the domestic market a further large, therefore, we have shifted out concentration from international market to domestic market. I believe today’s business environment is an ever changing environment, companies whoever want to survive need to be flexible according the changing environment”. (Mr. Tang, the senior executive of one of the emerging companies in China)

Figure 4 shows that all surveyed companies have different degree of offshore business as well as domestic business.
The percentage breakdown graphically shows the market orientation of companies, which participated in the survey. Different results generated between China and Malaysia. As the figure shows that 11 firms are mostly oriented on international market and only 3 firms are positioned on domestic market. It is very different from the results of firms in China, which has only 8 firms out of 16 firms are mostly oriented on international market and the other 8 goes to domestic market. Reasons may vary, but this can be explained as a current trend of the industry in both countries.

**Size of companies in terms of employee’s number**

Sized of companies usually should be measured companies’ annual revenue and the “general size” (No of employees), in order to avoid any unpleasant emotions (cultural difference), the size only measured by employee number. The more employees a firm has assumed to be big company.
The figure 5 presents Number of staff employed in surveyed firms ‘ranges from 10- 500, it divided into 3 categories: 1) 1-50 employees 2) 50-100 and 3) 100-500. The results show that there are 10 Malaysia companies fall into group 1, 2 fall into group 2 and 2 into group 2. It is also very different from the results of Chinese firms, where there are 8 firms fall into group 2, 6 fall into group 3 and only 2 into group 1. This figure indicates that firms who are participated in the survey are quite diversified.

Conclusion

This research has attempted to study and compare the current status china and Malaysia BPO leading service providers. Several important characteristics have emerged as research goes on.

Firstly, there are two main sources of BPO providers: new (small companies that specialized in specific BPO projects) and transitional firms (big companies), the new firms are often creative and very much depended on its advanced information system (ICT) while transitional firms are quite traditional operated very much reply on its experience and strategic alliance strategy. With china’s entry into WTO, Chinese BPO providers are forced to improve its effectiveness of communication with clients outside and timely co-ordination due to the greater completion and higher customer requirements. Less advanced infrastructure also restricted its expansion of service variety. More customized service needed to synergized with MNCs for providing value-added services. Meanwhile, the government’s role to make China a best destination for offshore BPO business becomes ever critical, many researches have been done in this field found out the country business environment and its related factors is the major concern for MNCs making offshore outsourcing. Therefore, the overall macro-level environment evaluation is the most important aspect for any offshore outsourcing.

This study examined the important elements based on practical model “Country selection model” (Terdiman and Berg, 2001). Three components; infrastructure, resources and culture are three aspects have been evaluated from the perspective of offshore service providers both from China and Malaysia. The main conclusion can be drawn from the findings, based on the combination of questionnaire survey and interview is, Malaysia is a rising star in global BPO industry. Its strong government support in ICT and the active promotion government agency MSC very much contributed to the success. Stable political status and rational economic business environment made Malaysia a new leader in BPO industry. Despite its only 22 million people and some drawback such as piracy and cultural issues, it will certainly challenge India and China domination of global BPO market due to its strong global exposure workforce that can possess strong English and regional language skills. Well-developed infrastructure, low wage inflation, a stable government, attractive business environment, strong government support, and a workforce with good language skills (Kelly, 2005) are all favorable factors that pull MNCs consideration to outsource. An interesting answer from the manager at the Multimedia Development Corporation (MDC) Flagship Strategy and Planning Unit, Rob Cayzer: Question: With rapid and constant growth of China and India in BPO market, how does Malaysia position herself in that context? Answer: “Malaysia will serve them”

It may sound surprise, but the fact is that many reputable India outsourcing provider such as Infoys ,Wipos already planning to open new branches in Malaysia due to the rise of
salary in BPO industry in India. Despite the disadvantage of English skills and business and management skills of Chinese graduates, China’s leading role in BPO industry will continue expand from low valued manufacturing outsourcing to value-added process services in about 5 to 10 years time as many MNCs believes the potentials of Chinese market will continue make them profitable. China No 1 outsourcing association research showed that many of Chinese companies are looking forward to building partnership with developed countries such as US and experienced country like India to improve its service quality. Most of them are quite optimistic for the rapid growth in next five and ten year’s time. Most of them are planning to expand their business into more value-added business process. The immense success of hosting 2008 Olympics games confirmed China is stills the most favorable location for offshore BPO. Malaysia may only challenge China for customer service (contact center) due to its better English language proficiency. ICT sector related process may also pose a threat to China in particular business process due to its full government support in ICT.

Infrastructure

From the findings and analysis of BPO industry infrastructure, a general conclusion can be drawn that Chinese companies have less support from government compared to Malaysia, where government consider its industry as strategic to its country development. A industry is unlikely develop fast and constant without the support of favorable government policies. The situation in China is that small and medium size companies (SMEs) urgently in the need of government’s full support in R&D investment in order to provide value-added services. Better taxation will also add another incentive to SMEs because there is high percentage of firms feel the big effect of high tax that they have less capital investment in R&D. One point can be learnt from Malaysia is to establish a government agency like MSC to promote industry to a global area. The study also showed that association in China is less responsive. A strong and effective association likes NASSCOM in India to provide support from various aspects to all firms in China.

Resources

Human resources is the most fundamental and essential to any BPO industry development. Compared to Malaysia, China’s large talent pool out of 1.3 population is definitely a advantage, it provider the necessary element for BPO industry development. But the results finding is unexpected that the major concern from Service providers in China goes to the graduate’s competency level. They finds difficult to recruit qualified staffs to satisfy the rapid growth demand and expansion of their business. Two conflicts rise in China is that firms face a shortage of qualified talent and graduates facing difficulty of getting a job. With this doubt, the question was raised to one of interviewer, he said: “It is true that currently the BPO growth in china is more than 30% every year,there is more and more graduates graduate from university every year as well. We offer quite considerable salary which higher than many of job in similar industry, the main issues is that many graduates’ skills don’t match our requirement. It could trace back to our education system and human capital strategy in china. ”

When author asked the detailed explanations, he said: “In my opinion, students from university in China are lack of practical skills such as effective communication and technical skills, but they are often rich in elementary knowledge and theories, in another word, our education system is less market orientated, and talents equipped with better
practical skills needed in today’s growth BPO industry” Its explanations matched with the results revealed from the survey that value-added services are needed in order to sustain its leading position in the global BPO industry. It was also found in this study that firms suffer from a lack of business and management knowledge. The most favorable solution to address that is to hire specialist with oversea working experience from western or even from India.

Culture
This study does show many of offshore BPO projects failure attributed to the lack of understanding of difference between cultures. Particular, high percentage of firms believes the success of negotiation process has big proportion depend on the understanding of culture difference. Different work style and ineffective verbal communication are still the obstacles to drag away potential customers.
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Employees’ Perception of Annual Confidential Report and Performance Management System: Case Study of Zarai Tarakiati Bank Limited

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Abstract
ZTBL replaces its Annual Confidential Report system by Performance Management System. Employees are however placed in novel and uncertain. Their perception and reaction to the new system is essential for the success for new system. The study encompasses how each evaluation system is ranked by employees. How employees differentiate them and how can it help in the performance measurement framework. These are imperative for increasing productivity, motivation, performance augment and job satisfaction.

JEL: M 12, 51, 54

Key Words: Annual Confidential Report, Performance Management System, Job satisfaction and Performance measurement.

1. Introduction
Performance management system is a continuous process of identifying, measuring and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization. The purpose is to measure employees’ performance which leads to better job performance. There are different performance measurement systems and each has its own implication. Zarai Tarakiati Bank Limited (ZTBL), a pioneer and only bank in agricultural credit in Pakistan, shifts from Annual Confidential Report system (ACR) to Performance Management System (PMS). The question arises as to the success of the latter. This success heavily depends on employees’ perception and satisfaction with the system. The study considers employees perception as the key to the success and easy transaction of the PMS.

The study is first of its kind on the two systems in Pakistan. The study gets an insight about two evaluation systems which are PMS and ACR. The study will be helpful in exploring an
effective and efficient performance evaluation system to motivate employees to higher grounds. Another important rationale of study is it covers a public sector organization and this sector is considered backbone of Pakistani system. The study is divided into four sections. Section one is introduction while section two is pertaining to literature review. Third section is methodology and results. The last section is conclusion with recommendations.

2. Introduction to Performance Management and Literature Review

Performance management is a tool to ensure that managers manage effectively; that they ensure the people or teams they manage, know and understand what is expected of them, they have the skills and ability to deliver on these expectations, are supported by the organization to develop the capacity to meet these expectations are given feedback on their performance, have the opportunity to discuss and contribute to individual and team aims and objectives. It is also about ensuring that managers themselves are aware of the impact of their own behavior on the people they manage and are encouraged to identify and exhibit positive behaviors. Normally, in Pakistan, ACR system is most prevalent and replacing it fast in private sector is PMS. However, in public sector ACR is still the dominating figure.

ACR system is based on confidential reports which are filled by employee’s supervisors. It is most common approach used in public sector organizations to evaluate employees but they are considered inefficient, corrupt and manipulating. Replacing it is PMS which is more comprehensive based on employee’s performance appraisal parameters. PMS follows the following guidelines; Feedback, Training and Development, Coaching, Career Management and Development and Management by Objectives. The following review covers the importance of these components which are necessary for PMS and sufficient for ACR system.

Feedback and of course its clarity plays determinative role in development of employees’ perception about their work. Employees actively seek feedback regarding their performance from their supervisor, co-workers and work itself. It’s because employees seek to minimize uncertainty about their performance at work. (Bandura and Hackman, 1977). Normally feedback occurs through informally daily communication, but it may occur through formal evaluations. (Samuel J. Yeager, 1985). Unfortunately, the importance of timely feedback is often overlooked and the practice of giving feedback is taken for granted by many supervisors and co-workers in public sector organizations (Jack Rabin, 1985). Feedback and goal setting have become integral management tools because they are thought to serve both informational motivational functions that enhance an individual’s work performance (Kopelman, 1986). Thomas D. mistakes. In contrast when job performance was good, it was not readily recognized.

Most organizations use 360 degree feedback. 360 degree feedback involves feedback from four sources namely; downward from target’s supervisor, Upward from subordinates, Laterally from peers and co-workers and Inwardly from target him/herself. It has been implemented in a number of public sector organizations to enhance employee performance and to improve organizational culture. Providing feedback to managers about how they are viewed by direct subordinates, peers, co-workers should prompt a behavior change. But many managers have not received as much honest feedback as is necessary for adequate self perception. 360 degree feedback is extremely beneficial for organizational
development but if the employees are not taken into confidence ahead of introducing a new feedback method, it can be a devastating experience.

Linkage of goal setting with feedback is an important factor to enhance employee’s performance. Because both these factors (goal setting and feedback) can be complementary to each other in enhancing performance. Steers and Porter (1974) argue that task goal attributes such as goal specific and feedback increase employee’s knowledge of what is expected of him/her and reduce the employee’s unnecessary for job relevant behavior in a work setting. Similarly performance feedback not only can serve as a cueing function, but also can facilitate a goal setting and goal clarity function.

Training and development also improves performance of individuals and groups in organizational settings. Employee training is one of the most key aspects of a successful organization,(Claire Bellios, 1997). Moreover, training focuses on fixing a specific issue (Thomas Raney (1989)). Successful development can create a stimulating environment and positive forward focused culture. In order to effectively prepare for development one thing is certain, it takes time. Most of the time employees are not happy with training in public sector organizations because they want their skills, knowledge and attitude to improve through training but in most public sector organizations training is just a mere formality and no serious attention is given towards the purpose of training program.

Career management is a process by which individuals collect information about values, interests and skill strengths and weaknesses, identify a career goal, and engage in career strategies that increase the probability that career goals will be achieved (Greenhaus (1987)). Many HR professionals have advocated the use of career management and development systems for improving employee’s career motivation and commitment because of the close linkage between career management, performance development behavior and participation in development activities (Hall and Associates (1986), London and Mone (1987)).

Career management mainly consists of three steps namely; Career Exploration, Development of Career Goals and Strategies to obtain career goals. Exploration is expected to occur for those who wish to successfully progress in their careers (Philips, 1982). It results in increased knowledge of career opportunities and a greater awareness of what skills and behaviors need to be developed for career success. Career goal that an employee desires to attain is promotion, salary increase or skill acquisition. Career goal focus likely positive related to job performance. High levels of job performance are prerequisite for achieving many career goals. The more definite an employee’s goal, the more likely they are to maximize their performance in their current position.

Career management not just deals with development of career goals but also with their implementation as well. A career strategy is an activity such as participating in a mentoring relation, which increases the likelihood of career goal attainment (Gould and Pemly (1984). Employees whose current position is closer to the career goal demonstrates more career exploration than employees whose position is farther away from their career goal (Neo and Steffy (1987)). The closer employee’s current position is to their career goal, the more interested and involved they will be in development activities.

Use interpersonal and intrapersonal career strategies results in managers giving employees more favorable performance evaluations because these strategies cause managers to develop positive affect towards employees. Use of career strategies also stimulates
developmental behavior in employees; these strategies help employees to maintain and expand their knowledge and skills and develop contacts in organization. Coaching is a collaborative, ongoing process in which the manager interacts with his/her employees and takes an active role and interest in their performance. Most common categories related with employee’s behavior are; Directing, Motivating and Rewarding.

It is very important that relationship between coach and employee is collaborative and trusting because the collective trust of all stakeholders is necessary in a process (Farr and Jacobs, 2006). Coaches in public sector organizations need to try to walk in the employee’s shoes and view the job from his/her perspective.

The main purpose of coaching is to change employee’s behavior and set a direction for what the employee will do definitely in future (Peterson (2006)). This change will not happen if employee is not in the driver’s seat. Coach will have to facilitate employee’s goals and agenda. If the coach creates the whole and rich picture of employee and understands that every employee is unique and different it will certainly be beneficial for the employee and as a whole for the organization. The main activity for a coach is to facilitate the employee and a coach can do this (especially in a public sector organization) by giving advice, providing support and by giving confidence to employees. “A leader becomes complete only after giving something back” (Laurence (2003)).

Management by Objectives (MBO) is a process of agreeing upon objectives within an organization so that management and employees agree to the objectives and understand what they are in the organization (Peter Drucker, 1954). The main theme of MBO is participative goal setting, choosing course of actions and decision making. An important part of the MBO is the measurement and the comparison of the employee’s actual performance with the standards set. Ideally, when employees themselves have been involved with the goal setting and choosing the course of action to be followed by them, they are more likely to fulfill their responsibilities.

(Douglas McGregor, 2005) stresses the value of MBO, especially the aspect of performance appraisal. This approach suggests that we look at two sets of assumptions about individuals and their reaction to work. One approach assumes that people work to survive and need therefore a strict, authoritarian approach to dealing with subordinates. The other approach assumes people do not dislike work, and derive satisfaction from it.

An effective MBO program needs full support throughout the organization as well as time and effort. In public sector organizations it can be a highly motivating exercise as it enables both managers and subordinates to see their role more clearly and participation of employees will lead to greater employee acceptance of performance goals and management decisions and improvements in communication and understanding, among both managers and their subordinates.

3. Research Methodology:
Effective and efficient performance appraisal system is pivotal for employees’ motivation. ZTBL transcends from ACR to PMS approach. The question is whether the change gives job satisfaction and performance enhancement to the employees of ZTBL?
3.i. Hypothesis Development:
The study examines the difference between ACR and PMS as perceived by the employees of ZTBL leading effectiveness and efficiency of its employees. On basis of above knowledge, we derive following two hypotheses for our research,

**H₀:** Annual Confidential Report is equal to Performance Management System in terms of its effectiveness on performance and job satisfaction.

**H₁:** Annual Confidential Report is not equal to Performance Management system in terms of its effectiveness on Performance and job satisfaction.

3.ii. Sampling:
Target segment in study is officers of ZTBL-Islamabad. ZTBL is pioneer and only bank in agricultural credit. Data is collected to assess their perception of ACR and PMS employee evaluation systems. Sample selected in research study is random sampling in order to make sample unbiased. Sample size is of 60 supervisors/officers belonging to different ranks of Zarai Tarakiati Bank Limited.

3.iii. Questionnaire Design:
Data is primary and is collected using questionnaire method. Respondents are asked to give ranking to the characteristics of the particular evaluation/appraisal system mentioned in questionnaire. A scale is defined which has the options of 1-5 and respondents are asked to rate on basis of given scale from 1 being Strongly disagree and 5 being Strongly Agree. To analyze questionnaire t-test and Anova F-statistic is used.

3.iv. Procedure:
Questionnaires are distributed to sample in ZTBL-Islamabad. After two days they are collected. Every supervisor has to fill two questionnaires; one for ACR and other one for PMS. Later on statistical tests are applied on obtained data using t-test and Anova F-statistic. Additionally, two main tests are also applied namely; Correlation between ACR and PMS and Mean Equality test.

3.v. Results and analysis:
Questionnaire is appraised using t-test and Anova F-statistic. Analysis of data is done by applying Correlation and Mean equality test. Results compiled on the basis of these tests for each question of the questionnaire are given below:

Q#1: The selected system has a significant impact on career development and career growth?

<table>
<thead>
<tr>
<th>Test for Equality of Means Between Series</th>
<th>Q1</th>
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<tbody>
<tr>
<td>Method</td>
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<tr>
<td>t-test</td>
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<td>Df</td>
<td>Value</td>
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<tr>
<td>58</td>
<td>4.493015</td>
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<tr>
<td>Anova F-statistic</td>
<td></td>
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<tr>
<td>(1, 58)</td>
<td>20.18719</td>
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As from table 3.1, it is clear that calculated value of t (4.49) is greater than its tabular value (2) which falls in the rejected region. Therefore, it is clear both the means are not equal and the evaluation of the data is correct.

Q#2: You were putting more effort to develop your careers in the selected system?

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<th>Test for Equality of Means Between Series</th>
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<tr>
<td>Method</td>
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<td>t-test</td>
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<td>Anova F-statistic</td>
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<table>
<thead>
<tr>
<th>Method</th>
<th>Df</th>
<th>Value</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>t-test</td>
<td>58</td>
<td>4.206532</td>
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<tr>
<td>Anova F-statistic</td>
<td>(1, 58)</td>
<td>17.69492</td>
<td>0.0001</td>
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</tbody>
</table>

As from table 3.2, it is clear that the calculated value (4.2) of t is greater than its tabular value (2) which falls in the rejected region. Therefore, it is clear both the means are not equal and the evaluation of the data is correct.

Q#3: Employees deliver better results by achieving goals through efficient management of resources.

<table>
<thead>
<tr>
<th>Test for Equality of Means Between Series</th>
<th>Q 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Method</td>
<td>Df</td>
</tr>
<tr>
<td>t-test</td>
<td>58</td>
</tr>
<tr>
<td>Anova F-statistic</td>
<td>(1, 58)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Method</th>
<th>Df</th>
<th>Value</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>t-test</td>
<td>58</td>
<td>3.568152</td>
<td>0.0007</td>
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<tr>
<td>Anova F-statistic</td>
<td>(1, 58)</td>
<td>12.73171</td>
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</table>

As from table 3.3, it is clear that the calculated value (3.56) of t is greater than its tabular value (2) which falls in the rejected region. Therefore, it is clear both the means are not equal and the evaluation of the data is correct.

Q#4: Employees get recognition for giving outstanding performance.

<table>
<thead>
<tr>
<th>Test for Equality of Means Between Series</th>
<th>Q 4</th>
</tr>
</thead>
<tbody>
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</tr>
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<td>58</td>
</tr>
<tr>
<td>Anova F-statistic</td>
<td>(1, 58)</td>
</tr>
</tbody>
</table>

<table>
<thead>
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<th>Method</th>
<th>Df</th>
<th>Value</th>
<th>Probability</th>
</tr>
</thead>
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<tr>
<td>t-test</td>
<td>58</td>
<td>5.735779</td>
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<tr>
<td>Anova F-statistic</td>
<td>(1, 58)</td>
<td>32.89916</td>
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</table>
As from table 3.4, it is clear that the calculated value (5.73) of t is greater than its tabular value (2) which falls in the rejected region. Therefore, it is clear both the means are not equal and the evaluation of the data is correct.

Q#5: Pay raises are fair and equitable after due appraisal period

Table 3.5

<table>
<thead>
<tr>
<th>Test for Equality of Means Between Series</th>
<th>Q 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Method</td>
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<tr>
<td>t-test</td>
<td>58</td>
</tr>
<tr>
<td>Anova F-statistic</td>
<td>(1, 58)</td>
</tr>
</tbody>
</table>

As from table 3.5, it is clear that the calculated value (3.55) of t is greater than its tabular value (2) which falls in the rejected region. Therefore, it is clear both the means are not equal and the evaluation of the data is correct.

Q#6: Sufficient resources are provided to enable the completion of given tasks in time

Table 3.6

<table>
<thead>
<tr>
<th>Test for Equality of Means Between Series</th>
<th>Q 6</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
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<td>t-test</td>
<td>58</td>
</tr>
<tr>
<td>Anova F-statistic</td>
<td>(1, 58)</td>
</tr>
</tbody>
</table>

As from table 3.6, it is clear that the calculated value (5.27) of t is greater than its tabular value (2) which falls in the rejected region. Therefore, it is clear both the means are not equal and the evaluation of the data is correct.

Q#7: At the end of appraisal period the objectives, goals and tasks that were not achieved are revised and reset.

Table 3.7

<table>
<thead>
<tr>
<th>Test for Equality of Means Between Series</th>
<th>Q 7</th>
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</thead>
<tbody>
<tr>
<td>Method</td>
<td>Df</td>
</tr>
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<td>t-test</td>
<td>58</td>
</tr>
<tr>
<td>Anova F-statistic</td>
<td>(1, 58)</td>
</tr>
</tbody>
</table>
As from table 3.7., it is clear that the calculated value (5.22) of t is greater than its tabular value (2) which falls in the rejected region. Therefore, it is clear both the means are not equal and the evaluation of the data is correct.

Q#8: Employees are more motivated and they produce the expected results better in the chosen evaluation system

<table>
<thead>
<tr>
<th>Test for Equality of Means Between Series</th>
<th>Q 8</th>
</tr>
</thead>
<tbody>
<tr>
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<td>58</td>
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<tr>
<td></td>
<td>4.773715</td>
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<tr>
<td>Anova F-statistic</td>
<td>(1, 58)</td>
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<tr>
<td></td>
<td>22.78836</td>
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</tbody>
</table>

As from table 3.8., it is clear that the calculated value (4.77) of t is greater than its tabular value (2) which falls in the rejected region. Therefore, it is clear both the means are not equal and the evaluation of the data is correct.

Q#9: Supervisors give advice to employees about their tasks

<table>
<thead>
<tr>
<th>Test for Equality of Means Between Series</th>
<th>Q 9</th>
</tr>
</thead>
<tbody>
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<td></td>
<td>22.61372</td>
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</table>

As from table 3.9., it is clear that the calculated value (4.75) of t is greater than its tabular value (2) which falls in the rejected region. Therefore, it is clear both the means are not equal and the evaluation of the data is correct.

Q#10: You are satisfied with the selected evaluation system

<table>
<thead>
<tr>
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<th>Q 10</th>
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</thead>
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<td>75.82109</td>
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As from table 3.10., it is clear that the calculated value (8.70) of t is greater than its tabular value (2) which falls in the rejected region.

Table 3.11

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<thead>
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<th></th>
<th>A1</th>
<th>A2</th>
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<th>A4</th>
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<th>A8</th>
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<tbody>
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<td>2.833</td>
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<td>2.533</td>
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<td>2</td>
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<td>2</td>
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<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
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<tr>
<td>Std. Dev</td>
<td>1.284</td>
<td>1.156</td>
<td>1.147</td>
<td>1.106</td>
<td>1.323</td>
<td>1.132</td>
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<td>1.061</td>
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Table 3.12

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<td>4</td>
<td>4</td>
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<td>Maximum</td>
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<td>Minimum</td>
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<td>2</td>
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<td>2</td>
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<tr>
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<td>1.019</td>
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<td>1.063</td>
<td>1.151</td>
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</tr>
</tbody>
</table>
Table 3.13: Correlation between ACR and PMS

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
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<td>A2P2</td>
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</tr>
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<td>A3P3</td>
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<td>A4P4</td>
<td>0.102778</td>
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<td>A5P5</td>
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<td>A6P6</td>
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</tr>
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<td>A7P7</td>
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<td>A9P9</td>
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</tr>
<tr>
<td>A10P10</td>
<td>-0.20705</td>
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</tr>
</tbody>
</table>

Correlation tells us about the strength of two variables association. In the correlation we have explored the relationship of two variables A is for ACR and P is for PMS. Positive and negative signs show direction. Negative value shows that the two variables are inversely related (if one increases other decreases) to each other and positive sign shows that they are directly proportional. In table 3.13., most values are negative which shows an inverse relationship. Overall data shows that there is very weak relationship between ACR and PMS because most values are negative and the values which are positive, they are very nominal.

4. Conclusion and Recommendations:

Pakistan is country with dominance of public companies. These use ACR performance appraisal system to evaluate, develop and motivate their employees. Among these companies is ZTBL — pioneer and only agricultural credit bank in Pakistan. ZTBL has moved from ACR to PMS employee appraisal methodology. Success of latter depends on perception of employees regarding the two pivotal systems.

The study encompasses perception of employees for ZTBL. Results indicate that PMS system provides with more career development and growth opportunities as compared to ACR. Employees put less effort in their jobs when ACR was in place. PMS employees achieve better results by achieving goals due to effective coaching and guidance by the supervisors. Employees get recognition for their outstanding performance and fair and equitable pay structure due to performance appraisal. Finally, results reveal that employees are more satisfied and confident with PMS because it has improved their performance due to increased motivation and at the end of the appraisal period the goals and tasks are revised which were not achievable.

Every research is not conclusive and so is this study. The study differentiates between ACR and PMS from employees’ point of view. However, pays, fringe benefits, job design and characteristics of employees’ contract cannot be ignored. If further studies are conducted taking additional factors and building a model on multi-variate analysis, deep insight to the two performance appraisal systems can be developed laying foundation for future change in public sector for Pakistan and eventually the world.
References


Farzad Moussavi and Donald L. Ashbaugh (). Perceptual Effects of Participative, Goal-Oriented Performance Appraisal


Lars-Henrik Johansen. Transferable Training as a Collective Good, McKinsey & Company, P.O. Box 1683, Vika, N-0120 Oslo


APPENDIX:

QUESTIONNAIRE

Name: ------------------ Age: ---------

Gender: ---------- Designation: ----------

☐ PMS or ☐ ACR

INSTRUCTIONS:
➢ Kindly fill out this questionnaire keeping in mind the better output of the statement under any of the below mentioned evaluation systems.
➢ You are also requested to fill the form either for PMS or ACR
The rating scale is given below,
➢ 1 → Strongly disagree 2 → Agree 3 → Neutral 4 → Agree 5 → Strongly Agree

Note: PMS means “Performance Management System”
ACR means “Annual Credential Report”

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<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>1. The selected system has a significant impact on career development and career growth</td>
<td></td>
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<td>2</td>
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<td>4</td>
<td>5</td>
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</tr>
<tr>
<td>2. You were putting more effort to develop your careers in the selected system</td>
<td></td>
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<tr>
<td>3. Employees deliver better results by achieving goals through efficient management of resources.</td>
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<td>4</td>
<td>5</td>
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</tr>
<tr>
<td>4. Employees get recognition for giving outstanding performance.</td>
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<td>5</td>
<td></td>
</tr>
<tr>
<td>5. Pay raises are fair and equitable after due appraisal period</td>
<td></td>
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</tr>
</tbody>
</table>

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6. Sufficient resources are provided to enable the completion of given tasks in time

| 1 | 2 | 3 | 4 | 5 |

7. At the end of appraisal period the objectives, goals and tasks, that were not achieved are revised and reset.

| 1 | 2 | 3 | 4 | 5 |

8. Employees are more motivated and they produce the expected results better in the chosen evaluation system

| 1 | 2 | 3 | 4 | 5 |

9. Supervisors give advice to employees about their tasks

| 1 | 2 | 3 | 4 | 5 |

10. You are satisfied with the selected evaluation system

| 1 | 2 | 3 | 4 | 5 |
Evaluation of Accounting Educational Departments Efficiency

Ghader Masoomi Khaneghah
Department of Accounting, University of Isfahan, Iran

Mehrdad Zolfalizadeh
Department of Accounting, University of Isfahan, Iran

Rouhollah Gholamian Barough
Department of Accounting, Tehran Science and Research Branch
Islamic Azad University, Iran

Abstract
This research mainly attempts at evaluating the efficiency of Accounting Educational Departments at Isfahan's State and Azad Universities by using mathematical model of Data Envelop Analysis. Today, in order to evaluate efficiency and productivity of academic systems, mathematical models of operational research are used. These models consider a collection of education, research and service activities as input and output indices and with regard to the extent of importance and effectiveness of every index in performance collection, the proportion of harmonic sum of outputs to harmonic sum of inputs is calculated as the extent of decision-making units' efficiency. For carrying out mathematical model of Data Envelop Analysis, required quantitative education, research and service data was collected from 20 Accounting Departments of State and Azad Universities of Isfahan. After performing this model in four different indices, in addition to calculating expected extent of efficiency of all units, efficient collections i.e. units that have proportionate output regarding their input resources were determined as well. Also, efficient units were ranked with usage of numerical method and in terms of both inputs and outputs oriented. The results show against general image, payame_noor universities placed in better ranks.

Keywords: Efficiency, Department of Accounting, State Universities, Azad Universities, Data Envelopment Analysis

1- Literature review
Productivity is a comprehensive concept and includes efficiency that its enhancement has always been considered by economy and management authorities in order to improve living level, welfare, convenience and peacefulness of human beings. High productivity and efficient utilization of the current possibilities go beyond a selection at current conditions practically and are converted to a necessity. Efficiency is obtained from the proportion of output to input. During recent years various models have been devised to measure efficiency that we can divide them in to two general groups of hard models relying on quantitative and objective data (models of operational research, multi-indices decision-making models, data envelopment analysis, numeral taxonomy) and soft models relying on mental and qualitative data (Delphi hierarchical analysis method and nominal groups). Capabilities of Data Envelopment Analysis method have been resulted in applying of it in most economic sectors as an appropriate tool for evaluating of efficiency. Subject of efficiency and evaluation of it in universities (governmental services sector) is a relative new subject, because measurement of efficiency and productivity has already been studied more in the private sector, industries and factories. Because of diversification of activities and objectives of universities evaluation of efficiency and measurement of their productivity have special complexity. Studies reveal that the existing methods of
performance evaluation are more traditional and experimental so that they have more control aspect and can’t practically illustrate efficiency and productivity of educational activities. Thus it is necessary to establish an efficiency evaluation and effectiveness system for educational activities. Evaluation of educational activities' performance and enhancement of their efficiency has become more important since one of the major indexes of countries' development at present is the portion of a society in knowledge production.

It is important to evaluate education efficiency. This is true for all developed, developing or underdeveloped countries. Representing of possible solutions for the issue of efficiency must be considered as a priority for institutions and the clear-sighted. It is essential to remove those obstacles that the efficient system of education is faced with in order to educate people with a more appropriate method. The first step for removing of problems is to determine the elements of the educational system. Some elements of accounting educational system include accounting environment, mutual impact of profession and education, lesson program, professors and teachers, students, lesson resources and other educational possibilities and educational aid tools (Celik and Ecer, 2008). Considerable changes are being occurred inside of active environment of companies. These changes are totally resulted from the global competition and conditions of the world market. It is possible to classify elements of change in to three classes:

- Technical or technological knowledge
- Globalization
- Institutional investors

Impact of such elements on the operational environment of companies is resulted in

1- Lower cost of information than the past
2- Considerable increasing of competition among the companies

Capabilities of all resources including corporations' labor force will be exposed to change by increasing of competition. Considering the commercial environment, value of the labor force is increased and at the same time these changes create the pressure for improvement of labor force quality. Quality of labor force depends generally on the performance of educational institutions, academic programs and etc. Improving of the quality of accounting profession is possible through increasing of accounting education quality in educational institutions. It is in a way that accounting education should be represented efficiently by efficient application of resources with a high quality and purposefully. Thus many researches have been performed through total quality management (TQM) approach. It is believed that it is possible to apply statistical techniques of quality control in educational management and learning and teaching process successfully (Celik and Ecer, 2008).

2. Objectives of Research

Given to the research objective that is evaluation of efficiency of accounting departments, objectives that are followed in this survey are

1- Evaluation of efficiency of accounting departments in State and Azad universities of Isfahan province.
2- Ranking of accounting departments in State and Azad universities of Isfahan province in terms of efficiency.
3. Background and History of Research

3.1. History of Accounting Training in the World

Field of accounting has been created in response to economic and social needs like other sciences and has been transformed given to rapid changes and increasing growth of communities. Now it is considered as one of the main educational fields that is encountered with a growing demand. Its antiquity refers to about six thousand years ago, at that time various documents were kept for recording of information. Date of the first discovered documents is referred to about 3600 years B.C. Extending of business in the fifteenth century was leaded to innovate a mutual system for recording of financial information by Luchia Pachioly in a response to modern needs. The primary education of book keeping was done by teaching of written issues of this Italian priest at Proja, Bizza and other universities (Hendricksen, 1992).

3.2. History of Accounting Education in Iran

Accounting has a long history in Iran and perhaps returns to different civilizations created in this country. Obtained accounting documents with 25 centuries of antiquity are an evidence for this claim. Lands' audit in Sassanid dynasty and evolution of style accounting for keeping of the government's income and expenses in Seljuqi period are the prominent and advanced examples of that period. Beginning of formal education of accounting in Iran is dated back to year 1912 in Dar-Alfonun School that the late Ali Akbar Dehkhoda was its manager. In 1937 a group consisted of twelve Iranian accountants were dispatched to England by Iran Melli Bank for the expert accountants' course education given to the necessity of improving of administrative organizations and urgent need to professional accountants in financial and administrative fields. After that National Oil Company and ministry of finance and economic affairs took action towards sending of groups to the foreign countries that in general about one-hundred fifty (150) persons were included in this educational period. Higher institute of Iran National Oil Company was founded to satisfy needs of this company to skilled accountants after nationalization of the oil industry at the beginning of 1952. Institute of administrative and business sciences related to the law, political and economic sciences faculty in Tehran University was established in January 1954 by cooperation of administrative sciences faculty of South California University. Article of association of administrative and business sciences institute was approved in the council of Tehran University in July 1960 and this institute was converted to administrative sciences and business management department. Accounting field was gradually founded in other departments and higher schools like higher school of accounting and Isfahan Ghazali higher school (Alimadad and Malekaraee, 1994).

3.3. Previous Research

Econometric methods that are used to measure efficiency and performance comparison have been transformed from a simple state of per capita costs to states of professional models of simultaneous equations system in which attention is focused on convergence of multi-input and multi-product systems. Verry and Leyard have used education cost functions and researches in their survey and have performed efficiency testing in higher education by aide of input explanatory variables. They weighted high level scores (A) in tests and used them as input and utilized class rank as product in order to create an independent variable in the cost function (Verry and leyard, 1975).

Data envelopment analysis (DEA) has been applied in most performed researches about comparing of performance of higher education sectors during the two recent decades. Previously this method was used to study performance and measure efficiency at the level
of departments and educational groups and not at general level of universities. Although Wilkinson's basis of activity was on efficiency of departments but he studied effectiveness (product efficiency) in higher education process through modified data. More emphasis has been put on efficiency of researches' product (Wilkinson, 1993). Beasley (1995) has studied give-and-take relation of applied resources in departments between education product and researches product through data envelopment analysis (DEA).

Among the other researches that have studied technical efficiency of universities at a general level by data envelopment analysis (DEA) is research of Athanassapoulos and Shale. In this research performance of universities in England is compared with each other by means of represented statistics of higher education in this country. Forty five (45) samples were selected among fifty two (52) universities in the Great Britain, since other universities had a different structure with others or had no full time students. Two general models were used in this research: studying of cost efficiency (input orientation) and product efficiency (product orientation). Estimation was performed in both models with two assumptions of constant return towards scale (CRS) and variable return towards scale (VRS) (Athanassapoulos and Shale, 1997).

Among the recent works we can refer to Celik and Ecer (2008) research too that have evaluated efficiency of accounting education in forty five (45) State Universities from seventy seven (77) reliable universities in Turkey both at the group and department level. Obtained results reveal that efficiency of universities has problems at these at two levels that the most important of all is spending of resources more than the permissible limit. But accounting education is generally effective in programs of B.A course in Turkey.

In Iran Etemadi and Nikkhahazad (1999) have grouped factors and obstacles of accounting education growth based on elements of higher educational system of the country, i.e. professors and members of scientific boards of universities, students, educational program and other factors in a research entitled "recognizing of factors and obstacles of accounting education growth in Iran and representing of an efficient and effective program". At last he mentions lack of specialist professors, inattention to their welfare affairs, low level of students' foreign language knowledge and deemphasizing of theoretical principles as the most important factors and obstacles of accounting education growth in Iran.

Rezvani and Sameti (2001) have studied efficiency of thirty six (36) big universities of Iran in a research entitled "studying of efficiency of big universities in Iran by means of data envelopment analysis method". According to the results fourteen (14) universities are efficient with the assumption of constant return towards scale (CRS) and sixteen (16) universities are efficient with the assumption of variable return towards scale (VRS).

Torkashvand and Azar (2006) have evaluated educational and research efficiency of educational groups of human arts faculty in Tarbiat Moddaress University in a research entitled "evaluation of educational and research efficiency through data envelopment analysis: educational groups of human arts faculty in Tarbiat Moddaress University" and has offered strategies like changing of amount of inputs and outputs in order to improve efficiency of educational groups.

Heidarynejad, Mozafari and et al (2007) have evaluated efficiency of physical exercise educational groups of State universities in three different situations with output nature in a research entitled "evaluation of efficiency of physical exercise educational groups of State
universities by mathematical model of data envelopment analysis. He has represented the final results in the form of universities' ranking table and has offered strategies in order to improve efficiency of inefficient educational groups.

3.4. Measurement of Efficiency by Means of Data Envelopment Analysis (DEA) method

First attempts for measuring of efficiency were done by Debreu (1951) and Koopmans (1954) that their activity was just related to issues of technical efficiency. According to Koopmans (1954) definition a possible input-output vector is efficient if it is not possible to increase production of a product technologically (reduction of an input) without simultaneous reduction of minimum production of another product (simultaneous increasing of at least another input). He was able to obtain the essential and sufficient condition for a vector's product being efficient through this definition. Although Koopmans (1954) offered definition and characteristic of technical efficiency but it was Debreu (1951) who represented an index for measurement of technical efficiency for the first time. Farell (1957) had done the most basic and prominent work in this regard. He divided the total efficiency of the producer for the first time in to two elements of technical efficiency and allocation (of cost) efficiency. Also he represented indexes for technical efficiency, allocation efficiency and total efficiency. His first index was a direct perceiving of Debreu's coefficient of resources utilization. Farell (1957) considered a production function that the assumption of constant return with regard to the scale was dominant throughout it.

Assume that producers in a special organization produce product Y by means of two inputs of X1 and X2. We can consider the boundary production function as \( Y = f(X_1, X_2) \). Given to the assumption of constant return with regard to the scale we can write \( f(X_1, X_2) \) = 1. So it is possible to show the boundary function with similar production curve in the following diagram.

![Diagram 1. Farell's efficiency measurement (1957)](image)

Line pp' in this diagram implies similar cost curve. Point c shows producer in the desired organization that is active in that point. Farell knows the efficiency size of this producer equal to the proportion \( \frac{OB}{OC} \). This proportion is equal to one if the producer is on the efficient boundary (point B) and otherwise is lower than one. The allocation (cost) efficiency size of this producer is equal to \( \frac{OA}{OB} \) that it is...
equal to one when the producer is on the similar cost curve (point A) and otherwise this proportion would be lower than one (Farell, 1957).

It is obvious that a producer has total efficiency when is at point D, i.e. both his technical and allocation efficiency are equal to one. Farrell considers the size of total efficiency equal to \( \frac{C}{A} \) in general state that in fact is equal to product of technical efficiency size in allocation efficiency size.

Therefore in order to measure efficiency it is necessary to measure radial distance (the line that is connected to point c from the origin) of producer to the efficiency boundary in addition to recognition and establishing of boundary function (efficiency boundary) to obtain technical efficiency. So we can obtain radial distance of efficiency boundary and similar cost curve to gain allocation efficiency too and after that it is possible to measure total efficiency. Farell used line programming technique to obtain efficiency boundary and measure technical and cost efficiency for a space in which a product is obtained by n inputs with the assumption that return is constant in proportion to the scale and final return of all inputs is positive. But his method was not welcomed well because of existence of limiting assumptions. Major limitations of this method were removed by extensive attempts of famous scholars like Farell (1957), Grosskopf (1986), Lovell (1993), Charnes (1978), Cooper and Charnes (1995), Rhodes (1974) and Banker (1989). Nowadays this method has found a very high place in economic efficiency literature and is called data analysis method or DEA.

4. Research hypotheses

Hypothesis of this research is: “Accounting departments in State and Azad universities in Isfahan province are different from each other in terms of efficiency”.

5. Research Methodology

In terms of purpose this research is of applied type and based on the manner of collecting of the desired data it is of descriptive and appraisal type. The statistical population includes accounting departments of State and Azad universities in Isfahan province. Sampling is done through systematic deletion method (purposeful method) and the statistical population of research consists of data related to accounting departments of universities in Isfahan province that have been studied from October 2009 until the end of August 2010 (i.e. academic year 2009-2010).

Data collection methods could be generally divided in to two classes of historical study and field study. Historical study was used in this survey to collect data related to research literature. Field study method was applied to gather data related to confirmation or rejection of research hypotheses. First a list of all universities of Isfahan province was exploited from Sanjesh organization website. For more confidence results were examined by some other references (like Isfahan province portal, Azad university website, Payam Nour university website and etc) too. In the next step universities with accounting field at B.A level in continuous form were exploited through websites of universities or telephone contact. Then letters were sent to the exploited universities that were finally pursued by individuals' presence and through telephone contact. Time horizon of this survey was cross-sectional, academic year 2009-2010.

Given that the existent data includes twenty (20) accounting departments from twenty (20) universities and educational institutions of Isfahan province, data envelopment analysis has been executed on this amount of data as final sample. The above data has been saved in a database in Excel software that fields and records of this database will be explained in the following. As it was mentioned earlier in order to constitute the total table of studying data, data number 2 and input number 2 must be harmonized according to table (1). The manner
of calculation of these items' final number is shown in tables (2) and (3). Total framework of database is in the form of table (4).

### Table 1. Titles of inputs and outputs

<table>
<thead>
<tr>
<th>Type of variable</th>
<th>Variable</th>
<th>Variable name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Input 1</td>
<td>Number of B.A students</td>
<td>Students</td>
</tr>
<tr>
<td>Input 2</td>
<td>Harmonious number of the scientific board</td>
<td>Teachers</td>
</tr>
<tr>
<td>Input 3</td>
<td>Applying educational space</td>
<td>Space</td>
</tr>
<tr>
<td>Output 1</td>
<td>Number of graduates of B.A level</td>
<td>Graduates</td>
</tr>
<tr>
<td>Output 2</td>
<td>Harmonious number of research plans, professors' book and article</td>
<td>Researches</td>
</tr>
<tr>
<td>Output 3</td>
<td>Average score of B.A. specialized lessons</td>
<td>Average</td>
</tr>
</tbody>
</table>

Harmonious number of scientific board members: this variable includes full time and partial time professors. In other words, this variable is considered as a major data of accounting departments. It is based on person and adopts an amount equal to zero or greater than it and is a discontinuous variable. The manner of weighting to scientific board members is as table (2).

### Table 2. The manner of weighting to scientific board members

<table>
<thead>
<tr>
<th>Level</th>
<th>PhD</th>
<th>PhD student</th>
<th>M.A.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coefficient</td>
<td>5</td>
<td>4</td>
<td>3</td>
</tr>
</tbody>
</table>

Number of students: one of the significant inputs of accounting departments is number of students. This variable includes all of the existing students in the educational system in the academic year 2009-2010. It is in terms of person, adopts an amount greater than zero and is discontinuous.

Educational space: this variable states area of educational environment of accounting departments that includes total area of classes of the group. It is in terms of square meter and is a continuous variable that adopts an amount greater than zero.

Number of graduates: one of the outputs of university units is number of students, thus number of students that have been graduated at B.A level is one of the outputs of accounting departments. It is in terms of person and is discontinuous that adopts an amount greater than zero.

Average score of specialized major lessons: students' average could be one of the criteria to evaluate efficiency of university units. This variable in this survey is obtained by dividing sum of score of students in major specialized lessons during the academic year 2009-2010 by the number of students of that year. To put it differently, it shows mean of total average of students. This quantitative variable is of continuous type and is in the range 0-20.

Harmonious number of research plans, professors' books and articles: professors do research while teaching, write and translate books, publish articles and participate in conferences that is the result of their research activity. This variable includes sum of research plans. Research task of accounting departments is considered with this variable. It has no specific unit, adopts an amount equal to zero or greater than it and is a discontinuous variable. The manner of weighting to members of the scientific board is as table (3).

### Table 3. The manner of weighting of research plans

<table>
<thead>
<tr>
<th>Type of plan</th>
<th>Book</th>
<th>Article</th>
<th>Conference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of activity</td>
<td>Compilation</td>
<td>Translation</td>
<td>ISI</td>
</tr>
<tr>
<td>Coefficient</td>
<td>5</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Type of University</td>
<td>DMU</td>
<td>Students {I}</td>
<td>Teachers {I}</td>
</tr>
<tr>
<td>-------------------------</td>
<td>-----</td>
<td>--------------</td>
<td>--------------</td>
</tr>
<tr>
<td>State University</td>
<td>F1</td>
<td>396</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>F2</td>
<td>471</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>F3</td>
<td>531</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>F4</td>
<td>645</td>
<td>0</td>
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<tr>
<td></td>
<td>F5</td>
<td>465</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>F6</td>
<td>517</td>
<td>0</td>
</tr>
<tr>
<td>Payame noor Universities</td>
<td>F7</td>
<td>360</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>F8</td>
<td>272</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>F9</td>
<td>276</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>F10</td>
<td>370</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>F11</td>
<td>232</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>F12</td>
<td>562</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>F13</td>
<td>442</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>F14</td>
<td>536</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>F15</td>
<td>408</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>F16</td>
<td>226</td>
<td>0</td>
</tr>
<tr>
<td>Azad Universities</td>
<td>F17</td>
<td>597</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>F18</td>
<td>759</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>F19</td>
<td>620</td>
<td>21</td>
</tr>
<tr>
<td>Non profit Universities</td>
<td>F20</td>
<td>382</td>
<td>8</td>
</tr>
</tbody>
</table>

**Data standardization**

Given that change range of the applied variables (inputs and outputs) in the present research has fluctuations they are standardized hourly in order to create homogeneity and comparability. It means that the existent variables in each column are divided by the largest number in that column and so all variables are settled in the limit (0-1). Table (5) shows standardization form of data.
Table 5. standardized data

<table>
<thead>
<tr>
<th>DMU</th>
<th>students {I}</th>
<th>teachers {I}</th>
<th>students {O}</th>
<th>graduates {O}</th>
<th>researches {O}</th>
<th>average {O}</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1</td>
<td>0.5217</td>
<td>1</td>
<td>1</td>
<td>0.391</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>F2</td>
<td>0.6206</td>
<td>0</td>
<td>0.4235</td>
<td>0.4737</td>
<td>0</td>
<td>0.8278</td>
</tr>
<tr>
<td>F3</td>
<td>0.6996</td>
<td>0</td>
<td>0.4947</td>
<td>0.7368</td>
<td>0</td>
<td>0.9198</td>
</tr>
<tr>
<td>F4</td>
<td>0.8498</td>
<td>0</td>
<td>0.3647</td>
<td>0.9398</td>
<td>0</td>
<td>0.9314</td>
</tr>
<tr>
<td>F5</td>
<td>0.6126</td>
<td>0.1071</td>
<td>0.4182</td>
<td>0.5489</td>
<td>0</td>
<td>0.9342</td>
</tr>
<tr>
<td>F6</td>
<td>0.6812</td>
<td>0</td>
<td>0.3882</td>
<td>0.609</td>
<td>0</td>
<td>0.8306</td>
</tr>
<tr>
<td>F7</td>
<td>0.4743</td>
<td>0</td>
<td>0.2471</td>
<td>0.3609</td>
<td>0</td>
<td>0.8457</td>
</tr>
<tr>
<td>F8</td>
<td>0.3584</td>
<td>0</td>
<td>0.2612</td>
<td>0.2481</td>
<td>0</td>
<td>0.9252</td>
</tr>
<tr>
<td>F9</td>
<td>0.3636</td>
<td>0</td>
<td>0.1882</td>
<td>0.2857</td>
<td>0</td>
<td>0.8601</td>
</tr>
<tr>
<td>F10</td>
<td>0.4875</td>
<td>0.1071</td>
<td>0.3012</td>
<td>0.4436</td>
<td>0</td>
<td>0.8416</td>
</tr>
<tr>
<td>F11</td>
<td>0.3057</td>
<td>0.1071</td>
<td>0.2353</td>
<td>0.3083</td>
<td>0</td>
<td>0.856</td>
</tr>
<tr>
<td>F12</td>
<td>0.7404</td>
<td>0</td>
<td>0.3588</td>
<td>0.6466</td>
<td>0</td>
<td>0.832</td>
</tr>
<tr>
<td>F13</td>
<td>0.5823</td>
<td>0</td>
<td>0.3765</td>
<td>0.4662</td>
<td>0</td>
<td>0.8354</td>
</tr>
<tr>
<td>F14</td>
<td>0.7062</td>
<td>0.1071</td>
<td>0.3824</td>
<td>0.5489</td>
<td>0</td>
<td>0.8683</td>
</tr>
<tr>
<td>F15</td>
<td>0.5375</td>
<td>0</td>
<td>0.4494</td>
<td>0.4737</td>
<td>0</td>
<td>0.8656</td>
</tr>
<tr>
<td>F16</td>
<td>0.2978</td>
<td>0</td>
<td>0.1765</td>
<td>0.2632</td>
<td>0</td>
<td>0.8409</td>
</tr>
<tr>
<td>F17</td>
<td>0.7866</td>
<td>0.6786</td>
<td>0.5</td>
<td>0.6767</td>
<td>0.215</td>
<td>0.8409</td>
</tr>
<tr>
<td>F18</td>
<td>1</td>
<td>0.8214</td>
<td>0.8529</td>
<td>1</td>
<td>0.3178</td>
<td>0.8326</td>
</tr>
<tr>
<td>F19</td>
<td>0.8169</td>
<td>0.75</td>
<td>0.6765</td>
<td>0.8722</td>
<td>0.4579</td>
<td>0.8923</td>
</tr>
<tr>
<td>F20</td>
<td>0.5033</td>
<td>0.2857</td>
<td>0.5059</td>
<td>0.6541</td>
<td>0</td>
<td>0.9396</td>
</tr>
</tbody>
</table>

6. Implementation of Data Envelopment Analysis (DEA) Method

Data envelopment analysis method has been implemented on data of twenty (20) educational groups through EMS specialized software in this research in four states of constant return towards scale (CRS), variable return towards scale (VRS), reduced return towards scale and increased return towards scale with two input oriented and output oriented approaches that totally include eight states.

If data envelopment analysis model is solved with input oriented approach, improvement suggestion will be appeared in the form of reduction in inputs amount without change of outputs amount. If output oriented state is solved, improvement suggestion will be appeared in the form of increasing of outputs amount without change of inputs amount. Efficient units have score of 100% in input oriented state and score of inefficient units is lower than 100%. The noteworthy point about output oriented state is that input oriented state is used to measure units' efficiency in most issues of data envelopment analysis. However, efficiency of educational departments has been studied in output oriented state too in this research. Units with score 100% in output oriented state are considered as
efficient units but conversely in the input oriented state units with score of more than 100% are considered as inefficient units. Efficient units of the model (reference) for each of inefficient units are shown in Benchmark column in each of the executed states of the model. Inserted numbers for efficient units in this column show their number of presence as model unit that will be used in next steps for ranking of efficient units. Tables (6) and (7) are represented as an instance here that are related to execution of model in input oriented state and by assuming that return is constant:

Given to table (6) it is observed that average amount of efficiency is equal to 89.67%. In other words, totally the studying universities apply about 10.33% inputs more than the desired amount. If universities act efficiently (are on the boundary function), they can offer the same level of outputs by decreasing of their inputs about 10.33%.

As it is observed six universities from twenty (20) existent universities (equal to 30% of the studying universities) are at efficiency boundary and are declared as completely efficient universities. Hence universities F1, F4, F11, F16, F19 and F20 are the most efficient universities according to input oriented state and under constant return towards scale, while F14 has the lowest efficiency (72.79%). It means that the above university could use its inputs lower and continues to produce the same amount of outputs if it becomes efficient (27.21%).

<table>
<thead>
<tr>
<th>Table (6) results of efficiency of accounting departments in input oriented state and constant return towards scale (CRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DMU</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>F1</td>
</tr>
<tr>
<td>F2</td>
</tr>
<tr>
<td>F3</td>
</tr>
<tr>
<td>F4</td>
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<td>F5</td>
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<td>F18</td>
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<tr>
<td>F19</td>
</tr>
<tr>
<td>F20</td>
</tr>
<tr>
<td>Mean</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table (7) ranking of accounting departments in input oriented state and constant return towards scale (CRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rank</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
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</tr>
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</tr>
<tr>
<td>Mean</td>
</tr>
</tbody>
</table>
7. Research Findings
7.1. Conclusion
1- Efficiency size of educational groups was calculated in input oriented and output oriented states.
2- Some of the studying educational groups were inefficient either in input oriented or in output oriented state.
3- Amount of resources waste/inputs was calculated in input oriented state.
4- Amount of production shortage/outputs was calculated in output oriented state.
5- Educational groups were ranked in terms of efficiency in two states of input oriented and output oriented by means of counting method.

7.2. Recommendations
1- Inefficiency causes of educational groups should be found.
2- Outputs of inefficient educational groups should be increased as the amount of their inefficiency.
3- Inputs of inefficient educational groups should be decreased as the amount of their inefficiency.
4- Authorities responsible in the education field including Research Deputy Chief of Ministry of Sciences and Institute of Research and Higher education programming represent distinct definitions and appropriate indexes for inputs and outputs and resources of universities through specialists' ideas and gather the information and statistics related to them each year.
5- Studying and selecting of some criteria (different from criteria of this survey) and re-execution of data envelopment analysis (DEA) models are recommended.
6- Modeling of hierarchical data envelopment analysis of goal programming, in order to build this model the researcher can divide accounting departments into several sections and then calculates efficiency score at three levels of year, section and group by analysis-oriented efficiency model. Designing of hierarchical profiling model in this regard is a desirable innovation that is combination of two profile and hierarchical models that has not still been done in Iran.
References


Heidarynejad, S., Mozafari, A, A. Mohaghar, A. (2007), "Evaluation of efficiency of physical exercise educational groups of State universities by means of mathematical model of data envelopment analysis", Olympique quarterly, No.2 (successive 34), summer 2007, 7-17


Web References
Pros & Cons of Macro Environment (PEST Factors) on New Product Development in Fast Food Industry of Pakistan for Sustainable Competitive Advantage

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Abstract
Fast Food is now becoming the most favorite food around the world due to trend shifting; quick home delivery and people are kept busy in their extensive work. Many companies trying to maximize their market & profit share after launching new product in the era of competition, therefore scanning of market environment now centre of focus to get competitive advantage via new product development. Despite the facts, the rationale right behind for investigate the Impact of Macro Environment on New Product Development of Fast Foods Companies (FFC’s) is to uncover the level of macro environment Scanning by FFC’s operating in Pakistan. The Renewal Associates (2003) PEST sheet used & descriptive statistics analysis were used to estimate the intensity of Macro Environment on New Product Development. The result shows that FFC’s were not scan Macro Environment too much & consider different factors of Macro Environment for new product development.

Key Words:

INTRODUCTION:
As per Bender and Bender (1995), Fast foods are broad term used for a restricted menu of foods that lend themselves to production-line techniques; suppliers tend to specialize in products such as hamburgers, pizzas, chicken, or sandwiches”. Smith et al. (2001) undoubtedly demonstrated the production-line approach with specific allusion to sandwich production. The fast food industry in World has grown significantly during the last decade and now fast food outlets providing a diverse range of food products according to consumer’s choices. As Fieldhouse. (1996), found that the steep size of the fast food enterprises assured that it has a substantial influence in contemporarily world on the eating habits of big segments of the population. At present in contemporary world a novel consumer standard of living has emerged about dining of fast food due to the global village, trend shifting & busy life of people. The stipulate for fast food has been mounting radically across the globe. Jennifer L. Harris et. all. (2010), and the trend of fast food is also on the rise in Pakistan from last decade. Therefore need for the new Product development greater than before to get sustainable competitive advantage.

Product Development needs to scan Business Environment, which comprising of Internal & External Environment, Further External environment divided into Micro & Macro Environment (Vignali, C., Vrontis, D, 2003). Macro Environment always plays a vital role in New Product Development as per Vrontis, D., Kogetsidis, H., Stavrou, A. (2006). In this context, to find the impact of Political, Economical, Socio-Cultural and Technological
Factors on marketing activities of Fast Food Industry in Pakistan, the research has been carried out.

In rejoinder to a cutthroat business environment, NPD has been playing a vital role in the accomplishment of many Organizations (McCarthy, Tsinopoulos, Allen, & Rose-Anderssen, 2006).

The aim of this research is to find the impact of PEST Factors on New Product Development in Fast Food industry. PEST is a word comprising of four External Factors, i.e. Political, Economic, Socio-cultural & Technology (Goodnow, J.D. and Hansz, J.E. 1972), New product development (NPD) is an inter-linked sequence of information dispensation tasks, where final product design translated from knowledge of customer needs & wants (Meybodi, 2003). Clark and Wheelwright (1995) mentioned, it is one of the most influential, but tricky activities in business. Today’s Business managers and marketing academics identical that new product development is an essential building block of an organization’s enduring survival is success (Henry et al., 1989). These studies have proved that Scanning of Environment is crucial to determine the success of new product development process.

Additionally, it is broadly recognized that strategic orientation is imperative as one of determinant to boost company performance. Several studies strenuous on the features finding the success and failure of a new product, therefore scanning of environment needed (Cooper, 1979; Maidique and Zirger, 1984; Song and Parry, 1997). While Kwaku and Satyendra (1998) research on the link between strategic orientation and business performance. Ramaseshan et al. (2002) also contribute towards marketing orientation and company performance. However very little study mull over strategic orientation as contributing factors in improving new product development process.

Involvement of External Environment in NPD process in developing countries remains unclear. Numerous marketing activities including internal environment influences on NPD process in Fast Food industry, which is still not been investigated expansively especially in developing countries like Pakistan mainly the conduct of it insinuation in determining NPD success.

Moreover, the use of Research & Development is recognized as one of imperative department that must be institute within organization to make sure the innovation continuity. As Kohli and Jaworski (1990) has talk about on the importance of market scanning / information in business decision processes. Accordingly, the role of market scanning activities is supporting the success of NPD process among Pakistani Fast Food companies, but it is still unclear and need to be investigated. Almost, no research work has been carried out regarding PEST analysis in Fast Food industry of Pakistan.

Thus, this paper aims to investigate the impact of PEST on new product development among Fast Food Companies in Pakistan. The paper also considers the relationships between New Product Development and Sustainable Competitive Advantage.

LITERATURE REVIEW

Due to intense competition in Fast Food Industry, Companies now paying special attention towards New Product Development to attracts more customers & maintain market share. Therefore, now for sustainable competitive advantage not only New Product development needed, but also importance of formulation of strategies for New Product Development considered necessary. New Product Development (NPD) process starts with the situation analysis, where Company carefully exposed the Micro & Macro Environment for new opportunities for NPD. Literature has a lot to say about this subject but few major research results are being passage here.

As per Kotler and Armstrong (2005), A new product is a good, service, or idea that is professed by potential customers as new. New product can be passing on as original products,
product modifications, some improvements in product and totally new brands that the firm builds up all the way through its own research and development & marketing effort. New products and services may be categorized according to (1) newness to the targeted market and (2) in respect of level of customer value created, resultant in the subsequent types of new products as per David and Nigel (2001). They further illustrated three types of new products that are:-

- **Transformational Innovation**: those products that are totally new and the value created are significant.
- **Substantial Innovation**: Those products that are significantly new and also may create imperative value for customers.
- **Incremental Innovations**: Those improved products, which create higher performance or better perceived value may at lower cost as comparing to previous ones. An example is a new Coca-Cola flavor.

Booz, Allen and Hamilton (1982) in their research study of new product introduction success according to the degree of newness in target market & for firm too, mentioned 6 types of new products (division according to parentage) expresses in table.

<table>
<thead>
<tr>
<th>S. #</th>
<th>Product Category</th>
<th>Product circumstances</th>
<th>% out of 100</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cost reduction products</td>
<td>New products with existing performance at lower cost</td>
<td>7%</td>
</tr>
<tr>
<td>2</td>
<td>Repositioned products</td>
<td>Existing products introduction to new market segments</td>
<td>11%</td>
</tr>
<tr>
<td>3</td>
<td>Modified products</td>
<td>Commercialization of existing products after major or minor improvements</td>
<td>26%</td>
</tr>
<tr>
<td>4</td>
<td>Additions to product lines</td>
<td>New entry into existing product lines of the firm</td>
<td>26%</td>
</tr>
<tr>
<td>5</td>
<td>New product lines</td>
<td>Totally new products for the firm may not for existing markets</td>
<td>20%</td>
</tr>
<tr>
<td>6</td>
<td>Radical products</td>
<td>Products that are totally new to the market</td>
<td>10%</td>
</tr>
</tbody>
</table>

**A. The Relationship between PEST & New Product Development**

Copper (1979) suggested that for successive new product, market knowledge and marketing proficiency play the critical role. He further added that those projects which based on market-oriented activities including market assessment, market studies & test market etc, were undertake proficiently.

Cooper and Kleinschmidt (1987) narrated that collection of related market information firstly including evaluation of internal & external environment will outcome in form of success of new product development, if they also plan development strategies of these new products that match firm goals. Actuality, most new product development teams used market information for development and design process of these products in form of survey for market trends, focus group testing etc (Ramaseshan et al., 2002). So, these studies means that firms should gather as much market information in form of input to better know the market / customers needs and wants for better output in shape of new products. Therefore, it is worth mentioning that market research activities influence new product development & its allied processes.

Environmental factors affect the independent variables; few studies have shown different views on different circumstance (Smith and Grimm, 1987 and Azaze et al., 2005). While study by Smith and Grimm (1987) focused that how environment changed & impact on strategic shift and firm performance. They concluded that there is important relationship between environmental variation and strategies of firms, so majority firms change their
strategies according to the environment & those which failed to do so outperform. Azaze et al., (2005) comprised in his study that some environmental factors have moderate affect between product and promotion adaptation, delivery chain strategy, and new product design strategy and on target market.

**Situation Analysis [Environmental Scanning]**

Situation analysis is the key to find the strategic fit in between environment & company goals & also first and important stage in marketing planning, because effective strategies can’t be formulated & implemented without examining the environment in which the firm operates (Vignali et al., 2003, p. 15). Vignali and Vrontis (2004) suggested that for strategic formulation, environmental scanning including external and internal environments is essential. Important factors that should be analyzed in an internal and external inspection are mentioned in Figure 1 & 2.

**External analysis**

The external environment is comprise of macro-environment and the micro-environment, which are basically forces over which a firm has almost no control, if any, then it’s very limited. The micro-environment is the stake holders of the firms on which they have control including supplier, customers, retailers and competitors, while the macro-environment consists of forces including political, economic, social and technological (PEST) (Vignali et al., 2003).

The environment for companies operating in the Fast Food industry is constantly changing. Therefore, it becomes critically important to identify opportunities and threats when formulating strategy for the purpose of gaining competitive advantage.

**Macro-Environment (PEST)**

PEST includes all factors that can influence an organization in, but firm has not direct control on these factors. Generally, a firm does not influence by any laws. Macro Environment is oftenly changing and company cope this through flexible approach. The wider environment is
also continuously changing and the firm needs to compensate for changes in Socio-culture, economics politics, and technology. (Goodnow, J.D. and Hansz, J.E., 1972)

Some important factors listed below as per Renewal Associates (2003) recommended for scanning of PEST.

<table>
<thead>
<tr>
<th>Political</th>
<th>Economic</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. ecological/environmental issues</td>
<td>1. home economy situation</td>
</tr>
<tr>
<td>2. current legislation home market</td>
<td>2. home economy trends</td>
</tr>
<tr>
<td>3. future legislation</td>
<td>3. overseas economies and trends</td>
</tr>
<tr>
<td>4. regulatory bodies and processes</td>
<td>4. general taxation issues</td>
</tr>
<tr>
<td>5. government policies</td>
<td>5. taxation specific to product/services</td>
</tr>
<tr>
<td>6. government term and change</td>
<td>6. seasonality/weather issues</td>
</tr>
<tr>
<td>7. trading policies</td>
<td>7. market and trade cycles</td>
</tr>
<tr>
<td>8. funding, grants and initiatives</td>
<td>8. specific industry factors</td>
</tr>
<tr>
<td>9. home market lobbying/pressure groups</td>
<td>9. market routes and distribution trends</td>
</tr>
<tr>
<td></td>
<td>10. customer/end-user drivers</td>
</tr>
<tr>
<td></td>
<td>11. interest and exchange rates</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Social</th>
<th>Technological</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. lifestyle trends</td>
<td>1. competing technology development</td>
</tr>
<tr>
<td>2. demographics</td>
<td>2. research funding</td>
</tr>
<tr>
<td>3. consumer attitudes and opinions</td>
<td>3. associated/dependent technologies</td>
</tr>
<tr>
<td>4. media views</td>
<td>4. replacement technology/solutions</td>
</tr>
<tr>
<td>5. law changes affecting social factors</td>
<td>5. maturity of technology</td>
</tr>
<tr>
<td>6. brand, company, technology image</td>
<td>6. manufacturing maturity and capacity</td>
</tr>
<tr>
<td>7. consumer buying patterns</td>
<td>7. information and communications</td>
</tr>
<tr>
<td>8. fashion and role models</td>
<td>8. consumer buying mechanisms/technology</td>
</tr>
<tr>
<td>9. major events and influences</td>
<td>9. technology legislation</td>
</tr>
<tr>
<td>10. buying access and trends</td>
<td>10. innovation potential</td>
</tr>
<tr>
<td>11. ethnic/religious factors</td>
<td>11. technology access, licensing, patents</td>
</tr>
<tr>
<td>12. advertising and publicity</td>
<td>12. Intellectual property issues</td>
</tr>
</tbody>
</table>

B. The Relationship between New Product Development & Sustainable Competitive Advantage

New products are vital to the survival in competitive market and also important for long-term growth of any firm. To get successive in new product development Firm have to pay attention that how they redirect their organization’s goals towards their product target market (Ramaseshan et al., 2002),

Yew (2002) suggested that a firm should develop and sustain competitive advantage, if they want to archive superior business performance. He further added that business environment analysis is vital for the success of the NPD and thus this could help firms to achieve higher performance for the new product development including overall business performance, Customer Satisfaction and then it will lead to competitive advantage.

Due to culture, demographics, geographic of a region, religion, and or any other attributes, there is almost no consensus in the literature regarding PEST factors affect uniformly on firms among researchers. It can be vary form one region to another. However, Renewal Associates (2003) urbanized PEST factor sheet/ instrument to find out the degree of the dimensions of PEST, It consists of more than 40 items that are coupled into four different dimensions namely 1-Political, 2-Economical, 3-Socio-Cultural; and 4-Technological.

This instrument is based on the differences between the perceptions and expectations of Marketing Manager regarding the dimensions of PEST. The difference between the
perceptions and expectations indicates the existence of a gap. The instrument has been adapted depending on the industry in which the research has been conducted.

The model in this study mentioned below to find the affect of Macro Environment (PEST Factors) on New Product Development. How fast Food Companies using PEST Factors sheet to scan the environment for New Product Development & how PEST factors guides the companies for that product, which is as per requirement of Customers.

Second, this study also focuses to analyze the link behind the Sustainable Competitive Advantage via New Product Development. Are Companies being paid in form sustainable Competitive Advantage, If companies doing PEST analysis for New Product Development in Pakistan?

**METHODOLOGY**

The purpose behind this study is to investigate the link in between Macro Environment (PEST Factors) & New Product Development for Sustainable Competitive Advantage in Fast Food Industry of Pakistan. All Fast Food industry Pakistan is the population of this study. A sample of 7 Fast Food Companies is selected through online sample size calculator including 03 International (Named Co. A, B & C) & 04-National (Named Co. W, X, Y & Z), while having confidence level is 99% (SurveySystem.com 13-05-2011 1100AM).

A convenience sampling, which is also known non-probability sampling design method, was used because of its consideration as more appropriate to collect the Data. In convenience sampling customer accessibility, data collection is easy as compare to other methods, required less time and in addition data can be gather from the respondent of the sample that are near to the researcher. As *Food and Nutrition Technical Assistance Project* (FANTA 1997) narrated that non-probability samples are uncomplicated and inexpensive than others probability sample’s. To collect the required information from Fast Food Companies operated in Pakistan, A-personal contact approach’ is also used; so more the researcher illuminates the queries of respondent raised by if any.

A survey is a way to gather information regarding particular population as sampling some of its members through a specific way, usually a structure of standardized questions. Surveys can be conducted by different ways including mail to the respondent, telephone, Internet or even through personal interview, which can be manage either to individuals or groups as a unit. The basic purpose of a survey is to elicit data which, after evaluation/process, results in
a profile or statistical characterization of the specific population sampled. Questions might be related to particular behaviors, activities, beliefs, attitudes, opinion, and/or attribute of those who are being surveyed.

The methodology used for Survey is Questionnaire. Questionnaires structure included closed ended Question to draw out the relevant information, which required a set of option used for collecting of required information.

The Questionnaire was divided into three sections:-

1. Demographic of the Respondent included Position of Employee, Experience in Fast Food Company, Gender, and Age, while Company & Employee name are being kept confidential due to certain approval issues & privacy due to ethics.

2. The second section relates to the New Product Development, which comprises 05-close-ended questions adapted from Dr. Ray O. Waddoups R&D Improvement Diagnostic Tools (2011) as reported below:-
   i. Do you regularly beat your competitors to market with new products? Yes or No
   ii. What type of new products your company developed? Is it Transformational innovation or Substantial Innovation or Incremental Innovations?
   iii. How long do you allow your projects to schedule development? If New iteration of existing products or if totally new products? (Time period 06moths less to onward more than 02 years).
   iv. Are you scanning external environment (pest factors) roadmaps used for NPD? Yes or no or Sometimes
   v. If yes to Q4, is NPD process leading to your company towards sustainable competitive advantage? Yes or no or Sometimes

The last section dealt with the response of marketer towards PEST:-. The questionnaire designed for this part was based on the widely accepted Renewal Associates (2003) PEST Factor sheets. Some parts of questionnaire reconstructed according to need of study while focusing of cultural & economic situations of country, where Fast Food Companies operating. The questionnaire is more scientific rather straightforward. Therefore Researcher provide full assistance while data collection & explain the nature of PEST factor. Firstly, Respondent asked by Researcher that was this factor affected your company new product development process or not? If the answer of respondent was yes then further its relative Importance of Implication of that factor asked according to the Time, type, Dynamics & relative importance for the firms, which scale mentioned in Table-A adapted from Renewal Associates (2003). A total of 22 attributes were categorized under four dimensions in respect of Pakistinis culture as follows.

<table>
<thead>
<tr>
<th>S. #</th>
<th>Attributes</th>
<th># of Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Political</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Economical</td>
<td>5</td>
</tr>
<tr>
<td>3</td>
<td>Socio-Cultural</td>
<td>7</td>
</tr>
<tr>
<td>4</td>
<td>Technological</td>
<td>5</td>
</tr>
</tbody>
</table>

| Total | 22 |

Statistical software used to examine the data set. Cross Tabulation used to narrate the results of demographics of the respondent. Cronbach’s alpha for instrument’ to test the reliability of questionnaire, mean and standard deviations of the attributes will also be computed.
Table-A

DETERMINE RELATIVE IMPORTANCE OF IMPLICATIONS OF EXTERNAL FACTORS

Assessing the implications of factors for the organisation (above) in conjunction with their impact in TIME, by TYPE and by DYNAMICS helps to locate their importance on a relative scale.

<table>
<thead>
<tr>
<th>IMPACT in TIME</th>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact now and likely to reduce / stop inside 6-12 months</td>
<td>N</td>
<td></td>
</tr>
<tr>
<td>Impact now and in the future beyond 6-12 months</td>
<td>N / F</td>
<td></td>
</tr>
<tr>
<td>No impact now but at some time in future 6-12 months</td>
<td>F</td>
<td></td>
</tr>
<tr>
<td>Impact intermittent over time</td>
<td>I</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IMPACT by TYPE</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive impact</td>
<td>+</td>
</tr>
<tr>
<td>Negative impact</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IMPACT by DYNAMICS</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impacts of increasing significance</td>
<td>&gt;</td>
</tr>
<tr>
<td>Impacts of changing significance</td>
<td>=</td>
</tr>
<tr>
<td>Impacts of reducing significance</td>
<td>&lt;</td>
</tr>
</tbody>
</table>

**RELATIVE IMPORTANCE OF IMPLICATIONS OF EXTERNAL FACTORS**

**CRITICAL**
Factors that threaten the continuing existence of the organisation or seriously compromise or require review of its mission or core values.

**VERY IMPORTANT**
Factors that are likely to promote significant changes in the scope of an organisation's activities, operational structure, external relationships and its establishment (staff, premises, legal status etc) without compromising its mission or core values.

**IMPORTANT**
Factors that are likely to promote limited changes in any or all of the scope of its activities, its operational structure, its external relationships and its establishment (staff, premises, legal status etc) without compromising its mission or core values.

**SIGNIFICANT**
Factors that bear on an organisation's operation without seriously affecting the scope of its activities, its operational structure, its external relationships and its establishment (staff, premises, legal status etc) without compromising its mission or core values.

**UNIMPORTANT**
Factors that do not affect an organisation in any significant manner.

*Source:* Renewal Associates (*2003*)
FINDINGS & DISCUSSION

07-questionnaires were distributed among sample to collect data. All collected back & were usable for data analysis among them. Response rate is 100% because of personal contact approach.

The gender-composition consist of was 6 male (85.7%) and only 1 female (14.3%) respectively. The cause behind less numbers of female’s respondent was that males are held responsible for earning in Pakistani cultural. Obbe (1980) told that Men executes the necessities or accountable for outside the home, while females tend to perform domestic-duties inside the residence.

As per consideration of age of Customers, 3 persons lies in age group b/w 23-28 & remaining 4 lies in b/w 29-35. While 4 are the middle level managers & 3 are line managers to whom data were gathered. 2 managers were working with company from last 3 years, 4 were from last 3 – 6 years & 1 was loyal from last more than 6 years.

Cronbach’s alpha for Renewal instrument’ (22 items) was 0.807 was found to be within limits for further analysis as greater then Rule of Thumb (0.7).

While company’s level of New Product Development, 5 Companies (2 International & 3 National) were regularly introduced new products, while 2 (1 International & 1 National) sometimes developed new products. As per type of New Products, 1 National Company did transformational innovation & 1 national Company did substantial innovation, while all 3 International & 2 National did incremental innovation. 1 International company allow iteration in old products project to schedule development for 6 months to 1 year period, other 2 International allow 6 months or less in case of totally new & 6 months to 1 year for iteration in existing products respectively. While National companies are focused to scheduled time on new product development as 2 companies provided 6 months or less time & 1 provided 1 to 2 years for new products development, while one company out of four focused on alteration in existing products after giving 6 months to 1 year for development of products.

As per question asked regarding scanning of PEST factors for NPD, all 3 international companies did PEST analysis some times, while 2 National FFC (Fast Food Companies) doing PEST analysis regularly & 2 did some times. 1 International Company always got sustainable competitive advantage after NPD, while 2 got sometimes, on the other hand same situation was with National Companies with ration 1:3.

PEST factors affects on NPD mentioned in table-B, considering Political factors, Govt. policies, Tax rates affects most than others factors, FFC’s are least concerned with Labour Laws & Trade restrictions, while tariff didn’t affected the NPD. In Economical factors Economic growth of the country, Interest rates, Exchange rates & GDP not so much bothered by FFC’s, while inflation always impact on NPD. In Socio-Cultural, FFC’s always care health-consciousness during development of products, & didn’t care about age-distribution, & also concerned with Major events, Career attitudes of peoples, Ethnic/Religious factors for development of products, but not concerned with population growth rate. During development of products, FFC’s gives more weight to rate of technology change, while also much concerned with Technological shifts, Innovation, R&D activities & least concerned with Research funding. Table-B showing mean & standard derivates of all factors.
TABLE-B
Descriptive Statistics

<table>
<thead>
<tr>
<th>Factor</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
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<td>1.00</td>
<td>1.0000</td>
<td>.00000</td>
</tr>
<tr>
<td>Tax Impose by Govt.</td>
<td>7</td>
<td>1.00</td>
<td>1.00</td>
<td>1.0000</td>
<td>.00000</td>
</tr>
<tr>
<td>Labour Law</td>
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<td>1.00</td>
<td>2.00</td>
<td>1.7143</td>
<td>.48795</td>
</tr>
<tr>
<td>Trade Restrictions</td>
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<td>2.00</td>
<td>1.8571</td>
<td>.37796</td>
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<td>Tariff</td>
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<td>2.00</td>
<td>2.00</td>
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<tr>
<td>Economic Growth</td>
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<td>2.00</td>
<td>1.4286</td>
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<td>Interest Rates</td>
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<td>2.00</td>
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<tr>
<td>Inflation Rate</td>
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<td>1.00</td>
<td>1.0000</td>
<td>.00000</td>
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<tr>
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CO. WISE PEST ANALYSIS ACCORDING TO TIME, TYPE, DYNAMICS & RELATIVE IMPORTANCE

Factor wise PEST analyses (Table-C) narrated below for understanding of these factors according to the time, Type, dynamics & relative importance according to the scale adapted. Numbers showing, who many companies considered that factors important for NPD, then further bifurcation that what numbers of companies gives rating according to the time, type, dynamics & relative importance, i.e. in Political factor all seven companies considered that Govt. policies affects the NPD, in those 7, one company considered that Govt. Policies Impact when NPD starts & then reduce / stop inside 6-12 months, 04 Fast Food Company considered that its Impact when NPD starts & in the future beyond 6-12 months, while other one considered it’s No Impact when NPD starts but at some time in future 6-12 months & last one believed that Govt. Policies Impact intermittent over time on NPD. Whereas 06 companies out of 7 judged Govt. Policies has negative Impact on NPD, while only one considered that its impact positively on NPD. All seven companies agreed on one point that Govt. Policies have Impact of Increasing Significance, & its relative importance is critical according to 2 companies, very important for others 2 & remaining considered it’s as important for the Fast Food NPD process.
Table C

Relative Importance of Implication of external factors

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<th>External Factors</th>
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Limitations and Future Research

The critical limitation is that this study is conducted in a single geographical Region and the data collected from respondent not represent the entire business World, although it might be eradicate in imminent or future research studies regarding Macro Environment. Research study may conduct in 3 to 4 geographical area for a better generalization for the PEST Factors, because Macro Environment issues always fond of with the sphere of FFC’s or any Customer Services providing firms.

Conclusion and Implication

This study examines the FFC’s that for New Product Development, is FFC’s scanning Macro Environment (PEST Factors) & what factors considered important according to the time of that factor, dynamics & relative importance. Environment scanning are always considered very imperative whether it relates to any industry, but in Fast Food Sectors, Customers association is sky-scraping due to the trend shifting, so a better product for their Fast food Customers is the answer for any FFC to get maximum profit & share in competitive market.

In Pakistan, FFC’s doing PEST analysis for New Product development at very low level & considering Micro Environments important as compare to the PEST. Companies gaining competitive advantage after NPD, but this advantage not sustainable due to the intense competition in market. Fast Food business is increasing day by day, but Companies’ shouldn’t be pleased as this study characteristic had negatives feature & rating from different companies. FFC’s should concerned of this & be supposed to work to get better & try to fulfilled these spaces. These gaps will widen in future, if FFC’s not taken so seriously & can create serious problems for delivery of services or products.

In the age of rivalry Fast Food Companies Management should work for quality push of their products & should scan the rapidly changing that Environment for effective New Product Development, so FFC’s be able to find consumers response to become a internationally competent as customers response leads to perception then satisfaction. These procedures / actions and scanning may be costly in terms of marketing employees time, firm resources and effort, but FFC’s needs to find those ways to conquer these types of obstacles, otherwise Companies can lost their position, existing market share because of rising competition from National / international FFC’s.
References


Jennifer L. Harris et. all. 2010. Fast Food FACTS, Rudd Center for Food Policy and Obesity. Robert Wood Johnson Foundation and the Rudd Foundation


Abstract
Air pollution is rapidly growing environmental problems of Pakistan. A study was conducted to analyze the ambient air quality of Hayatabad Township, Peshawar. The objectives were to investigate baseline data on ambient air quality of Hayatabad, identify the highly polluted points of the study area and to give a guideline for managing better air quality of the study area. The selected parameters CO, NO, SO₂ and noise level were studied and then compared with the permissible limits of WHO standard. The data were collected from overall Hayatabad at seven different sampling points for each sampling day. Three readings were noted in different periods of time i.e. morning (8:00 to 10:00 am), noon (11:00 to 1:00 pm) and after noon (2:00 to 4:00 pm). The study indicated that the average concentration of CO measured along with climatic condition at seven sampling points was not found to be higher than that of permissible limit of WHO standards. So from CO point of view the air quality around the Hayatabad is suitable for breathing. The concentration of nitrous oxide (NO) is ranges from 0.42ppm to 2.4ppm that is above the permissible limit of WHO standards (0.053) and thus may harmful for health. The concentration of SO₂ has been founded below detection limit (BDL), Therefore the air quality near the industrial estate is suitable for breathing and is not harmful for health. Also, the level of noise detected out side industries is within the limit and have no adverse impact on the people working out the industries. So noise level will not affect the people. It was observed that the concentration of selected parameters increases from morning to noon and afternoon. The level was low at morning because there is no more traffic at night in the study area. The emitted pollution at day diluted in the atmosphere at night and also due to dew factor which trap the pollutants and settle it down. So the atmosphere became clean from late night till morning. An increase in pollution were found as the vehicles and traffic starts moving again. It may be concluded that the selected parameters (CO, NO, SO₂ and noise level) studied were with in the permissible limits of WHO standard except NO and the ambient air quality of study area (Hayatabad) is satisfactory.

Key Words: Air Pollution, Noise Level, Carbon Monoxide, Sulphur Dioxide, Nitrogen Oxide

Introduction
Air pollution is an abnormal component of the natural environment and the environmental problems have acquired new dimensions now-a-days, resulting in the loss of biodiversity, threat of climatic change, rise in sea level, and depletion of stratospheric ozone layer. Population explosion has resulted in more and more industries, which is causing uncontrolled pollution in the form of air, water, noise and waste generation problem (Chhatwal, 1989). The under going study is concerned to the Air Pollution. Miller, (2002), defined air pollution “The presence of one or more chemicals in the atmosphere in sufficient quantities and duration to cause harm to human, other form of life, and materials”. The major sources of air pollution are the generation and ever increasing requirement, of energy in diverse sectors of economy, which has its local, regional and global environmental impacts.
The present worldwide consumption of commercial energy is about 8.3 billion tons of oil equivalents, out of which 86% is produced by burning of fossil fuels *i.e.* coal, oil, and gas. The combustion of these fossil fuels result in the emission of particulate matter, organic compounds and CO, CO$_2$, SO$_2$, and NO$_x$, for example see, Rauf and Sana (2005), Khawaja, (2005), Dara, S. S., (1993), EPA, (1997), Khan, (1997), Sohail, (1992) etc. Ever growing concentration of air pollutants in the atmosphere not only damages the materials and agriculture, but also contributes to a variety of adverse effects on human health, ranging from respiratory diseases to change in the blood chemistry of living beings.

Industrialization plays a vital role in the socio-economic development of a country. This fact was felt in the 20th century when rapid industrialization took place. The process led to enormous job opportunity in industrial sector production of goods and services that fulfill the needs of the people and ultimately increased the GNP of a country with rapid industrialization. It was not until the late half of the century, the human being or man started to realize the harmful impacts of the production process apart from the beneficial impacts. The industries produce the wastes that pollute the soil, water and air along with the workplace hazards causing harm to human health.

Air pollution is a rapidly growing environmental concern. Highly inefficient energy use, accelerated growth in vehicle population increasing industrial activity with out adequate air emission treatment or control and use of Ozone Depletion Substances (ODS) are some of the major causes of deterioration of ambient air quality (Chhatwal, 1989).

Air pollution is an old problem and has been around for centuries. In its broad context air pollution exists in these categories.

- **Personal Air Pollution**
  This type of pollution is the result of personal habits such as cigarette smoking, pipe smoking etc. Nowadays, many authorities are giving serious consideration to control this type of pollution.

- **Occupational Air Pollution**
  It represents that type of pollution, which results from aerosol, vapors of organic compounds in the working environment for the workers. Usually this type of pollution is the result of modern technological development.

- **Community Air Pollution**
  It represents the most complex three varieties since it involves a varied assortment of pollution sources and contaminants meteorological factor and the diversity of adverse social, economic and health effects, it not only affects many more individuals because of the atmosphere, but it can also exert significant impact on man’s total environment. It is most difficult variety of air pollution to control and inhale (Chhatwal, 1989).

Ambient air is the mixture of gases that envelops the earth and forms the atmosphere. Most of the atmosphere is held close to the earth by the pull of gravity, so it gets thinner in increasing the distance from the earth. Almost all (99.99%) of its total mass remain with in 80Km of the earth surface (Mushtaq and Asfaq, 2004).

**Materials and Methods**

We studied the ambient air quality status of Hayatabad. The data was collected from seven points selected randomly all around the Hayatabad, based on the concentration and density of traffic. The study is limited to three parameters of air pollutants and noise pollution. The air pollutants include oxide of carbon (CO), Nitrogen (NO) and Sulphur (SO$_2$). Although it is a field of vast study and to get a meaningful result need an extensive study but because of limiting time and resources the study was conducted in a limiting area. Looking to this aspect of the study, this will provide a guide for the future study.
The Ambient Air Quality in the study area has been monitored by the following instruments;

i. **Toxic Gas Monitor**

The data for carbon monoxide, nitrogen oxide and Sulphur oxide have been measured with the instrument named OLDHAM MX21 (Ref: D813615. Code: 98 NU MX21 GB01, France made). This instrument is a multi gas detector, which is automatically calibrated before the start of reading. It can simultaneously detect the presence of three gases by means of special sensors for each type of gas to be detected. These gases may be explosive (methane, propane, butane etc.), toxic gases like Sulphur dioxide (SO₂), carbon monoxide (CO) and nitrogen oxide (NO).

ii. **Noise Meter**

Sound Level Meter (Model TES -1350A, made by Taiwan) is used for noise level in industrial estate. The calibration standard of the Sound Level meter is 94.4dB. The noise meter was calibrated before each visit.

The primary data is collected by using portable digital instrument (model OLDHAM, made in France and noise meter level.). The instruments were provided by the EPA Peshawar. (Environmental Protection Agency Peshawar) The data is collected from 7 purposively selected points throughout the Hayatabad. On each sampling day three readings were taken from every point in different period of time. The entire secondary data is collected from literature review, which includes thesis reports, research papers, reports, and Internet information.

A sampling plan was prepared before the study. It was tested and adjusted after feedback from the field before starting the practical work. The data have been collected from overall Hayatabad at seven different sampling points for each sampling day. Three readings were noted in different periods of time i.e. morning (8:00 to 10:00 am), noon (11:00 to 1:00 pm) and after noon (2:00 to 4:00 pm). The sampling points were selected after a detail survey of the Hayatabad.

The seven points selected in Hayatabad for collection of data based on the traffic density are:

i. Phase III Chowk,
ii. Bagh-e-Naran Chowk,
iii. Ring Road Chowk
iv. Phase VII
v. Phase I
vi. Hayatabad Medical Complex
vii. Turn II

All these points were discussed with a few environmental experts. The objective was to have representative points from the Hayatabad. For each reading a specific table was designed and the data were recorded at three times a day in these tables.

The primary and secondary data is compiled and it is checked for accuracy through Statistical package SPSS and then fed to specially design program for analysis and evaluation. In the light of analysis and evaluation, a report with recommendation is prepared.

**Results and Discussion**

The quality of ambient air depends upon the condition of the area. Therefore measuring and monitoring the climatic conditions are pre-requisite for any sort of the study. In the present study the temperatures (wet and dry) are recorded by thermometers in centigrade scale (°C). The relative humidity is calculated for each period of time and then average has been taken for each sampling day. The data about wind speed, wind direction and rainfall has obtained from the Pakistan
Metrological Department Peshawar. The climatic condition for each period (morning, noon and after noon) of each sampling day is given in Tables 1.

The average concentration of CO measured along with climatic condition at seven sampling points has been given in Tables 2.

- On Saturday (Table 2) at evening (2:00pm to 4:00pm) CO was below detection limit at all the sampling point. The minimum average concentration was 0.28ppm in the morning (8:00am to 10:00 am) and maximum was recorded 2.0ppm. The average concentration at morning and noon has been recorded 0.35ppm and 1.5ppm respectively, which is very low from the permissible limit of WHO as given in Tables 2.

- On Sunday the average CO level at measuring sampling points in Hayatabad is presented in Table 2. The concentration was minimum in the morning and maximum at noon that was 0.28ppm and 2.14ppm respectively. The average concentration in morning, noon and after noon was found to be 0.28ppm, 2.57ppm and 1.9ppm respectively.

- At each of the sampling point the CO level on Monday; (Table 2) was below detection limit (DBL) in the morning, 1ppm in noon and a maximum of 4.0ppm at afternoon. The average concentration at noon and afternoon was 1.0ppm and 3.5ppm respectively, which is below the permissible limit.

- On Tuesday, (Table 2) in all the three visits at each measuring point the CO level was found below detection limit (DBL).

- The CO concentration measured on Wednesday is given in (Table 2). It is an average of 0.36ppm in morning and 2.0ppm in noon and afternoon. The average level for the day was 1.45ppm.

- On Thursday, (Table 2) in the morning no CO has been detected at any of the sampling point. The average level recorded at noon and afternoon is 0.21ppm and 0.49ppm respectively.

- Table 2 also present the CO level measured at Friday. In morning and noon the average concentration has founded 0.35ppm and 2.5ppm respectively and was below detection limit at after noon.

- On all the sampling points in the Hayatabad the CO level was not found to be higher than that of permissible limit of WHO standards, which is 9ppm for carbon monoxide. So from CO point of view the air quality around the Hayatabad is suitable for breathing.

- The concentration of nitrous oxide NO recorded on the sampling points for one week has been given in the same tables described earlier for CO.

- On Saturday, (Table 2) the minimum concentration in morning was 0.35ppm and maximum was 1.0ppm at after noon. The average concentration of NO at morning, noon and afternoon was recorded 0.71ppm, 0.85ppm and 1.0ppm respectively.

- Table 2 presented the Sunday data. It shows minimum concentration 0.57ppm, 1.0ppm,
and 1.14ppm at morning, noon and afternoon. The minimum and maximum average level was found in morning 0.57ppm and after noon 1.17ppm.

- The NO concentration has been measured on Monday (Table 2) was found to be 1.0ppm for each of the visit at morning, noon and afternoon.

- The concentration noted on Tuesday given in Table 2 is a little bit same to that of Table 3. The average concentration at morning, noon and afternoon has been founded as 0.57ppm, 0.85ppm and 1.35ppm respectively.

- The average NO concentration measured on Wednesday at all sampling points is given in Table 2. The minimum level at morning was 0.57ppm and maximum recorded at noon was 1.88ppm. The average level for the day was 0.57ppm, 0.58ppm and 1.58ppm at morning, noon and afternoon respectively.

- The average concentration of nitrous oxide recorded on Thursday in study area at seven sampling points has been given (Table 2). The minimum level was 0.71ppm in morning and maximum was 1.71ppm at noon. The average concentrations at all the selected measuring points were 0.71ppm, 1.56ppm and 1.49ppm at morning, noon and afternoon respectively. There is an increase in concentration from morning to noon but afternoon the concentration again become low and reached to 1.49ppm.

- The Friday reading (Table 2) shows the maximum concentration of nitrous oxide (NO) in comparison to other days. The minimum level was 0.71ppm at morning and maximum was 2.4ppm at after noon. The average concentration was measured 0.71ppm, 1.50ppm and 1.70ppm at morning, noon and afternoon respectively.

- The noise level has been also monitored at each of the sampling point all around the Hayatabad for a week (Table 2) along with other parameters of ambient air. The noise level ranges from 52.2dB on Thursday at noon (Table 2) to 84.6dB on Monday morning (Table 2). The permissible limit of Pakistan Environmental Protection Agency (PEPA) is 85dB for eight (8) working hours. The above level of noise detected out side industries is within the limit and have no adverse impact on the people working out the industries. So noise level will not affect the people.

- From the analysis of the Tables 2, it is clear that there is a direct relation between temperature and pollution level in the industrial estate. With the increase in temperature the pollution level also rises. In Table 3 the morning temperature was 18.8°C and the CO and NO level were 0.35ppm and 0.71ppm respectively. As temperature rises to 24.2°C at noon, the concentration of both reaches to 1.5ppm and 0.85ppm respectively. There is an
increase of 5.4°C in temperature the level of both parameters rise 1.15ppm and 0.14ppm respectively. Similarly on Sunday (Table 2) 5°C rise in temperature from morning to noon, as a result the concentration of CO and NO raises from 0.28 to 2.57ppm and 0.57 to 1ppm respectively.

- Table 2 shows that the temperature rise from 23.6 (noon) to 27.8°C (afternoon) and the CO level rises from 1ppm to 3.5ppm and there is no effect on NO concentration.
- The Tuesday, Table 2 shows that even with increase in temperature the CO level was below detection limit and NO level rises 0.28ppm for an increase of 5.2°C temperature at noon. At afternoon at 16.7°C the NO reached to 1.35ppm.
- Similarly Table 2 shows that with 5.1°C increase in temperature at noon, the concentration of CO increases 1.64ppm. NO increases 1ppm at afternoon with an increase of 1.3°C temperature. The CO level did not change, while NO level increased 1.0ppm at afternoon.
- On Thursday Table 2, the morning temperature was 14.8°C, CO level was below detection limit and NO was 0.71ppm. As the temperature rose to 26.3°C the concentrations reached to 1.56ppm. At afternoon at 17.8°C, the level of both CO and NO rise up to 0.49ppm and 1.49ppm respectively.
- Friday Table 2, it is clear that as the temperature rise 5.3°C (from 13.2 morning to 18.5°C noon), NO level increases 0.79ppm. At afternoon the temperature reached to 21.3°C with a rise of 2.8°C and has no effect on CO but NO level increased 0.20ppm as compare to noon.

The study also shows that there is an indirect relation between relative humidity and pollution level at Hayatabad. As the humidity decrease the pollution level increases. This relation is clear from Tables 2.

- On Saturday (Table 2), the humidity decrease 4.9% at noon, the CO, NO, level increase 1.15ppm and 0.14ppm. At afternoon there is again decrease in humidity but the CO, level was below detection limits and NO increase 0.15ppm with 4% decrease in humanity.
- On Sunday Table 2, 7.9% decrease at noon 2.29ppm in CO and 0.43ppm increase has been noted in NO.
- On Monday Table 2, the humidity decreased from 48% to 44.7% (3.3 % decrease) at noon, the CO level has been increase 1ppm and have no impact on NO concentration similarly at afternoon there is 3.9% decrease occurred which resulted an increase of 2.5% CO concentration, but have no impact on NO concentration.
- On Tuesday Table 2, shows that at noon no effect have been noted on CO level due to humidity but there is 0.28ppm and 0.78ppm increase in NO level at noon and afternoon as the humidity becomes low from 51.1% to 48.1%.
- The reading of Wednesday Table 2 and Thursday Table 2 also shows a similar relation. On Friday Table 7 humidity decreases about 2% at noon, the CO and NO level increase 2.15ppm and 0.79ppm respectively. At afternoon it decreases from 54.2% to 51.2 % (3% decreases) the concentration of CO was below detection limits in NO increase 0.20ppm.

It is clear from the above discussion that the temperature reacts directly with pollution level but this relation in the all the concerned tables for each sampling day is not uniform and have been found a lot of non-uniformity (non-consistency) in relation and same as for the humidity indirect relation. The main reasons for that are following;

1. Pollution level in the ambient air depends on the vehicles flow, higher the flow of vehicles higher will be the level of CO and NO
ii. The pollution level in the area also depends upon other climatic conditions like wind speed, wind direction, and rainfall etc. Due to the limitation of study, the data for these parameters were obtained from Metrological Department Peshawar which was for the whole Peshawar and not only for Hayatabad. Therefore the non-consistency/non-uniformity may exist in the relation of both temperature and humidity with pollution level.

iii. The CO concentration is low, below the permissible limit of NEQS. The reason is that during burning the temperature is very high and more oxygen is available for burning of natural gas, so all the organic carbon of gas is converted to carbon dioxide instead of carbon monoxide due to complete combustion.

iv. The oxides of nitrogen are produced in more/high quantity, above the permissible limit of NEQS. The reason is that air contain more nitrogen (about 78%), during burning process that nitrogen reacts with oxygen, as a result produce nitrogen oxides especially NO.

v. Approximately, in the Hayatabad, at all the seven sampling points the SO₂ level was below detection limit. The simple reason is that most of the vehicles use natural gas as a fuel for burning, which has no or very less Sulphur contents, therefore SO₂ level in Hayatabad was not detected (BDL). Sulphur is mostly present in diesel (oils), that’s why more SO₂ is present in vehicles which use diesel Oil.

vi. The noise level/pollution in Hayatabad are less/low from the permissible limit (85dB for eight hours).

vii. The concentration of selected parameters increases from morning to noon and afternoon as clear from the Tables 2. The level is low at morning because due to there is no more traffic at night in the study area. The emitted pollution at day diluted in the atmosphere at night) and also due to dew factor, which trap the pollutants and settle it down. So the atmosphere becomes clean from late night till morning. And increase in pollution occurs as the vehicles and traffic starts moving again.

Conclusion
It may be concluded that from this study that the ambient air quality of study area (Hayatabad) is satisfactory. The result of record parameters i.e. CO and SO2 and were with in the limit of WHO standard. However the concentration of NO (1.35ppm) was higher that of permissible limit. The noise pollution in the township of Hayatabad was found to be varied among locations. The average minimum noise level was recorded as 52.2 dB and maximum average noise level was 84.6dB which were below the WHO standard.

Recommendations
The rapidly expanding population of Hayatabad Township, directly or indirectly contributes towards air pollution, therefore in order to keep the air free from pollutants the tree plantation should be given top priority. Also the industrial units responsible for harmful emissions of gases in the densely populated township should be established away from this area to minimize health hazards and enhance the quality of life.
References
Table 1: Climactic Condition regarding various days in Hayatabad Peshawar

<table>
<thead>
<tr>
<th>Timings</th>
<th>Days</th>
<th>Mon.</th>
<th>Tue.</th>
<th>Wed.</th>
<th>Thur.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Timings</td>
<td>R/Humidity (%)</td>
<td>Wind speed (m/sec)</td>
<td>Weather</td>
</tr>
<tr>
<td>8:00 morning to 10:00 am</td>
<td></td>
<td>48</td>
<td>00</td>
<td>Sunny</td>
<td>13.7</td>
</tr>
<tr>
<td>11:00 am to 12:00 noon</td>
<td></td>
<td>44.4</td>
<td>00</td>
<td>Sunny</td>
<td>23.6</td>
</tr>
<tr>
<td>2:00 pm to 4:00 pm</td>
<td></td>
<td>40.8</td>
<td>00</td>
<td>Sunny</td>
<td>27.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fri.</td>
<td>Sat.</td>
<td>Sun.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>R/Humidity (%)</td>
<td>Wind speed (m/sec)</td>
<td>Weather</td>
<td>Temp(C)</td>
<td>R/Humidity (%)</td>
</tr>
<tr>
<td>8:00 morning to 10:00 am</td>
<td></td>
<td>52.2</td>
<td>00</td>
<td>Sunny</td>
<td>13.2</td>
</tr>
<tr>
<td>11:00 am to 12:00 noon</td>
<td></td>
<td>54.2</td>
<td>00</td>
<td>Sunny</td>
<td>18.5</td>
</tr>
<tr>
<td>2:00 pm to 4:00 pm</td>
<td></td>
<td>1.2</td>
<td>00</td>
<td>Sunny</td>
<td>21.3</td>
</tr>
</tbody>
</table>
Table 2: Concentration of CO, NO, SO$_2$ (ppm) and Noise level (dB)

<table>
<thead>
<tr>
<th>Timings</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mon.</td>
</tr>
<tr>
<td>8:00 morning</td>
<td>CO</td>
</tr>
<tr>
<td>to 10:00 am</td>
<td>BDL</td>
</tr>
<tr>
<td>11:00am</td>
<td>01</td>
</tr>
<tr>
<td>to 12:00 noon</td>
<td></td>
</tr>
<tr>
<td>2:00 pm</td>
<td>3.5</td>
</tr>
<tr>
<td>to 4:00 pm</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Timings</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fri.</td>
</tr>
<tr>
<td>8:00 morning</td>
<td>CO</td>
</tr>
<tr>
<td>to 10:00 am</td>
<td>2.5</td>
</tr>
<tr>
<td>11:00am</td>
<td>4.5</td>
</tr>
<tr>
<td>to 12:00 noon</td>
<td></td>
</tr>
<tr>
<td>2:00 pm</td>
<td>BDL</td>
</tr>
<tr>
<td>to 4:00 pm</td>
<td></td>
</tr>
</tbody>
</table>

* BDL: Below Detection Limits
SPECIOUS VIEW OF TEACHERS AND ITS EFFECT ON THE ACADEMIC PERFORMANCE OF STUDENTS AT ELEMENTARY LEVEL

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Abstract

In this research work an attempt was made to investigate the “effect of specious view of teachers on academic performance of the students at elementary level”. A sample consisting of 8th class of male and female elementary school student was taken and was divided into two equal groups, control group and experimental group. Results of this research work indicated that a specious view affects the academic performance of students at elementary level.

Keywords: Specious View ; Teachers ; Effect ; Academic Performance ; Students ; Elementary Level

Introduction

Baron (1992) some teachers provide opportunities to their students in enhancing and developing the necessary skills and performance to deal with their effort and to face any kind of situation and problem successfully. It means that these teachers put the students in the way of psychomotor domain. These teachers want to set their student according to realistic standards. Encourage them to have full confidence to act independently and responsibly in each and every place of the society. But some teachers have specious view and leave student with negative feelings about themselves and their abilities. The attitude and behavior of these teachers is not fair in teaching, learning, dealing and each and every activity related to the students. Self awareness plays a crucial role in academic performance of the students. When teachers behave unequally with their students and also leave students with negative feelings about themselves and their abilities, this can reduce the performance of the students. Strong negative feelings reduced interest and lead the students toward high level of anxiety and frustration which is harmful for all kind of performance.

Specious view means bogus response or underestimation. Teacher’s interest, statements, behavior and attitude affect the student’s performances. Consistent positive or negative feedback has an effect on a student’s awareness and their academic performance, positive response of teachers leads the students towards high performance and negative response of the teachers lead the students towards low/poor performance.

Many teachers felt that it was important for a student to receive positive feedback. Positive feedback is very important because a student gets success. This gives the student motivation to continue with his or her development. However, negative feedback is not useful, because in this way we can decrease the performance of students. A teacher can never get away having prospects for his or her students. However, it is the way in which these prospects are conveyed to these students that is important. One teacher summed it all up by saying, "students are very sensitive and they pick up on everything." This research work shows that teacher prospects affect student performance. In their opinions, it is impossible to enter a classroom without having certain prospects. However, we believe, from our experience, that there are so many important things that we can do to aid our student’s academic performance.
STATEMENT OF THE PROBLEM
The problem under study was to investigate the “specious view of teachers and its effect on the academic performance of students at elementary level”.

OBJECTIVE OF THE STUDY
- To investigate the specious view of teachers and its effect on the academic performance of students at elementary level.

SIGNIFICANCE OF THE STUDY
Following are the significances of the study:
- This research work will be useful for those teachers who often underestimate their students and behave roughly in different occasions.
- This research work will enable the teacher to know that how to deal with their students in different educational activities.

HYPOTHESIS
H₀: There is no significant effect of specious view on the academic performance of students at elementary level.
H₁: There is significant effect of specious view on the academic performance of students at elementary level.

REVIEW OF RELATED LITERATURE
Baron et al (1992) false statements about performance has put the students in dangerous condition as a result they lose their actual performance. Some time unconsciously the teacher’s passes some rough statements on the students, due to which the authenticity of the students is affected as a result they show poor performance.
Baumeiste (1990) on the bases of specious view students are less competent and adverse, this of course generates strong negative effect and enter the students in a state of cognitive deconstruction, student think in less stylish way, focusing on present rather then the future issues along with this go reduced interest in searching for higher level meaning. When this practice is repeated it becomes too difficult for such students to do away with disturbing thoughts and negative feelings, so students make mistake
Borg (2006) self-assessment is an effective way in improving students’ performance. Self-assessment helps students to give more accurate and true responses, especially when they feel that they will not be judged exclusively by marks. Some specious views of teachers affect the efforts of the students partially.

Davis (1998) explained that self-assessment is an effective method in improving students’ educational performance. Due to self-assessment students can remove so many difficulties and can improve their educational performance. Self-assessment encourages students to participate in the different educational activities more openly, and help students to give more accurate and honest responses, especially when they feel that they will not be judged exclusively by marks. Self-assessment also helps students to direct their own learning efforts more effectively, because in this way ambiguities and problems are highlighted and removed. Teachers and parents should avoid specious view because clear feedback helps students to involved and motivated in the learning process.
Gabler (1980) views are too much essential in shaping the personality, behavior and attitude of the students. If views are positive and true then it will lead to the success similarly if views are false then obviously it will lead to the failure.
Hayman (1981) teachers convey their expectations on their students, positive and correct conveying leads to the better performance and negative and false conveying leads to the poor performance of the students. If a student consistently receives a certain message from the teacher then student begins to internalize these messages. It is very obvious that in a classroom situation, a student may begin to accept the teacher's signals and show the reflection on the bases of that signals.

Helton (1999) explain that bogus statements decrease the performance of the individuals, in this regard he conducted a research work in which thirty-three college swimmers completed the attribution style questionnaire and then they were asked to swim their best event. After swimming their coach told them that their swim time was slower than it actually was, it was a false statement. After some time rest, all the swimmers were asked to swim the same event again. Now the swimming time was poorer than those on the initial swim for pessimistic, but not for optimistic swimmers.

Kapoor G (2007) specious views affect the personality of the individuals in wrong direction and also effect on intelligence, because the individuals aware about them so we can say that self awareness play a very important role in the performance of the individuals. Specious view decreases the performance of the individual in teaching learning process.

Merton (1957) self-assessment insight plays a crucial role in the performance and shaping the behavior in positive way. Self-assessment prediction is relevant to many social areas, including education, learning and knowledge.

Rosenthal and Jacobson (1968) explain that one person’s expectations for another’s behavior serves as a self-assessment prediction. Standardized tests about intelligence are one of the factors that play a vital role in teachers’ expectations about their students’ academic performance. Researchers believe that some time we don’t take any care in conveying the messages as a result we decrease the performances of the individuals. Teacher's assumptions influence potential ability of the students.

Rosenthal and Jacobson (1968) when teachers regularly use a language and behavior to underpin what they think to be a students’ prospective then automatically students behave accordingly what the teacher wants. Many researches show that teachers convey their expectations and feelings through their behaviors, so in this prospective the teacher should take too much care. Positive behavior of teacher’s toward their students with the use of different types of communications may increase the learning, self-concept, self-expectations, self-assessment and motivation of the students.

Singh K (2009) specious views not only affect the academic performance of the individuals, it also affects the attitude, behavior, intelligence and personality of the individuals, as a result the individual makes error and their achievement is very low.

Swann (1987) performance of individuals can be increased when some authentic views are passed on them similarly performance of individuals can be decreased when some specious view are passed on them. Self awareness plays a very important role in shaping the personality of the individuals in the right or wrong way so teachers should take too much care in passing bogus statements on the students.

METHODOLOGY OF THE STUDY
POPULATION
The population of the study consisted of all students of 8th class in District Dera Ismail Khan, Khyber Pakhtoon Khwa, Pakistan.
SAMPLE
Six male and six female elementary schools were selected randomly, and from each elementary school five students of class 8\textsuperscript{th} were randomly selected. So thirty female and thirty male students were randomly selected as a sample.

PROCEDURE
Researcher personally visited the male and female schools and collected the data. In male and female schools those students from class 8\textsuperscript{th} who were never failed in the examination were divided into two equal groups i.e. control and experimental group. Both the groups were administered a test. There was no significance difference in scores of both the groups in male and female schools. Few days later both the groups were again tested, but just before the test, members of experimental group were given slips of paper indicating that they had failed in the previous test, the score of control and experimental group were then compared.

STATISTICAL ANALYSIS
Alam (2000), “Consistency or stability in the variables is used as terms opposite to variation or dispersion. A data is considered more stable if it has less variation and likewise it is less stable if variation is more”.

Chaudhary (1996) in actual practice the population variance ($\delta^2$) is usually not known and is estimated from the sample data the t-test can be used. “Testing hypotheses about differences of means of two normal populations but unknown”.

Chaudhary (1996), “The co-efficient of variation was also used to compare the performance of two candidates”.

The applied formulae of test were as under:

\[ t = \frac{\bar{x}_1 - \bar{x}_2}{s_p \sqrt{\frac{1}{n_1} + \frac{1}{n_2}}} \quad \text{With} \quad v = n_1 + n_2 - 2 \ \text{d.f} \]

Where \( \bar{x}_1 = \frac{\sum f_1 x_1}{\sum f_1} \quad \bar{x}_2 = \frac{\sum f_2 x_2}{\sum f_2} \)

Pooled Estimation \( S^2_p = \frac{(n_1 - 1)S^2_1 + (n_2 - 1)S^2_2}{n_1 + n_2 - 2} \)

Where \( S^2_1 = \frac{1}{n_1 - 1} \sum (X_{1i} - \bar{X}_1)^2 \quad \text{And} \quad S^2_2 = \frac{1}{n_2 - 1} \sum (X_{2i} - \bar{X}_2)^2 \)

Co-efficient of Variation \( C.V = \frac{S}{\bar{X}} \times 100 \)

Where \( S = \text{standard deviation} \quad \text{and} \quad \bar{X} = \text{Mean} \)

The analysis and interpretation of data is presented in tabular form and given below.

**Table # 1 for Male School Students**

<table>
<thead>
<tr>
<th>Group</th>
<th>n</th>
<th>Mean</th>
<th>S.D</th>
<th>C.V</th>
<th>d.f</th>
<th>( \alpha )</th>
<th>t-tabulated</th>
<th>t-calculated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control Group</td>
<td>15</td>
<td>37.15</td>
<td>17.69</td>
<td>47.61</td>
<td>28</td>
<td>0.05</td>
<td>1.701</td>
<td>2.93</td>
</tr>
<tr>
<td>Experimental Group</td>
<td>15</td>
<td>21.10</td>
<td>12.54</td>
<td>59.40</td>
<td>28</td>
<td>0.05</td>
<td>1.701</td>
<td>2.93</td>
</tr>
</tbody>
</table>
Table # 2 for Female School Students

<table>
<thead>
<tr>
<th>Group</th>
<th>n</th>
<th>Mean</th>
<th>S.D</th>
<th>C.V</th>
<th>d.f</th>
<th>α</th>
<th>t-tabulated</th>
<th>t-calculated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control Group</td>
<td>15</td>
<td>39.01</td>
<td>15.97</td>
<td>40.93</td>
<td>28</td>
<td>0.05</td>
<td>1.701</td>
<td>3.14</td>
</tr>
<tr>
<td>Experimental Group</td>
<td>15</td>
<td>22.11</td>
<td>13.43</td>
<td>60.74</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

RESULTS
For Male School Students
Table no: 1 indicates that the mean of both the groups (controlled and experimental) were 37.15 and 21.10 respectively, S.D in the scores of two samples i.e. controlled and experimental was 17.69 and 12.54 respectively. The t-calculated value 2.93 is greater than the t-tabulated 1.701 at 0.05 level of significance (α) so we reject H₀ and accept H₁ and concludes that there is significant effect of specious view on the academic performance of students. The difference was in the favor of controlled group. The co-efficient of variation (C.V) of controlled and experimental group is 47.61 and 59.40 respectively. Since C.V of controlled group is less than the experimental group so there is consistency in the performance of controlled group.

For Male School Students
Table no: 2 indicates that the mean of both the groups (controlled and experimental) were 39.01 and 22.11 respectively, S.D in the scores of two samples i.e. controlled and experimental was 15.97 and 13.43 respectively. The t-calculated value 3.14 is greater than the t-tabulated 1.701 at 0.05 level of significance (α) so we reject H₀ and accept H₁ and concludes that there is significant effect of specious view on the academic performance of students. The difference was in the favor of controlled group. The co-efficient of variation (C.V) of controlled and experimental group is 40.93 and 60.74 respectively. Since C.V of controlled group is less than the experimental group so there is consistency in the performance of controlled group.

CONCLUSION
It was concluded that specious view of teachers put the students in aggressive conditions and as a result the students loose their performance. This research further revealed that specious view of teacher’s decreases the self concept and damage later performance of the students at elementary level.

RECOMMENDATIONS
➤ Teachers may provide real, true and perfect evaluation for student success.
➤ Student may be invited to see themselves in positive ways and to reach beyond their present performance then students are more likely to have clear picture of their potential as human being and to realize what they can achieve.
➤ Individual attention and real feedback may be given to the students in a school.
References


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Role of male Teachers’ Qualification in academic achievements of Students at Grade Five (Multiple Subjects) Level

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Abstract
This study was undertaken to look into role of the qualification of teachers in academic achievements of the students. Study was conducted in Dera Ismail Khan, a southern district of Khyber Pakhtoonkhwa Province in Pakistan. At the primary levels of elementary education, multiple subject system persists where a class teacher, formerly referred as the ‘Form Master’ deals with the entire set of subjects offered, hence grade five of the Primary leg of elementary level of education was focused for determining the effects of the teachers’ qualification in raising the achievements of students. It was found that at grade five of the elementary level of education there has been no significant effect of the qualification of teachers on the achievements of students, notwithstanding, it was perceived that a blend of experience, effective teaching methodology and qualification can improve the achievements of students to a greater extent.

Keywords: Role ; Male Teachers’ ; Qualification ; Academic Achievements ; Students at Grade Five (Multiple Subjects) Level

Introduction
Evaluation of the performance of teachers is exacted in almost all the societies and in this respect there is a general inclination concerning evaluation of the performance and quality of teachers’ on basis of the academic achievements and outcomes of the students. It is generally agreed that teachers differ in terms of caliber and quality and the students’ educational success and achievement much depends upon the quality of the teachers. Prescriptive approach, bonding to the ethical values of the society, social believes, psychological status, method of teaching and qualification are the most pertinent determinants for valuation of the quality of teachers. In this particular study the researchers took the qualification, for determining the quality of teachers in terms of the academic achievements of students. In this context, Teachers’ effectiveness in view of their qualification and its causal relationship with students’ academic achievements need appropriate exploration and investigation. Teachers are by and large believed to play an agentive role in creation of innovative and in this context adequate qualification is quite essential for purposeful innovative drives. In many parts of the world teachers qualification is considered as of quite significance and that’s why due emphasis is being given on education reforms.

Because of psychometric difficulties in assessing teachers by their normative attributes i.e. the logical, the psychological, and (especially) the ethical, which are defined differently across cultures (Alexander & fuller, 2004) the tendency to evaluate teacher qualities on the basis of student performance is given even greater emphasis. With the increased demands for accountability in line with performance standards and with the growing demand for evidence-based policymaking, student achievement is considered an accurate measure of teacher effectiveness and has become a basis for value-added teacher assessment systems (Braun, 2005).
Dera Ismail Khan, one of the southern districts of Khyber Pakhtoonkhwa Province of Pakistan consists of four Tehsils i.e. Paharpur, Paroa, Kulachi and Dera Ismail Khan. There are numbers of Elementary Schools where hundreds of teachers are imparting education on the students. Prescribed minimum qualification for appointment of a teacher in the primary section of the elementary level of education was earlier Secondary School Certificate (SSC) which has now been enhanced to FA/FSc, with Primary Teaching Certificate (PTC), whereas numerous teachers in many of the primary sections of elementary education Institutions have much higher qualification i.e. a Degree of MA/MSc with BEd or Even MEd.

STATEMENT OF THE PROBLEM
Implications of the Elementary Education for being cornerstone of Education in the life of a child are quite obvious and in this respect role of the teacher can not be underestimated as the teachers at that very level of Education is supposed to deal with more than one subjects as there a single class teacher for a section of grade five who deals with all the subject taught to the students. This study was initiated to investigate the effects and association of Elementary teachers’ qualification on the achievements and academic success of the Elementary level students.

Objective of the Study
Cardinal object of the study was to determine the association and ultimate effects of elementary teachers’ qualification on achievements of students of grade five at elementary level of education.

SIGNIFICANCE OF THE STUDY
No one can deny the importance of elementary education in life of a child which is the inception of the process of education that helps nourish the potentials of a child and guides him through to the track of success. At elementary level the teachers are supposed to deal with multiple subjects and take their pupils through successfully to the next phase of education i.e. junior secondary or middle school level of education. Elementary education being the foundation for future journey of education requires lot of attention, care and appropriate instructional guidance to attract the students towards purposeful education. Teachers’ academic qualification, knowledge base, apprehension and understanding of the ways and means of effective teaching play quite important role in this respect.

HYPOTHESES
Following were the hypotheses of the study:
\( H_0 \): There is no significant effect of teachers’ qualification on the achievement of elementary level students
\( H_0 \): There is no association among teachers’ qualification and the academic success of elementary level students
\( H_1 \): There is a significant effect of teachers’ qualification on the achievement of elementary level students
\( H_1 \): There is significant association among teachers’ qualification and the academic success of elementary level students

LIMITATIONS
The study mere considered the qualification of the respective teachers whereas their experience and methods of teaching were not taken into account while determining the achievements and educational successes of the elementary level students. Further, only male teachers were considered whereas female teachers were not included in the study.
In addition to all the desirable attributes considered essential for a teacher and adherence to the established “norms and standards” believed to be associated with the profession of teaching, a teachers’ success and his/her potency as a ‘quality teachers’ yet largely depends on the academic achievements of students (Braun, 2005; McCaffrey et al, 2004). It is a matter of fact that the quality of education and attainments of the students are directly proportional to the quality of teaching that comes about in the classroom. In this respect the qualification of teacher matters a lot as it adds to his knowledge base and gives him a better understanding and grip of the subject matter offered in the classroom, and enhances his professional competence and delivery in the classroom, which ultimately results in better attainments on part of the students.

National Education Policy (NEP 1998-2010) advocated by the government of Pakistan emphasizes on the adequate qualification of teacher for proper academic promotion and development of the students. In many of the countries round the globe, the education reforms also focus the qualifications of teachers in perspectives of the academic achievements of students which are predominately considered as intimately associated. Consequent upon many research studies, it is believed that the Teachers’ quality is directly associated with learning outcomes of his/her students and the teachers’ literally producing such impressions on students are regarded as “effective” (Berliner, 1987, 2005) and “successful” (Fenstermacher & Richardson, 2005) teachers

According to Henke, et al. (2000) many research studies indicate a positive relationship between teachers qualification and the students achievements, in this perspective, referring the research studies done during the last “15 years” Henke, et al. (2000) say that a linkage among teachers qualification and students educational attainments has been evidenced.

Contrary to the findings mentioned above, Eric (1990), while conducting a macro analysis of 113 research studies conducted on the subject problem, found no effect of teachers’ qualification on the achievements of students. His findings revealed that out of the aforementioned, 85% of the studies did not prove any “positive correlation” between qualification of the teachers and academic achievement of students, instead, five percent out of the mentioned studies referred to a “negative correlation” whereas only 07% of the research studies evidenced a significant effect of teachers qualification on the educational performance and achievement of students. Similar were the findings of studies conducted by Hazard & Freeman (1977) and Howsam & Corrigan (1976) which revealed “no significant” effect of the teachers qualification on the classroom performance of the students and their academic attainments.

On the other hand, Betts at el. (2003) found a positive relationship between the teachers’ qualification and educational attainment of the students. Similarly Darling (2000) referring many advocates of the effectiveness and role of teachers’ qualification in academic attainments of the students maintains that better qualification of the teachers is significantly linked up with better understanding and academic “gains” by the students. Likewise, Ehrenberg and Brewer (1994) found that teachers with a higher qualification produced better results and their students performed and achieved much better in many subject areas.

Ferguson (1991) ascertained that the number of teachers with master’s degrees in Texas was positively associated with student achievement gains at the district level. Alternatively, using Texas data as well, Rivkin, Hanushek, and Kain (2002) stated that master’s degrees are not related to teacher effectiveness. However, the authors only examined the scores at the elementary grades. Yadved & Singh (1988) say that enhancement in the quality of teaching and ultimately of the education much depends on the appropriate training and qualification of the teachers, hence, due process of teaching can only prove to be effective if the respective teachers are appositely equipped with adequate qualification for the purpose of teaching. According to
Ruhela and Singh (1990) success of the school and by and large of the students largely depends on the quality and professional qualification of the teachers.

**METHODOLOGY OF THE STUDY**

Following procedure was adopted for reaching at findings and drawing the conclusions concerning association and effects of the teachers’ academic qualification on the achievements of elementary level students.

**Population**

Population of the study comprised of the teachers engaged with grade five, Heads of the Elementary Schools and the students enrolled in grade five of the Primary sections in the Elementary Education Institutions of Dera Ismail Khan District.

Record concerning with qualifications of the Teachers and students’ academic achievements were also considered as part of the required information for the purpose of reaching at findings and conclusions.

**Sample**

A total of 30 elementary Schools situated in different Tehsil, Town and Union Councils of the study area were randomly classified to select the sample population for the data collection.

300 students i.e. 10 each from every classified School were randomly selected as subject samples. Whereas, all the 30 respective teachers and all the 30 Heads of sampled Elementary Schools formed the sampled population for the study.

**Data Collection Instrument**

A 20 items structured questionnaire constructed on the pattern of three point Likert scale was distributed among the teachers and HoD’s for the collection of needed information. The responses were valued as (1) for agree, (2) for Undecided and (3) for disagree. Record of the qualifications of teachers working in the respective elementary Schools was acquired from the district education office which was tallied with the record available in the offices of respective elementary Schools. Results of the students for the measurement of their achievements were acquired from the respective office of the concerned School.

**Statistical analysis**

SPSS version .12 was used for the analysis of collected data while Independent sample t-test and Pearson correlation coefficient were calculated for the purpose finding out the conclusions.

**RESULTS AND DISCUSSIONS**

Out of the sampled population of teachers 63.33% had a comparatively higher qualification than the prescribed for appointment as Elementary teachers, whereas 36.66% teachers had minimum required qualification, yet 54.54% amongst them were improving their academic qualification and were found enrolled in different higher Degree programmes either with AIOU, Distance Education Programme of Gomal University, DEC’s of Sarhad University and with other Institution where non-formal or evening programmes were offered a detailed account of the teachers qualification has been given in table #1 below.

**Table #1 showing qualification of the Teachers**

<table>
<thead>
<tr>
<th>S/No</th>
<th>Qualification</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Prescribed qualification</td>
<td>16.66%</td>
</tr>
<tr>
<td>2</td>
<td>MA/MSc with BEd/MEd</td>
<td>26.66%</td>
</tr>
<tr>
<td>3</td>
<td>BA/BSc with BEd/MEd</td>
<td>36.66%</td>
</tr>
<tr>
<td>4</td>
<td>Improving qualification</td>
<td>20.00%</td>
</tr>
</tbody>
</table>

Most of the sampled elementary teachers, irrespective of their qualification were quite satisfied with their ‘in the class’ performance and the results they did produce in perspective of the achievements of their students. HoD’s i.e. the Headmasters and Incharge teachers of the primary...
sections of respective Elementary Institutions were avowedly of the views that teachers with a higher qualification can prove to be more effective teachers but mere qualification is perhaps not the most appropriate solitary parameter for determining the effectiveness of teachers in terms of the results they produce or achievements of their students. Most of the HoD’s said that no doubt qualification plays a significant role in enhancement of the vision and knowledgebase of a teacher but the experience and teaching methodology are the literal instruments which really improve the capacity of a teacher and by and large help determine his effectuality in terms of the success and achievement of the students. Most of the HoD’s denied any significant association of the qualification of teachers with the achievements of students particularly at grade five level of education, contrary to the findings of Henke, et al. (2000) which do not correspond with the findings of this study and manifest a significant association of teachers qualification with the achievement of students nonetheless the findings of a macro study conducted by Eric (1990) affirms the stance of HoD’s and describes no significant relationship of the qualification of teachers with the achievements of students a summary of the responses of HoD’s has been given in the table# 2 hereunder. Similarly the results of the Pearson correlation coefficient negate any significant correlation between qualification of the teachers and the achievements of students showing a significance of .103 at 0.01 levels (2-tailed).

<table>
<thead>
<tr>
<th>HoD’s on association of qualification with Students Achievements</th>
</tr>
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<tbody>
<tr>
<td><strong>S/No</strong></td>
</tr>
<tr>
<td>----------</td>
</tr>
<tr>
<td>1</td>
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<td>4</td>
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<td>5</td>
</tr>
</tbody>
</table>

The results concerning academic achievement of the students did not show any significant difference of achievements among the students instructed by better qualified teachers in comparison to the teachers with prescribed qualification for appointment in the primary legs of elementary schools. In some case, nonetheless, a bit of difference was noticed but that was not of a high significance. There were 63.33% teachers in the classified primary sections of the elementary schools with a better than the required qualification but the students of mere 13.66% did show any visible difference of achievement whereas the overall results of the remaining students were found as almost comparable to the students instructed by the teachers with prescribed qualification for becoming a primary teacher.

**CONCLUSION**

It was concluded that there is no significant effect of the qualification of teachers on the achievements of students at grade five of the primary leg of elementary level of education. A meager difference of achievements however exists but that might be a resultant of such other factors in addition to the qualification of the teachers. The HoD’s specifically were found of the view that the teachers with a better qualified than the required or prescribed can produce better results as far as achievement of the students is concerned but in this respect the experience and the teaching methodology of the teachers must also be taken into consideration while determining their effectuality in terms of the achievements of the students.
References


Qualitative Research on Customer Retention in Microfinance Banks of Pakistan

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Abstract  
This paper presents the framework for customer retention in microfinance banks. The paper integrates the two relatively new disciplines; microfinance and relationship marketing. Today, microfinance which is often viewed as the tool to fight against poverty, is facing the numerous problems, Customer dropouts is one of them. This problem is of such severe in nature, that it threatens the very existence of microfinance. To provide solution, a theoretical framework that helps microfinance banks to retain its most profitable customers is developed. Phenomenological philosophy and strategy of case study was adopted. Both open and closed end questionnaires were developed and administered from the various categories of respondents. In addition to quantitative analysis, a qualitative, issue-based analysis of different issues; such as customer selection and screening process, needs of customers and financial products, group lending, employee turnover and marketing in microfinance banks. Finally on the basis of results, a conceptual customer retention model for microfinance banks was developed.

Keywords Microfinance Banks, Customer Dropouts, Customer Retention Framework.

1. Introduction  
The microfinance sector in Pakistan has mushroomed during the last decade. Today, number of microfinance organizations is operating in country. The sector has shown mixed growth and performance results. Though, generally successful but almost entire microfinance sector plagued with customer dropouts particularly early customer dropouts. For example, one of the leading microfinance institutes is also facing the same problem. According to Asian Development Bank reports the customer retention rate during 2005, 2006 and 2007 for the said institute was around 27%, 52% and 65% respectively. (Figure 1) The bank officials argue that a low customer retention rate does not affect its organization much since it unable to generate customer deposits.
Regardless what bank officials argue, the truth is customer dropouts are disadvantageous for microfinance banks, mainly because with early dropouts first microfinance will not be able to alleviate poverty which they claim and second is microfinance banks will not be able to achieve both operational and financial self-sufficiency which could ultimately lead to long-term survival of these banks. Considering the severity of problem microfinance sector face today, the idea of the study is to address relationship aspect in microfinance and develop framework that help these institutes to retain their existing customers and achieve their objectives.

2. Research Methodology
Following research methodology was adopted for this research purpose.

2.1 Research Philosophy
Phenomenology approach has been adopted for this study. This philosophy provides an excellent opportunity to have a comprehensible picture of complex world and as well as the reality that work behind the fact. By adopting phenomenological philosophy both open and closed end questionnaire have been developed and administered from the respondents.

2.2 Research Approach
As this study involved in depth analysis, diagnosis and solution of customer dropouts in microfinance institutes therefore induction approach was adopted. In this study induction approach has helped in discovering and uncovering the facts, also this approach was consistent with the Phenomenology philosophy. In addition to all, induction approach has allowed more flexibility in determining research emphasis as the research progressed.

2.3 Research Strategy
To obtain complete as well as reliable and valid data combination of Case Study, Survey and Action Research has been adopted.

2.4 Sample Designing
Sample selection is of paramount importance for the success of any research study. Keeping this fact in view, convenience and Judgmental sampling techniques of non-probabilistic sampling approach were adopted for this study purpose. In this study non-probabilistic sampling approach has enabled to obtain best information from a relatively small sample, and also provided more freedom in accessing the data and information.
2.5 Data Collection

The data for the purpose of this study both primary and secondary data has been collected.

2.5.1 Primary Data: For the collecting primary data multiple tools and techniques were employed such as Customer dropout survey, Focus group interviews, Individual interviews, and Observations. Overall 356 survey questionnaires were conducted and 317 were considered for analysis. Observation technique was also applied during interviews with employees and customers. To understand the dynamics of relationship among the field staff and customers I personally traveled in the field and observed various phenomena related with studies.

2.5.2 Secondary Data: In addition to the primary, secondary data was also of prime importance for this study Sources of data inside the organization included: policy documents, annual reports and news letters which were published periodically. Sources of data outside the organization included: various reports on microfinance institutes published by Pakistan Microfinance Network (PMN), Consultative Group to Assist the Poor (CGAP) and Microsave. Apart from this, secondary data was also collected from different websites of microfinance institutes and articles published by various sources.

2.6 Data Analysis and Interpretation

The data collected for this study was both qualitative and quantitative in nature therefore mixed methodology of data analysis was adopted. While analyzing the quantitative data SPSS software 10 and 17 editions were used. Statistical techniques ranging from simple frequencies to more advanced descriptive techniques such as cross tabulations, and sample statistical tests were applied. In addition, following qualitative techniques were also adopted for data analysis in this research study.

2.6.1 Content Analysis: According to Mostyn (1985), this technique has been systematically used to convert text into numerical data for quantitative analysis. In this study content analysis was used to analyze written documents. With the help of content analysis large set of data was classified and reduced to reach the conclusions.

2.6.2 Process of Analysis – Morse’s Framework: In processing of data and information, Morse’s framework was also adopted. According to Morse there are four steps in analyzing the data and information, including comprehending, Synthesizing, Theorizing and Re-contextualizing Morse (1994). Shown in Figure 2.
2.6.3 Data Analysis and Interpretation – Quasi-Judicial Method: Bromley (1986) suggests a Quasi-Judicial method which uses a logical inductive method for evaluating data. The procedure is involved in applying rationale argument to interpret empirical evidence. All issues, factors, and events have been scrutinized and assessed in the light of following questions shown in figure 3.

What is at issue?

What other relevant evidence might there be?

How else might one make sense of the data?

How were the data obtained?

Figure 3: Quasi-Judicial Method Four Questions

In the light of above guiding queries the qualitative data was obtained, and compiled into separate cases. Finally the data analysis was carried out and findings were reported accordingly.

3. Analysis and Interpretation

In this research, considering the nature of data collected both qualitative and quantitative techniques of data analysis were used. Figure 4 summarizes the results of survey carried out from dropout customers. The results of qualitative analysis are discussed below.

Figure 4: Causes of Customer Dropouts in Microfinance Banks
3.1 Qualitative Analysis

The painstaking qualitative study has discovered that, financial products, group lending, and contact employees as whole are imperative for customer satisfaction and retention in microfinance banks. Following qualitative analysis is based on the issues which play critical role in the customer dropout and its flip side customer retention in microfinance banks.

1. Customer Selection and Screening Process
2. Needs of Customers and Financial Products
3. Group Lending
4. Employee Turnover
5. Marketing

1) Right Customers

In depth interviews with Bank officials and follow-up interviews with dropout customers revealed that, the reasons of low customer retention in microfinance banks at first instance are due to not acquiring right potential customers. Serious lapses during customer selection and screening process cost dearly to microfinance banks in the shape of early customer dropouts. Investigations have revealed that, top management, and field staff of microfinance banks is equally responsible for not acquiring right customers. In practice it was observed that the focal point of bank officials was on increasing the customer outreach, in order to take advantage of huge untapped market. This shift in focus on acquiring new customers has resulted in recruitment of new customers who are not even falling under the category of microfinance customers. Some times the objectives of management influence the field staff and at other times inefficiency of field staff results in lapses during customer selection and screening process. One such example was found in one microfinance bank under investigation, where, micro loans should be extended to micro entrepreneurs, after verifying the existence of their businesses however in practice it has been revealed that field officers, partly due to their negligence and partly under the influence of management to increase outreach, did not verify the existence of potential customers’ business. As result some unwanted customers enter into the loan program. While talking with branch manager of bank on this issue, he acknowledged that: “In initial years of banks operations the emphasis of top management was on increasing customer outreach therefore in order to achieve this objective, field officers did not verified the existing businesses of potential customers as a result many customers availed our loans who were not micro entrepreneurs and eventually there was increase in non performing loan and dropouts”.

Majority of times customers also falsify their financial information and self-select themselves into the loan program. In addition it was also found that members of a single family self select themselves into different groups and obtain the loans, worse is that they do not utilized loans properly.

2) Needs of Customers and Financial Products

Microfinance was based on closely watching the needs of its target market, which not only include poor but all those, who are excluded as of proper Banking system. However over the time it is appeared that microfinance has become a product driven rather than market driven industry Monica Brand, (1998). The microfinance sector in Pakistan is a single product driven, the market is dominated by one financial service- credit and many microfinance providers use a methodology inspired by the Grameen model (CLEAR, CGAP Report (2007), Syed Salim Raza (2009).

This qualitative research has revealed that microfinance banks under investigation were unsuccessful in addressing the financial needs and expectations of its target market even though most recently these Microfinance Banks have started to rollout saving and insurance products but not sufficient to address the financial needs of their customer groups. The financial services offered by three microfinance institutes under study are similar with little variations. For instance
the features of microcredit products such as minimum and maximum amount of loan, interest rate, delivery mechanisms, and group lending methodology are almost similar in nature. This similarity is not prevalence but because of the guidelines issued by regulating body of microfinance banks. In one open-ended question the manager of one bank under study believed that “our product line does not effectively meet the life cycle needs of customers”. He further added that “one of major reason of customer dropouts in microfinance institutes is lack of innovation in the products we offer". During the interviews with dropout customers it was observed that size of loan is major source of dissatisfaction from program. The dropout customers believed that “amount of loan offered as credit not sufficient to finance their existing or new business”, and they also believed that “loan was not productive enough for their businesses”. In one focus group interview with field staff they acknowledged the customers point of view and added that “the size of loan our bank offers to customers has remained the same even after nine years of its operation. Where as, inflation in country has increased almost 100%, during the same period of time, rendering loan size insufficient to buy inputs for business”. In addition to size of loan, interest rates, product delivery mechanisms, and group lending methodology are also major source of customer dissatisfaction and eventually cause of dropouts.

3) Group Lending
This research has revealed that group lending has also been a major cause of customer dropouts in microfinance banks. Since the beginning of microfinance revolution in Pakistan, Grameen Bank’s group lending model has been a mainstay for the delivery of financial products and services to poor customers. In addition groups are also an important forum for empowering people and their capacity building.

All these three microfinance banks under this study has adopted group lending model with little variations to assist the poor. The groups are usually formed with three to ten members in rural and urban environment and are formally known as village organization or community organizations or functional groups. The group are formed either by the customers themselves, with facilitation from field staff, or by alliance partners and service providers. It has been found that conflict among group members started to appear on issues like timely loan repayments and group meetings which eventually results in inactivation of group, and multiples dropouts in these microfinance banks.

4) Employee Turnover
Another major problem microfinance banks are facing is high employee turnover; especially the turnover in contact employees (i.e. field staff) was on higher side. Research in service sector has shown that satisfied employees contribute in customer satisfaction and retention. Similarly in microfinance banks field staff have very critical role to play.

Speaking on the matter with the official of microfinance banks he acknowledged the field staff turnover in their microfinance bank and further added that “microfinance sector in Pakistan is on boom many new microfinance institutes are entering into market which in turn creates opportunities for every one look for other jobs and excel their career”. This fact was also confirmed in interviews with field officers of these three microfinance banks.

5) Marketing
Emergence of microfinance during 1970s was based on the financial needs of poor, as well as those who were considered as un-bankable by formal banking system. It is widely believed that microfinance by character is a customer focused and a relationship based industry. In addition financial products and services were also developed considering the needs and wants of their target market. In spite of all these facts, during the investigations it was revealed that the primary focus of these microfinance banks was still on credit operations. All the resources were devoted to credit department. The top management’s priorities were to improve market outreach, and monitor disbursements, delinquencies and credit portfolios, literally very little effort has been put
on the marketing function in these microfinance banks. In response to an open-ended question “What marketing and promotional activities your organization undertakes? The marketing manager of a leading microfinance bank replied that “the main role of marketing department in our organization is to create awareness among our customers, make them realize that financial products of our bank are means for them to escape from poverty. In addition we also encourage customer to utilize loans properly”. It has been observed that because of ineffectiveness of marketing department, the microfinance banks are experiencing problems such as increase in non-performing loans and low customer retention rates.

4. Recommendations
On the basis of the analysis and discussions, following is the framework for customer retention in microfinance banks.

Model of Customer Retention in Microfinance Banks
This research has proposed a model which is aimed at curbing the customer dropout in Microfinance Banks. The proposed model is based on the empirical results of research and recommendations of the study (Figure 5 shows the model above). The model propose that in order to retain customers in microfinance banks top managers should make customer retention as a institutional priority and undertake a major revamp in their organizations. The constituents such as commercial approach, right customers, keeping & serving customers through need based products and loyal employee plays decisive role in customer satisfaction and eventually customer retention. The model also include feed back loop which provide information whether or not goal of customer retention achieved.

5. Conclusion
From the discussions above it is concluded that customer retention is still not the priority of microfinance banks in Pakistan. The top most priority of three banks under investigation was to increase customer outreach where as, little or no care has been taken to retain existing customers. Further it is concluded that in order to retain existing customers the microfinance banks should consider putting into practice commercial approach, selection right customers, introduce need
based products, and retain its loyal field officers. By adopting these ingredients microfinance banks will be able to retain its profitable customers.

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Determinants of New Product Development Success;
(Developing & Proposing a Conceptual Model)

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Abstract
The purpose of this study was to explore the factors that affect the New Product Development (NPD) success. Many companies launch the new products but suffered a lot due to poor product design, positioning and distribution, advertisement, chain of communication, technology and innovativeness, distribution synergy, time efficiency, cross functional team, marketing and political uncertainty etc. Along with these poor factors some products do not match the customer’s needs and eventually could not make the grade. So without determining customer needs one can not jump in to the market. Furthermore company’s success do not merely relies on the strength of one department; it is a cross-functional activity of the organization. For exploring these dimensions the researchers have made a huge assortment of past work and have put a lot of exertion in developing a model of NPD success. It is a conceptual study. Findings suggest that numerous marketing and organizational factors have a strong relationship and impact on NPD success.

Keywords: Determinants; New Product Development Success; Developing; Proposing; Conceptual Model

Introduction
The basic purpose of any business is to earn profit and to get maximum growth and market share. For this purpose the firm has to make continuous improvement in its products and services. All the firms have to compete with one another to survive. They have to introduce new and innovative products to retain their existing customers and to fetch new one. To meet this criterion the firms have to bring changes in its existing products or they have to bring a significantly new dimension in their product line. For survival and growth a firm has to launch new and innovative products with the passage of time (Axarloglou, 2003). New Product Development (NPD) is a process in which first the needs and wants of customers are determined and according to them the new products are tailored (Meybodi, 2003). This proves to be a clandestine of success for any business but it is not easy to do. For this purpose a lot of Research and Development (R&D), innovativeness, product design technology, and cross functional teams are required. The management believes that NPD success pave the way for long term survival of the business. So it is important for firms to determine various factors that affect the NPD success.

We are living in the era of globalization; frequent change in system and technology has made realization that the firm should not close its eyes after successfully launching a new product. The firms have to utilize latest apprehensions provided by NPD teams in different parts of the world and have to mold themselves accordingly (Salomo, Kien Schmidt & Brentani, 2010). New products very quickly come in to the market, and with the same pace moves towards the declining stage that makes the product obsolete. Now a days firms have to compete globally and for various segments they have to launch new and innovative products to fulfill their consumer’s distinct needs (McDonough, Kahn & Barczak, 2001).

For NPD success, organizational strengths plays major role and especially marketing section of any organization proves to be an important pillar without which success can’t be achieved. If
marketing department is not capable enough to meet the organizational needs their all efforts will go in drain. So the success of all activities right from the beginning till end depends on it. This is a common assumption that marketing is involved in whole process of developing a product from its production to selling. Along with a proper organization structure is also necessary for efficiently functioning of the firm. The important determinants of NPD success include strong distribution channel and effective chain of communication, updated technical know how and synergy, corporate management support and commitment, R&D, cross functional teams, and speedy processes. This research paper explores all these different and essential determinants which contribute to NPD success.

Problem Statement
Many companies launch a new product or a product line but could not entice the market due to inadequate marketing and organizational strengths.

Significance of Study
This study provides numerous course of action to the managers seeking to launch a new product. It offers critical insights for the identification of marketing and organizational factors that determine NPD success. No researcher has previously contributed any knowledge about determining the effects of these factors significantly affecting NPD success so this is an original contribution to the body of knowledge.

Objective of Study
The main objective of this study is to evaluate the different determinants of NPD success which includes various marketing and organizational factors. This has been area of concern for managers to explore these factors that determine NPD success. It is a qualitative study and main emphasis of this research paper is on developing and proposing a conceptual model.

Literature Review
A new product or service is a good business thought that is appeared by some potential customers as new that does not exist (Kotler & Armstrong, 2005). New products can be any complete new product, modification in product and product improvement that a firm develops through its own R & D efforts (Adis & Razli, 2009). If any organization wants to succeed then NPD is essential but it is not easy task to accomplish (Schimmoeller, 2010). It requires a lot of efforts, top management commitment and resources that are necessary for developing new product. NPD success is determined by a number of other factors as well such as reduction in time, minimizing the failure rate, increasing the profitability and degree of innovation (Ahmadi, Roemer & Wang, 2001).

The products that are low and highly innovative were more successful as compared to moderate innovative products (Kleinschmidt & Cooper, 1991). Firms are continuously converting new ideas to commercialization for attaining NPD success (Brown, 1995). For NPD success and effectiveness, product should be customer centered instead of Product centered (Rackham, 1998).If the product will be product centered then sales force instead of focusing on consumer need, will focus on its extra features which will result in product failure.

Marketing has been identified as a foundation of NPD success. From marketing prospect the major factor that contributes to NPD success is the change in traditional communication. Chain which starts with product development instead start it with problem solution, then introduce the new product to sales force and this is how the product should communicated to the customer which leads to NPD success (Rackham, 1998). This is the precise way of introducing the product to customer because customers do not purchase products, they actually purchase the benefits. For example, while making the purchase of a drill machine, a consumer is actually buying the holes. If the specific product that consumer is buying is not fulfilling its core benefit it will be useless for him.
A product that will be technically sound and processes of which will be complex for other competitors, eventually will lead towards improved product performance and success (Tatikonda & Montoya-Weiss 2001). New product is necessary for the firm to be develop, because when a product reaches at maturity stage firm has to modify the existing product as well as has to introduce entirely a new product (Calantone, Garcia & Droge, 2003). Design of the product should be such that it should be easy to use for the consumer but technically it is stiff for competitors to imitate in short period of time and product can not be bandit in the market so that the firm can get the fruit of its innovation before the competitors jumps in.

For efficient performance of NPD teams, sustainability at corporate level as well as proper utilization of organizational resources is necessary. Corporate management plays a vital role in leading and coordinating the global NPD efforts and success (Salomo, Kienschmidt & Brentani, 2010). Therefore without corporate level involvement new product can not be introduced successfully in to the market. Launching of a new product demands a huge commitment of time and of resources as well. Swift NPD process will enable the product to make a significant place in the market. In this way product can be introduced speedily and same resources can be utilized for launching another new product thus minimizing cost of production (Griffin, 1997). It increases the revenues of the firm and eventually results in increase in profits. Research shows that there must be a proper organizational structure that supports new product development (Hwand, 2004). There should be a Centralized and dynamic organizational structure that support the creativity and innovativeness.

Cross functional team is also an important ingredient for NPD success in which people from different departments work together. Cross functional teams who believe that they have monopoly in the market or they are empowered over their customers, chances of innovation at that place will be less (Ebrahimi & McGowan, 2006). Because if there will be stiff competition in the market, the firms will strive continuously for betterment. And then the same cause helps them to involve in R&D which leads toward NPD success. Research shows that higher the improved and better problem skills, the greater will be the chances of NPD success (Lynn & Akgun, 2003). It means that people diversity, their belongingness to different cultures, their expertise, knowledge and skills ultimately lead towards NPD success. Although team members work together in cross functional teams if they don’t share information among themselves then it will not result in NPD success (Jassawalla & Sashittal, 2000). All firms know the importance of teamwork, because for NPD success quality skills and expertise are required by team members (Cooper & Kleinschmidt, 1995).

For NPD success, team composition is of great importance, usually multifunctional teams contribute more for attaining success (Bunderson & Sutcliffe, 2002). As employees come from different geographical areas, their culture, back ground, language is different, so one critical dilemma one has to face is information sharing (Doughtery, 1992). Researches have proved that creativity and innovation results from cross-functional NPD teams because of diversity (Woodenman, Swyer & Griffin, 1993).

For NPD success advertising and promotion plays a vital role because unless a customer will be aware of new product, he will not buy it. For NPD success a lot of management commitment is required because advertising demands a huge investment (Parry & Song, 1997). NPD Success also depends on different marketing activities such as advertising and promotion (Lim, Sharkey & Heinrichs, 2004). Advertisement attracts people and promotion usefulness of distribution.

**Research Methodology**

An intensive and extensive literature review was carried out in which after critically evaluating different research work done on New Product Development success and completing scrutiny of its relationship with different factors. A conceptual model has been developed in which NPD
Determinants of New Product Development Success; developing and proposing a conceptual model

NPD SUCCESS CONCEPTUAL MODEL

Sources:  (Ahmadi, Roemer, & Wang, 2001)  (Adis, & Razli, 2009)  
(Ebrahim,i & McGowan, 2006)  (Researcher’s own processing)
Model Elaboration
This research paper is an extract of different researches in the field of new product development success to show the relationship of different factors. NPD Success model is a conceptual model. In this model NPD success has been taken as dependent variable while various marketing and organizational factors have been considered as independent variables which include R&D, effective chain of communication, distribution synergy and advertising in marketing factors while product design, cross functional teams, time efficiency and updated technical synergy in organizational factors. This model has been evolved after making a rigorous effort by the researchers.

Hypotheses
For NPD Success model the researchers hypothesize that:
H1: Product design has a strong impact on NPD success.
H2: There is a strong relationship between Cross functional team and NPD success.
H3: Technical synergy and NPD success are positively related to each other.
H4: Time efficiency has a significant impact on NPD success.
H5: R & D has a strong relationship with NPD success.
H6: Effective chain of communication has a strong impact on NPD success.
H7: There is a positive relationship between Distribution synergy and NPD success.
H8: Advertising has a strong impact on NPD success.

Conclusion
This research is a conceptual study in which previous relevant researches have been reviewed. In this model NPD success has been taken as dependent variable while other marketing and organizational factors have been treated as independent variables, such as effective chain of communication, updated technical know how, corporate management support and commitment, R&D, cross functional teams, speedy processes, advertising and chain distribution synergy, and product design.

In the above mentioned independent variables one of the factors which have prior importance is chain of communication. This means that the evolver should not recognize that what its customer feels about the product after he communicates his problem but it should be realized at very early stage of developing or introducing the product in the market. Effective communication with the customer brings a significant response about the product.

Factor which has secondary importance is technical know how and R & D. This is a common experience that a company who keeps it self up to date and strives to empower latest dimensions of the market gives a tough competition to it peers. They fight on the strengths of their product’s multi dimensional characteristics. So when their product reaches to its maturity level, either they have to introduce a new dimension or have to bring innovation to the existing product line. These apprehensions keep them up-to-date in the market. But for this purpose they need to strive
hard and have to adopt such technology which could not be pirated by their competitors so that they enjoy the benefit of the innovation.

Similar is the case with corporate management support and commitment which has utmost importance in the success of NPD process. Coordinating the global NPD efforts and efficient utilization of organizational resources can only be done through corporate level involvement. Cross functional team is the most important variable in which diversity plays a vital role in enhancing level of success of NPD. People from different cultures and with new ideas bring a significant change. Researches have proved that creativity and innovation results from cross-functional NPD teams and this dimension has a back support of diversity.

Advertising has also a significant place in marketing factors which contributes majorly in NPD success. Concluding the whole scenario it has been determined that marketing factors are important because they determine the needs and want of the customer and then accordingly leads toward the success of new product development process.

**Future Recommendations**

There is an opportunity for other researchers to determine those factors which can affect NPD success. Marketing and organizational factors are the key variables determining the NPD success which has been discussed in this study. If organizations want to further enhance the market of their product or they want to increase their profits, then they can conduct a thorough study with self effort so they can explore new dimension for the success of their business. A qualitative study has been conducted along with this to check the reliability of these different factors, a quantitative measure can also be adopted by developing questionnaires and by conducting interviews in order to test NPD success.
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Empirical Analysis of Macro Indicators Determining Foreign Direct Investment in Pakistan

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Abstract
Foreign direct investment inflows have remained low in the whole economic history of Pakistan as compared to other developing countries. However a sharp increasing trend is seen by economist in the first decade of 21st century in Pakistan. The present study has examined the variation in FDI inflows and effects of some macro indicators on FDI inflows in Pakistan. Two models of multiple and simple regression analysis are employed on secondary time series data of some macro indicators of Pakistani economy from 1985 to 2009 for analysis of impact of these macro indicators on FDI inflows in Pakistan with the help of statistical analysis software SPSS 17.0 version. Results of the 1st model show that high trade volume and better infrastructure have positive impact on FDI inflows where as high inflation and high variations in exchange rate have negative impact on FDI inflows. Results of 2nd simple regression model show that a developed stock market with high market capitalization value is a great attraction for FDI inflows in Pakistan.

Keywords: FDI, Developing countries, Macro indicators, Infrastructure, Inflation, Exchange rate, trade volume, Market capitalization

1. Introduction

World is becoming global village. Multinationals are investing all over the world and where there is a little bit feasibility of investment MNCs are investing there. Before investing in any country MNCs have to see some indicators because in real world there is only cost benefit analysis in those indicators there come some social factors, political factors and economic factors.

According to a study FDI inflows in US reached to $ 1.3 trillion in 2000 where as it was only $200 billion in 1993. There happens a huge transfer of wealth from country to country and region to region. In 21st century the wealth is transferring from developed nations to developing nations whose economic growth is very high. FDI inflows in developing countries were $132.9 billions in 1980 where as within a decade it has reached to $ 1438.48 bullions.

Pakistan a developing nation with high economic growth attracted huge amount of FDI in different sectors. In previous decade the sector which has attracted huge amount of FDI in Pakistan is telecom sector. FDI in telecom sector was $ 6.1 million in 2001 and reached to $ 1824.3 million in 2005-06 a growth of 285.33%. The overall share of FDI reached to $5124.9 million in 2005-06 where as it was $484.7 million in 2001-02 a growth of 131.03%.
Developing nations are now relaxing the FDI relevant restrictions, as Pakistan does in the same way. The most important step is allowing 100% equity on repatriation bases due to which foreign investors can send back full profit to their homeland without any restrictions.

In this research basically the researcher focuses on the factors to which FDI is dependent in Pakistan. The research plan is in such a way that first we have define the factors due to which investment in Pakistan becomes attractive, then we have use some statistical tools to explain the validity and relationships between dependent and independent variables and at the end there will be a conclusion about findings.

2. Literature Review

Investor’s perceptions about investment have changed now. In start of 20th century there was a great attraction towards agriculture and minerals but scenario has changed now. Today although these factors matters but now indicators of FDI have changed because of globalization and industrialization. Now FDI moves where there is cheap and skilled labor, country risk is low and a good efficient stock market present. As in the same way Dirk (2004) stated that developing countries have attracted huge amount of FDI after liberalization of their economies, but it does not mean that after liberalization, the inflow of FDI will continue. Governments have to focus on technology and development of skills in labor by overcoming information barriers. Agiomigianak (2006) also stated that Trade openness, GDP and highly educated and skill labor force plays important role in attracting FDI in OECD countries. Rabin (2006) sees the determinants of FDI inflows to South Asia from two angles. The demand side determinants and supply side determinants. In demand side he has taken market size, population, FTA’s (Free Trade Agreements) as determinants of FDI. Where as in supply side more skilled labor, literacy rate, increased entrepreneurial culture and mature capital and money market are the attractive determinants for FDI. Due to less restrictions in South Asian countries as compare to other service sector has attracted a huge amount of FDI for these countries. Governments have to focus on basic education then widen the scope to engineering skills and then creation of research and development centers, so that environment becomes feasible and research and development centers can interact with TNC’s as a result innovation and human capital formation becomes possible. Improvements in business conditions, infrastructure development, general education and technological advancements plays important role in attracting FDI from TNC’s to all over the world.

According to a model given by Vernon (1966) innovations decrease the demand of labor. The countries who mostly innovates are mostly capital intensive. The innovated product is then produced in low capital intensive countries and then in developing countries as time passes. And in the same way richer countries start improving already innovated products, and the circle repeats again and again. Capital intensive countries earn from selling innovated technologies to low capital intensive countries or earn by manufacturing their products by their partners in low capital intensive countries, low capital intensive countries earn by selling manufactured products to the countries where cost of production is high.

Kravia and Lipsey (1982) have focused on the relationship between FDI and higher wage rate. They stated that higher wage rate affects FDI only in industries those are highly labor intensive. However Moody and Wheeler (1990), Lucas (1993), swain and Wang (1995). and Pain and Barrell (1996) finds higher wage rate as an insignificant factor for FDI. The reason found behind
that high productivity is the outcome of higher wage rate so, high tech and research oriented fields demand highly skilled and expensive labor.

Lenj and Franklin (2004) focused on institutional environment and macroeconomic indicators are basically the stimulators of FDI movements from MNE’s. Where there is less institutional environment gap in the host country, MNE’s invest in those countries. In the same way governments make policies for the improvement in institutional environment for attracting FDI inflows. In regulatory framework work bad governance, repatriation policy, restriction on foreign ownership, critical regulatory environment, and corruption effects negatively to FDI. In emerging countries infrastructure plays an important role in attracting FDI (Zhang, 2006).

Nonadozie and Osli (2004) found that GDP was main factor of FDI inflows from USA to Africa. According to Yih Yun (2000) found trade openness as important indicator of FDI inflow to Australia. Khair-uz-zaman (2006) found that inflation plays important role in attracting FDI to Pakistan. After that there come some political factors. Li (2008) found that there is an inverse relationship between military conflicts and FDI. In Africa political stability plays significant role to attract FDI according to Dupasquier (2006). Garibaldi stated that exchange rate variation, Inflation, market size, trade openness, and fiscal deficit are important indicators for FDI inflow of any country.

According to Ohlin (1977) FDI moves toward those countries where there is high profitability and low cost of capital. Some other points those Ohlin point out for FDI were low trade barriers and availability of raw material.

Government of Pakistan has given many incentives to investors for attracting FDI. 100 percent hold of equity is allowed with 100 percent repatriation of profits where as in past only 60 percent profits were allowed to repatriate, 40 percents of profit must transfer to domestic investors. Some other relaxation has given in duties and taxes and in the field of financing. Anjum and Nishat (1998) stated that from 1980’s government of Pakistan start liberalizing its economy by giving tax relaxations; tariff reductions, credit easiness and control of foreign exchange to 1988. After that in 1990’s government take further steps such as opening the sectors of telecommunication, agriculture, insurance and energy for foreigners. But due to political instability and abrupt change in government four times within a decade loosen the foreign investor’s confidence. Interest rate, exchange rate, tariff rate and percapita GDP are the important determinants for attracting FDI in Pakistan. It is seen that some times higher tariffs plays important role in attracting horizontal FDI in the countries where production cost is very low. MNE’s start producing with the affiliates in the host country at lower cost, and then enjoy huge market of host country without tariffs. In vertical FDI, MNE’s try to attach with the affiliates who are technologically advanced. Manufacture basic components from different affiliates in different countries according to specialization and then assemble those parts with the affiliates in the country having cheaper labor and low tariffs due to which sometimes imports of the last country in the chain enhanced as in the case of Pakistan due to trade liberalization imports have increased (khan, 1999).

Khair-uz-zaman (2006) in a research paper on determinants of FDI in Pakistan has given the following model:
Regression results of this model shows that there is a positive relationship of FDI with inflation, market size and trade balance. A negative significant relationship exists between FDI inflows and unit labor cost. Unit labor cost shows high negative significance with FDI which shows its importance in attracting FDI. There is insignificant negative relationship exists between service sector and FDI inflows. The researcher explains the reason of this result in such a way that study is from 1970-71 to 2002-03. there was no trade liberalization and sufficient infrastructure in past in Pakistan due to which FDI inflows in service sector was very low, but in recent years scenario has changed.

Shumaila et al (2010) discussed the determinants of FDI in Pakistan as after 2000 due to increase in domestic and foreign trade the demand for telecom sector increased which attracted huge amount of FDI in telecom sector. Further they discussed that literacy rate, market size, population and per capita income plays very important role in attracting FDI in Pakistan. Shumaila in another research discussed the importance of telecom infrastructure in the economic development of Pakistan. She saw a positive relationship of GDP growth with investment in telecom sector and teledensity. According to results researcher conclude that due to increase in investment in telecom sector and high teledensity GDP grows positively.

Shumaila and Zaman (2010) studied the role of investment in the growth of trade both foreign and domestic in Pakistan. They found empirically a positive relationship between investment and trade over the period of 58 years. They also derived a relation that foreign investment has improved foreign trade significantly than domestic trade. With the increase in foreign investment local business transactions are executed efficiently and cost on foreign trades are minimized.

3. Data and Methodology

The portion of the study describes the methodological approach used in this study to find out what numbers say about the relationship between dependent and independent variables and whether the relationship is in accordance with the theories or not? Data sources, sample size and variables will also be discussed.

3.1. Data source and sample size

Secondary data of 25 years has been employed for finding the relationship between FDI and its determinants. In national sources of data economic surveys and state bank of Pakistan website are important sources of macro indicators where as in international sources World Bank website is a good database for macro indicators.
3.2. **Variable description**

One multiple and one simple regression model is used in the study for analysis. In multiple regression model one dependent and five independent variables are used for analysis. Dependent variable is FDI which is calculated as foreign direct investment inflows in Pakistan. Independent variables are GDP growth rate, physical infrastructure, inflation, average annual exchange rate of rupee and total trade. The proxy of infrastructure used in the study is length of low type and high type road network in Pakistan, total trade is calculated as addition of imports plus exports and other variables are named by their proxies. In simple regression model one dependent and one independent variable are present. FDI is regressed on stock market capitalization to find out the relationship present between these two variables.

3.3. **Model one:**

\[
\text{FDIt} = \alpha + \beta_1 \text{GDPGR} + \beta_2 \text{PI} + \beta_3 \text{INF} + \beta_4 \text{EX} + \beta_5 \text{TT} + \text{Ut}
\]

FDI= Foreign Direct investment
GDPGR= GDP growth rate
PI= Physical infrastructure
INF= Inflation
EX= Average annual exchange rate as rupee/$
TT= Total trade
Ut= Error term capturing left over effects

3.4. **Model Two:**

\[
\text{FDIt} = \alpha + \beta_1 \text{MCAP} + \text{Ut}
\]

Where
MCAP= market capitalization

4. **Results and Analysis**

**Table 6.1**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.977(a)</td>
<td>.955</td>
<td>.943</td>
<td>366.09673</td>
</tr>
</tbody>
</table>

\(a\). Predictors: (Constant), Physical Infrastructure, Inflation %, GDP growth rate %, Total Trade, Exchange Rate (Rs)

**Table 6.1.1**

ANOVA\(a\)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>5</td>
<td>1.072E7</td>
<td>79.981</td>
<td>.000(a)</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>19</td>
<td>134026.813</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>24</td>
<td>5.614E7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 6.1.3 presents the regression results for the independent variables of GDP growth rate, inflation, total trade, exchange rate and physical infrastructure for the dependent variable of FDI inflows in Pakistan. Variables of total trade and exchange rate are significant at 0% level of significance having a coefficient value of 1.561 and -1.507 respectively indicating a positive and negative association in the same order. Physical infrastructure shows a positive and significant relationship with FDI inflows in Pakistan with a coefficient value of .856. The last significant variable in the model is inflation which predicts a negative change of .209 in dependent variable due to increase of independent variable. The GDP growth rate however was found to be insignificant for FDI inflows, in context of Pakistani economy. ANOVA results indicate that our model is good fit at 0% level of significance and the value of adjusted R² implies that this model explains 94.3% of the total variations in the FDI inflows in Pakistan.

Table 6.2
Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.968a</td>
<td>.936</td>
<td>.934</td>
<td>394.40066</td>
<td>.808</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Market Capitalization
Tables 6.2.1, 6.2.2 and 6.2.3 provide the results for the single independent variable model and market capitalization is found to be an important predictor of the FDI inflows in Pakistan causing the change of 96.8% of dependent variable with its total change in the same direction. This model is also a good fit and explains 93.4% of variations in dependent variable i.e. FDI inflows in Pakistan.

Our findings suggest that total foreign trade infrastructural facilities, inflation, exchange rate and market capitalization have a statistically significant influence on FDI inflows in Pakistan. GDP growth rate has negative and statistically insignificant relation with FDI inflows. Pakistan has faced fluctuating growth over the period under study and most of the foreign investment in Pakistan was towards army and social aids which has nothing to do with growth of economy.
There is a strong association between total trade and FDI (Aizenman & Noy 2006). Multinational Corporations tend to enter new markets for economies of scale and to explore new horizons of emerging economies.

5. Conclusion
In today’s changing world economic conditions, FDI is one of the most important factors to fuel the development of under developed countries. There are many theoretical and empirical research evidences about the underlying factors that cause inflows of FDI. This study empirically finds out the relationship between different macro economic variables and FDI inflows with in the context of Pakistan’s economy. For the purpose of analysis annual time series data has been used (1985-2009). The focal point of the paper was to study how different economic variables attract FDI. We have considered GDP Growth rate, Inflation, Total Foreign Trade, Exchange Rate, Physical Infrastructure and market Capitalization as if they impact FDI inflows in Pakistan. Regression results show that all variables are statistically significant except GDP Growth Rate. This paper clearly brings out the importance of these variables in attracting FDI in Pakistan. Hence, it is inferred that all those variables which were used in this study have strong impact on FDI inflows in Pakistan. Pakistan faces the intimidating challenges of broadening and upgrading the economy base, reducing the debt burden, controlling the population growth, improving the human capital, alleviating the mass poverty and skewed distribution of wealth and strength the institutional mechanism. With all these cumbersome problems the government/policy makers must focus on increasing trade with foreign countries, devise monetary policy to ensure that inflation remains in single digit for overall growth of economy, provide good infrastructural facilities. Also to attract large amount of foreign investment an attractive investment environment with positive policies and measures is quite essential.
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Activity – Based Costing. Is It From Pain to Joy?

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Abstract

In recent years the world of costing systems have shown major developments in costing techniques, specifically a major contribution of activity-based costing (ABC) in manufacturing and services organizations. This study aims to identify the reasons why activity-based costing is preferred to traditional costing tools in modern manufacturing environment; why managers are showing their interests in the adoption of ABC to improve their financial performance, managerial and production efficiency; how ABC helps managers to eliminate production inefficiencies; how ABC facilitates adaptive and generative learning in organizations and the usefulness of ABC in vendor selection, service sector and SME’s. Traditional measurement methods of cost accounting proved insufficient on these issues, which leads to the invention of activity-based costing.

Keywords: Activity-based Costing, Activity-based Management, Modern Manufacturing Environment, Sport Organizations, Cost Accounting, Management Accounting.

1. Introduction

Traditional method of costing has the essence of dealing with overheads by splitting them into variable overheads and fixed overheads. If we are using absorption costing, we will first decide the suitable basis for absorption, then we will absorb all the overheads on that basis. The traditional costing methods were designed around 1870-1920. It changed rapidly from 1960’s – particularly 1980’s due to the problem of increased lack of relevance of traditional cost accounting methods. Activity – Based Costing (ABC) is based on the insight that activities create costs, while products consume activities. ABC is a costing technique that first identifies the major activities that give rise to overhead costs, then groups activities having same cost drivers into cost pools and finally assigns total overhead costs to each product or service by calculating absorption rate for each cost pool.

Traditional systems often rely on unpredictable allocations of indirect costs; particularly they rely extensively on volume-based allocations. Volume based activities are those which have high correlation with number of units produced. It will lead to over costing of high volume products and under costing of low volume products, which will further provide misleading information. So if you want to control your costs, you have to first control the activities that cause the costs to be incurred. ABC may help to identify value added activities and non-value added activities, which will help managers to control their costs by eliminating non-value added activities or at least reducing number of cost drivers of non-value added activities. There are two phases of activity accounting. First phase is called Activity-Based Accounting (ABC) where it
tells us how we can improve our competitiveness by managing our resources more efficiently. It does not only provide accurate costs but it is a mechanism for managing costs. Second phase is called Activity-Based Management (ABM) which is an important tool for achieving continuous improvement. Managers generally achieve improvements by managing activities in four ways:

- Activity reduction – by reducing the time required to perform activity.
- Activity elimination – by eliminating the entire activity.
- Activity selection – by selecting the low-cost activity from set of activity alternatives.
- Activity sharing – here managers make such changes that allow them to share activities with other products to achieve economies of scale.

This study aims to present that ABC is preferred to traditional absorption costing in the modern manufacturing environment because now indirect costs constitute a greater proportion of total product costs due to product’s complex specifications, widespread use of computer control and automation and increased use of just-in-time (JIT) production methods which will ultimately improve the financial performance of organizations. When you implement ABC in your organization a change in the management structure should occur, managers can adapt ABM by using the information provided by ABC to achieve required profits. Application of ABC is a teamwork and requires a lot of manpower training.

2. Literature Review

Some authors reported that there is an association between use of activity-based costing and improvement in financial performance of organization and results show that there is indeed a positive association between ABC and improvement in financial performance when we use ABC with other strategic initiatives such as total quality management (TQM) approach, just-in-time (JIT) manufacturing methods, business process reengineering (BPR) and flexible manufacturing systems (FMS), these strategic methods will help to reduce non-value adding activities when we use ABC in specific conditions such as in complex and diverse firms, where managers give importance to costs in decision making process, where there is limited number of intra company transactions and unused capacities and where there is huge competition.

Whereas if company is having sophisticated technology, cost of data collection and processing will be reduced, this will make the use of ABC more beneficial. It shows that usefulness of ABC is having positive relationship with sophistication of technology. If you do not have enough technological resources first update your resources otherwise you will have to bear huge costs (Sohal & W.C. Chung, 1998). It is ABC’s beauty that it deals with non-volume related costs and provides true and accurate costs of products (Sohal & W.C. Chung, 1998 – p, 137). You can achieve better results by allocating indirect costs to total product cost (Snyder and Davenport, 1997) and in this way management will have better control over decision making process. We can also combine the benefits of ABC with the benefits of cash flow based accounting with the help of logistics management accounting framework to support logistics management decisions (van Damme and van der Zon, 1999).

People should understand the difference between value-added and non-value added activities by understanding the reasons why an activity is called as value or non-value added (Miller 1996). ABM helps managers to eliminate inefficiencies by redirecting resources towards value adding activities (Needles & Crosson 2002). Horngren (1977), Miller & Vollman (1985) and Johnson & Kaplan (1987) argued that if you want to increase managerial and production efficiency, you have to deal with some hidden factors very carefully that influence the general industrial and manufacturing expenses. Because of the deficiency of traditional costing technique in improving global competitiveness, organizations hesitate to use it (Johnson, H. T., 1990).
ABC is a tool that helps managers to think about organizations more effectively and about how value is created (Cooper et al. 1992). In ABC and EVA system, rate of consumption of resources and capital demand is included in cost of activities. This increased competition and technology has led manufacturing companies to adopt new manufacturing techniques and methods such as TQM, JIT and FMS (p. 286). This model suggests us that if you want to implement ABC in your organization, you have to first consider conditions and factors that favor and are against the application of ABC (p. 289). In this way you can achieve your profit objectives with the help of ABC and ABM (p. 292). ABC is a guide that gives management actions a direction towards high profits (Cooper and Kaplan 1991). Application of ABC requires total commitment from top to bottom; management should clearly understand the benefits offer by ABC by communicating achievable objectives to everyone in the organization. It is management’s duty to educate and train everyone in the organization about the system which is going to be implemented so that everyone understands the complexity of project and its impact on the performance of organization (Sohal & W.C. Chung, 1998 – p. 144). ABC facilitates adaptive and generative learning by supporting continuous improvement at individual and organizational level and management of existing knowledge (Argyris 1977; March 1991; Appelbaum and Goransson 1997) as well as development of a learning culture to let organizations become more empowered and team-oriented (Cooper et al. 1992; Michelman et al. 1999). Try to keep implementation process as simple as you can otherwise employees will get irritated. You must have enough resources and time to get ABC success. ABC/M success relates with top management support, training of staff, availability of resources required to implement this system, performance evaluation and compensation systems (Mitchell, p. 66; Shields 1995; young 1989).

Determination of selection criteria depends on the needs of the firm and level of success of selection criteria to fulfill these needs (Swift Owens 1995; Brown 1998). By using ABC for vendor selection process, purchasing company will be able to predict and see internal production costs caused by the vendor, can design different situations by reducing different costs drivers, this system will help vendors to review their strategy by the indication of customer’s satisfaction and offers improvement in vendor purchaser relationship (Roodhooft and Konings 1996). Because of the usefulness of ABC/M, it is not even adopting by manufacturing companies to get competitive advantage but many services organizations (Innes & Mitchell 1995; Drury & Tayles 2000) and SME’s are taking advantage from these management accounting systems. The implementation of ABC in SME’s can help them in improving their financial and non-financial performance. It will help to reduce direct labor components, continuous skill development, reengineering and developing positive attitude of workers that contributes toward successful implementation of operations (Sage and Fox 1989). Chan, Keung and Chung (2000) conducted a study to invoke an empirical approach with the help of which we can design an ABC template to use it as a tool for easy assimilation in an SME environment. No doubt ABC was first designed to fulfill the cost management needs of manufacturing and industrial organizations but researches soon realized that they can also apply this system in services sector. Kaplan (1994) documents that since 1980’s many firms working in services sector. If organizations with diverse products and services use single cost driver to absorb high overheads, may distorts its cost estimates (Cooper and Kaplan, 1988).

Initially ABC was used only by manufacturing companies and industries and many researchers discusses it’s usefulness in marketing decisions. Stevenson et al., (1993) introduces ABC as a powerful toll for industrial marketing decision makers with emphases on the impact of ABC on...
profitability measures. John C. Lere (2000) states the importance of manufacturing costs in considering price negotiations. Feature of ABC is its recognition that cost does not only vary with volume but it can also vary with some other activities i.e. unit-level activities, Batch-level activities and Product-level activities (Cooper, 1990). Steve R. Letza and Ken Gadd (1994) examines the use of ABM with TQM in total quality organizations to identify their common features and compatibility as management tools. They stated that by using the accounting information generated by ABC, TQM can evaluate costs effectively. Charles Praker (2000) comments on the use of ABC and balanced scorecard as the more modern approaches to performance measurement as it helps a lot in making judgments and decisions. We use ABC data as input to measure performances.

3. Methodology

This study is based on documentary analysis. Extensive literature has been reviewed to arrive at the conclusion with regard to the significance and application of ABC in different organizational settings. Findings of 33 researchers published through various research channels in different countries has been quoted to arrive at general research outlook on the topic on the basis of these researches. The common findings are generalized henceforth.

4. Findings

- Horngren (1977) argued that there are some hidden factors that influence the industrial and manufacturing expenses, if u wants to increase managerial and production efficiency you have to deal with those factors very carefully. Activity-Based costing is a technique which helps us in finding the way to reveal those factors. Miller & Vollman (1985), Johnson & Kaplan (1987) and Johnson, H. T. (1990) supported this argument.

- Because of the usefulness of activity-based costing, many services organizations such as hospitals, universities, libraries, sport organizations, banks, logistic companies etc. and SME’s are adopting this new costing technique to improve their financial and non-financial performance by reducing direct labour components, continuous skill development and reengineering. Kaplan (1994), King et. Al (1994), Antikainen, Roivainen, Hyvärinen, Toivonen, Kärr (2005), Granof, E. Platt, Vaysman (2000), Snyder and Davenport (1997), Ellis-Newman (2003), Sage and Fox (1989) support this fact.

- Usefulness of ABC in marketing decisions, importance of manufacturing costs information provided by ABC in considering price negotiations, use of ABC and balanced scorecard as the more modern approaches to performance measurement, use of ABM with TQM in total quality organizations as management tool and usefulness of ABC in firms having diverse products, services and processes let managers think that activity-based costing is the most appropriate costing technique in modern manufacturing and services environment than traditional costing techniques. Stevenson et al. (1993), John C. Lere (2000), Charles Praker (2000), Steve R. Letza and Ken Gadd (1994) and Cooper and Kaplan (1988) support this fact.

So all the authors irrespective of culture are of one view that activity-based costing is from pain to joy.

5. Conclusion

From all of the above discussion and findings on the basis of thorough research review it is concluded that there are many issues (discussed above) which cannot be dealt Traditional
measurement methods of cost accounting proved insufficient on these issues, which leads to the invention of activity-based costing.

Acknowledgement

Authors are highly thankful to Prof. Dr Mujahid Kamran (Vice chancellor Punjab University) and Prof. Dr Liaqat Ali (Principal Hailey College Of Commerce, Punjab University) for moral and financial support in lieu of presentencing this paper at conferences. Authors are also thankful to Mr. Muhammad Adnan Khan (student Hailey College of Commerce) for his valuable services.
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An Empirical study on Functional strategies and Infrastructure strategies adopted by Banks
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Abstract
Considerable growth has been takes place in the field of marketing strategies adopted by Banks. The main objective of this research paper is to identify the customer perception and preference towards the marketing strategies adopted by the Banks. Here the Various dimensions of functional strategies and Infrastructure strategies are analysed using Factor analysis to identify the factors that influence the selection of the banks. The data was collected from 200 customers of public and private sector banks using the structured interview schedules. The result showed that there exist the relationship among the variables of Functional and Infrastructure Strategies. Thus the bank must give importance to these variables in order to be effective.


1. Introduction
A banker should treat every customer who visits the bank as though he/she were the most important customer. To attain success, customer-centric functional business strategies are essential for any bank. Many banks have a Customer Banking Terminal near the entrance in the banking hall. The primary focus of marketing strategy is to effectively allocate and coordinate marketing resources and activities to accomplish the firm’s objectives within a specific product-market.

The customer can use the terminal for some of the facilities listed below:
- Balance enquiry
- Statement of accounts.
- Daily inward cheques enquiry
- Outstanding outward cheques deposited/purchased inquiry.
- Outstation cheques deposited/purchased inquiry.
- Account summary.
- Password change.

How to go about rendering good customer service:
- Be courteous, polite.
- Welcome smile and good body language.
- Listen and respond.
- Empathize.
- Be open, honest and positive.
- Admit mistakes and shortcomings.
- Introduce tech-savvy products.

Without the aid of technology, no bank can prosper or improve the customer base. Earlier, the depositor used to ask “Do you have cheque book facility?” But today’s prospective customer
asks, “Do you have an ATM? Whether the bank has Core Banking Solutions (CBS) and credit card facility?”

CHANGING PERCEPTION OF THE CUSTOMER

- 1950s to 1960s: Serving the customer.
- 1960s to 1980s: Satisfying the customer.
- 1980s to 1990s: Pleasing the Customer.
- 1990s to 2000: Delighting the customer.
- 2000 to 2005: Retaining the customer.
- Beyond 2005: Reaching out to new and young customers with tech-savvy products.

Functional services rendered by banks

The primary operations of banks include:

- Keeping money safe while also allowing withdrawals when needed.
- Issuance of checkbooks so that bills can be paid and other kinds of payments can be delivered by post.
- Provide personal loans, commercial loans, and mortgage loans (typically loans to purchase a home, property or business).
- Issuance of credit cards and processing of credit card transactions and billing.
- Issuance of debit cards for use as a substitute for checks.
- Allow financial transactions at branches or by using Automatic Teller Machines (ATMs).
- Provide wire transfers of funds and Electronic fund transfers between banks.
- Facilitation of standing orders and direct debits, so payments for bills can be made automatically.
- Provide overdraft agreements for the temporary advancement of the Bank's own money to meet monthly spending commitments of a customer in their current account.
- Provide Charge card advances of the Bank's own money for customers wishing to settle credit advances monthly.
- Provide a check guaranteed by the Bank itself and prepaid by the customer, such as a cashier's check or certified check.
- Notary service for financial and other documents.

2. Review of Literature:

Aish et al., (2003) compared the bank selection decisions of the small business market across UK and Egypt and the results advocated various similarities and provides evidence to suggest that brand place major role in the bank selection decisions of the small businesses at both UK and Egypt. The study reinforces the opinion that technical quality (quality of services itself) is more important than functional quality (quality of the service provider) in the bank selection decisions more specifically both Egyptians and UK small business customers consider financial items (fees, interest rates and credit availability) as the most important factors in bank selection decision.

Devlin and Gerrard (2005) studied the relative importance of various choice criteria for main and secondary banks. Results showed that relatively rudimentary factors such as locations, recommendation and relationships were important choice criteria when choosing a right bank though the same criteria were found to be strongly influential in choosing the secondary bank, offering an incentive was also significantly more important in prompting the choice of secondary bank service exception was found to be significantly more important for main bank as were low fees and over draft charges.
Indian financial market is very diverse and the preferences of services change across demographic factors like education, age, sex, salary/earnings level etc., Aydin et al., (2005) noted that perceived switching cost had a moderate effect on the relationship between the customer satisfaction and loyalty, and trust and loyalty. The effect of customer satisfaction on loyalty in customers is less, when the switching cost is perceived to be high rather than low.

Koutouvalas and Siomkos (2006) examined the following issues relating to customer satisfaction in Greek banks:
1. The factor shaping Greek banks customers perceptions of service quality
2. Direct influence of perceptions on customer loyalty’ customer perceptions and switching intentions among public and private bank customers

A sample of 200 customers was taken for primary survey. The results of regression analysis showed that, there was a direct and positive correlation between perceive service quality and customer loyalty in the case of both private and the public sectors banks, significant relationship was recorded between demographic characteristic and perceived quality of both types of banks. Customers of both the banks were willing to express their complaints to banks employees. Thus, bank employees were the bank agents and were acting as the connecting link between banks and customers. Customer loyalty was related only to educational level since a higher educational level was related to an increased tendency for information search regarding competitive product/services/providers. Bank’s promotional efforts, aimed at providing relevant information to the public might increase loyalty level. In such promotional efforts, the service quality and the reputation were the main areas to be emphasized.

Rahman (2006) also used SERVQUAL model for measuring the service quality at cellular retail outlets in the Indian environment. In some studies on cellular services, service quality has been measured by call quality, pricing, structure, mobile devices, value-added services, convenience in procedures and customer support (e.g., Kim, 2000; Gerpott et al., 2001;Lee et al., 2001; and Kim et al., 2004). For the present study, service quality has been measured using SERVQUAL scale and additional dimensions adopted from various researches carried

Roig et al., (2006) analyzed the dimensionally of the concept of customer’s perceived value in the banking sector of Spain. A total of 200 customers were selected for survey. The result of confirmatory factor analysis and linear regression analysis indicated that customers perceived value in banking sector composed of six dimensions; functional value of the establishment. Functional value of the personnel, functional value of the service, functional value of price, emotional value and social value.

Manrai and Manarai (2007) investigated the overall dimensions of customer satisfaction with bank services in the US. The sample comprised of 578 respondents and for measurement of customer’s satisfaction factor analysis technique was used. The study identified four overall dimensions of customer satisfaction. These were personnel related considerations financial considerations and convenience related considerations (ATM and hours). The findings suggested that bank marketers should pay much more attention towards promoting factors like personnel, atmospherics, and convenience than what was done in the past. This would help the banks in differentiating their offerings in customers’ perceptions and thus attracting they form the competitors.

3. RESEARCH METHODOLOGY
Research is the process of a carefully planned scientific way of inquiry for solution of a problem, through an organized method. Research methodology is the description, explanation, and justification of various methods in the research process. The why and how of various aspects encountered in the research process is answered in the research methodology. A good research
design provides a clear description about the statement of problem, hypotheses, design, variables, tools used, sample dealings, method of data collection and analysis.
Respondents were asked to give opinion on different aspects of customer perception towards the marketing strategies adopted by banks on a five-point scale ranging from ‘Strongly agree’ to ‘Strongly disagree’. The analysis was conducted through SPSS version 17 Statistical package.

OBJECTIVES OF THE STUDY

- To know the factor that influence the level of customer satisfaction towards the functional and Infrastructure Strategies.
- To find out customer preference towards various banking facilities.

SCOPE OF THE STUDY

- The survey is confined to opinion survey about the various facilities provided by the Bank’ at Trichy.
- The study also involves in identifying and analyzing the purpose of Marketing Strategies and its various features.

LIMITATIONS OF THE STUDY

- The survey has been conducted only on 200 respondents.
- Unwillingness of some respondents to provide information is another limitation.
- Findings of the study may be influenced by personal bias of the respondents.

RESEARCH METHODOLOGY

Problem Statement:
The bank has been offering various Marketing Strategies like Functional, CRM, Infrastructure and Promotional strategies by the banks and in this study the level of customer perception towards the Functional and Infrastructure Strategies were analysed.

Sample technique and Size:
Sampling is a technique or a method of selection of samples. Convenient sampling method is used. The researchers have taken 200 samples.

Sampling Area:
This study was undertaken in Trichy city.

Method of Data Collection:
Data collection for this study consists of Primary sources of data collected through structured questionnaire by way of personal interview.
Secondary sources of data collected through magazines, journals and website

Tools Used

- Factor Analysis
- Correlation

4. DATA ANALYSIS AND INTERPRETATION

The data has been collected with the help of questionnaire. And it has been analyzed and interpreted with the help of tables along with relevant descriptions. Appropriate treatment has been done to the raw data and logical conclusions are drawn based on the findings.
### Table 1: Demographic variables

<table>
<thead>
<tr>
<th>Demographic Variables</th>
<th>No of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sex</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>124</td>
<td>62</td>
</tr>
<tr>
<td>Female</td>
<td>76</td>
<td>38</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18-25</td>
<td>72</td>
<td>36</td>
</tr>
<tr>
<td>26-35</td>
<td>76</td>
<td>38</td>
</tr>
<tr>
<td>36-45</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td>46-60</td>
<td>24</td>
<td>12</td>
</tr>
<tr>
<td>60 &amp; above</td>
<td>16</td>
<td>8</td>
</tr>
<tr>
<td>Marital Status</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Married</td>
<td>108</td>
<td>54</td>
</tr>
<tr>
<td>Unmarried</td>
<td>92</td>
<td>46</td>
</tr>
<tr>
<td>Educational Level</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below 10th</td>
<td>24</td>
<td>12</td>
</tr>
<tr>
<td>Below 12th</td>
<td>24</td>
<td>12</td>
</tr>
<tr>
<td>Graduation</td>
<td>76</td>
<td>38</td>
</tr>
<tr>
<td>Post Graduation</td>
<td>24</td>
<td>12</td>
</tr>
<tr>
<td>Professional</td>
<td>52</td>
<td>26</td>
</tr>
<tr>
<td>Status &amp; Occupation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaried</td>
<td>60</td>
<td>30</td>
</tr>
<tr>
<td>Businessman/self employed</td>
<td>52</td>
<td>26</td>
</tr>
<tr>
<td>Student</td>
<td>56</td>
<td>28</td>
</tr>
<tr>
<td>Housewife</td>
<td>24</td>
<td>12</td>
</tr>
<tr>
<td>Others</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Monthly Income (Rs)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below 10,000</td>
<td>36</td>
<td>18</td>
</tr>
<tr>
<td>100001-15000</td>
<td>28</td>
<td>14</td>
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<tr>
<td>15001-20000</td>
<td>68</td>
<td>34</td>
</tr>
<tr>
<td>20001-25000</td>
<td>16</td>
<td>8</td>
</tr>
<tr>
<td>Above 25000</td>
<td>52</td>
<td>26</td>
</tr>
</tbody>
</table>

Based on this survey, the usage percentage is identified as ICICI 16%, Indian Bank 16%, SBI 42%, IOB 8%, HDFC 6%, Dena Bank 2%, Canara Bank 2%, Punjab National Bank 4% and Karur vysya Bank 4%.

### Table 2: Most Frequently bank with which you have maximum no. of Transaction

<table>
<thead>
<tr>
<th>Most Frequently used Bank</th>
<th>No of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICICI</td>
<td>32</td>
<td>16</td>
</tr>
<tr>
<td>Indian Bank</td>
<td>32</td>
<td>16</td>
</tr>
<tr>
<td>SBI</td>
<td>84</td>
<td>42</td>
</tr>
<tr>
<td>IOB</td>
<td>16</td>
<td>8</td>
</tr>
<tr>
<td>HDFC</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td>Dena Bank</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Canara Bank</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Punjab National Bank</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Karur vysya Bank</td>
<td>8</td>
<td>4</td>
</tr>
</tbody>
</table>

Based on this survey, the usage percentage is identified as ICICI 16%, Indian Bank 16%, SBI 42%, IOB 8%, HDFC 6%, Dena Bank 2%, Canara Bank 2%, Punjab National Bank 4% and Karur vysya Bank 4%.
With the view to identify the reason for selecting the most frequented bank can be inferred from table 3. From the above it is clear that 52% of the respondent prefers for location convenience, 16% prefers for Bank customization, 14% is for Infrastructure Facilities, 8% is because of Bank Image, 4% is for Online Banking and Friendly staff and only 2% is for greater speed for ATM.

Table 4.1 : Factor Analysis – Functional Oriented Strategies

<table>
<thead>
<tr>
<th>Factor</th>
<th>Eigen Value</th>
<th>% of Variance</th>
<th>Cumulative % of Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>6.878</td>
<td>26.454</td>
<td>26.454</td>
</tr>
<tr>
<td>2</td>
<td>1.780</td>
<td>6.845</td>
<td>33.299</td>
</tr>
<tr>
<td>3</td>
<td>1.652</td>
<td>6.355</td>
<td>39.654</td>
</tr>
<tr>
<td>4</td>
<td>1.383</td>
<td>5.317</td>
<td>44.971</td>
</tr>
<tr>
<td>5</td>
<td>1.220</td>
<td>4.691</td>
<td>49.662</td>
</tr>
<tr>
<td>6</td>
<td>1.026</td>
<td>3.946</td>
<td>53.608</td>
</tr>
</tbody>
</table>

Table 4.2

<table>
<thead>
<tr>
<th>Factor</th>
<th>Statements in Functional Oriented Strategies</th>
<th>Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factor 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff</td>
<td>Explanation of details</td>
<td>0.516</td>
</tr>
<tr>
<td>Competence</td>
<td>Same service at all times</td>
<td>0.564</td>
</tr>
<tr>
<td></td>
<td>Staff provides service without bias</td>
<td>0.618</td>
</tr>
<tr>
<td></td>
<td>Staff are clear</td>
<td>0.708</td>
</tr>
<tr>
<td></td>
<td>Staff posses required skill and knowledge</td>
<td>0.676</td>
</tr>
<tr>
<td></td>
<td>Staff use technology quickly</td>
<td>0.577</td>
</tr>
</tbody>
</table>
Factor 2
Bank Charges and Interest Rates

<table>
<thead>
<tr>
<th>Service charges</th>
<th>0.713</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rates</td>
<td>0.615</td>
</tr>
<tr>
<td>Adequate explanation on service charges</td>
<td>0.630</td>
</tr>
<tr>
<td>Bank rate for Senior citizens</td>
<td>0.635</td>
</tr>
<tr>
<td>Favourable minimum reserve</td>
<td>0.576</td>
</tr>
</tbody>
</table>

Factor 3
Awareness

<table>
<thead>
<tr>
<th>Helping and Training</th>
<th>0.565</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Educating the Customer</td>
<td>0.730</td>
</tr>
<tr>
<td>Bank specification</td>
<td>0.475</td>
</tr>
<tr>
<td>Regular Statement.</td>
<td>0.629</td>
</tr>
</tbody>
</table>

Factor 4
Reliability

<table>
<thead>
<tr>
<th>Bank account is safe and secured</th>
<th>0.773</th>
</tr>
</thead>
<tbody>
<tr>
<td>Error free bank statement</td>
<td>0.633</td>
</tr>
<tr>
<td>Correct services</td>
<td>0.542</td>
</tr>
</tbody>
</table>

Factor 5
Secondary Services

<table>
<thead>
<tr>
<th>Bank sells products</th>
<th>0.711</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buying and Selling securities</td>
<td>0.638</td>
</tr>
<tr>
<td>Foreign exchange transaction</td>
<td>0.537</td>
</tr>
<tr>
<td>Bank promote export trade</td>
<td>0.549</td>
</tr>
</tbody>
</table>

Factor 6
Facilities

<table>
<thead>
<tr>
<th>Bank provides overdraft facility</th>
<th>0.614</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variety of features &amp; services offered</td>
<td>0.529</td>
</tr>
<tr>
<td>Wire transfers</td>
<td>0.679</td>
</tr>
</tbody>
</table>

Requesting principal component analysis and specifying the interpretation obtain output of factor analysis. There are two stages in factor analysis. Stage 1 being the factor extraction process, wherein objective is to identify how many factors are to be extracted from the data. The most popular method this is called principal component analysis. There is also a rule of thumb based on the computation in Eigen value, to determine how many factors to extract. The higher the Eigen value of a factor, the higher is the amount of variance explained by the factor. The six factors were extracted as 53.608 percent of the variance.

To find out the factors influencing the personality level of the customers, the responses were obtained on a five-point scale ranging from 1-5. Strongly disagree to strongly agree. If the Questions were started from negative perspective, they were reversly coded, (streiner and Norman, 1995). These items worded negatively to reduce the bias due to tendency of respondents to reply in affirmative during data collection. In total, 27 variables were used to identify the major factors influencing functional strategies adopted by the Indian Banks. (Table 5.2). The item scale was subject to factor analysis using principal component method with Varimax with Kaizer normalization rotation. The principal component Analysis was conducted using SPSS version 17 statistical package. It is evident from Table 4 (looking at the cumulative
% column), we find that the six factors acted together accounted for 53.608 of the total variance (information contained in the original table). Hence we have reduced the variables from 27 to 6 underlying factors.

Looking at Table 4.2 we see that the variables Explanation of details, Same service at all times, Staff provides service without bias, Staff are clear, Staff posses required skill and knowledge, Staff use technology quickly have loadings of .516, .564, .618, .708, .676 and .517 on factor 1 indicating that it is a combination of these six variables. The variables like Bank account is safe and secured, Service charges, Interest rates, Adequate explanation on service charges, Bank rate for Senior citizens and Favourable minimum reserve like have loadings of .057, .713, .615, .630, .635 and .576 on factor 2 indicating that factor 2 is a combination of these six variables. Next for factor 3 (as seen in table 2), it is evident that Helping and Training, Bank Educating the Customer, Bank specification and Regular Statement have loadings of .565, .730, .475 and .629 on factor 3, indicates that factor 3 is a combination of these three variables. Factor 4 consists of variables like Sanctioning of loan, Error free bank statement and Correct services have the loadings like .401, .633 and .542 on factor 4, indicating that factor 4 is the combination of 3 variables. The variables like Bank sells products, Buying and Selling securities, Foreign exchange transaction and Bank promote export trade have loadings of .711, .638, .537 and .549 on factor 5 indicating that factor 5 is a combination of these four variables.

And finally factor six consists of Bank provides overdraft facility, Variety of features & services offered and Wire transfers have loadings like .614, .529 and .679 on factor 6 and it is the combination of three variables.

Table 5.1: Factor Analysis – Infrastructure Strategies

<table>
<thead>
<tr>
<th>Factor</th>
<th>Eigen Value</th>
<th>% of Variance</th>
<th>Cumulative % of Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3.770</td>
<td>34.273</td>
<td>34.273</td>
</tr>
<tr>
<td>2</td>
<td>1.503</td>
<td>13.659</td>
<td>47.933</td>
</tr>
<tr>
<td>3</td>
<td>1.003</td>
<td>9.121</td>
<td>57.053</td>
</tr>
</tbody>
</table>

Table 5.2

<table>
<thead>
<tr>
<th>Factor</th>
<th>Statements in this Schedule is of Infrastructure Strategy</th>
<th>Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>I Ambience</td>
<td>Core Banking facilities</td>
<td>0.695</td>
</tr>
<tr>
<td></td>
<td>Flexi counter facilities</td>
<td>0.746</td>
</tr>
<tr>
<td></td>
<td>Self informative instruction</td>
<td>0.738</td>
</tr>
<tr>
<td></td>
<td>ATM in same branch</td>
<td>0.529</td>
</tr>
<tr>
<td></td>
<td>Locational Convience</td>
<td>0.512</td>
</tr>
<tr>
<td>Factor</td>
<td>Statements in this Schedule is of Infrastructure Strategy</td>
<td>Factor Loading</td>
</tr>
</tbody>
</table>

Output of factor analysis is obtained by requesting principal component analysis and specifying the interpretation. There are two stages in factor analysis. Stage 1 being the factor extraction process, wherein objective is to identify how many factors are to be extracted from the data. The most popular method is called principal component analysis. There is also a rule of thumb based on the computation in Eigen value, to determine how many factors to extract. The higher the Eigen value of a factor, the higher is the amount of variance explained by the factor. The three factors were extracted as 57.053 percent of the variance.

To find out the factors influencing the personal of the customers, the responses were obtained on a five-point scale ranging from 1-5. Strongly disagree to strongly agree. If the Questions were started from negative perspective, they were reversly coded, (streiner and Norman, 1995). These items worded negatively to reduce the bias due to tendency of respondents to reply in affirmative during data collection. In total, 11 variables were used to identify the major factors influencing personality level of the customers of the Indian Banks. (Table 5.2). The item scale was subject to factor analysis using principal component method with Varimax with Kaizer normalization rotation. The principal component Analysis was conducted using SPSS version 17 statistical package. It is evident from Table 5 (looking at the cumulative % column), we find that the three factors acted together accounted for 57.053 of the total variance (information contained in the original table). Hence we have reduced the number of variables from 11 to 3 underlying factors.

Looking at Table 5.2 we see that the variables Core Banking Facilities, Flexi Counter facilities, self Informative Instruction, Locational Convenience and ATM in same branch have loadings of .695, .746, .738 .512 and .529 on factor 1 indicating that it is a combination of these five variables. The variables like Bank account Centralised Air Conditioners, Seating arrangements and pure water facility have loadings of .751, .811 and .742 on factor 2, indicating that factor 2 is a combination of these three variables. Next for factor 3 (as seen in table 2), it is evident that Coffee/Tea vending machine, Special machine for withdrawals and deposits have loadings of .727 and .768 on factor 3, indicates that factor 3 is a combination of these two variables.
In this study, Marketing Strategy is treated as the independent or Predictor variable and Functional Strategies & Infrastructure strategies are treated as the dependent or Criterion variable. In order to examine the relationship between variables, Correlation is calculated. The results showed that there is a positive relationship between the Functional Oriented Strategy factors (Reliability, Awareness, Secondary services, Facilities, Bank Charges and Interest Rates and Staff Competencies) and Infrastructure factors (Tangibles, Ambience and proximity) respectively. The result does not show any negative relationship between the variables. Multi co linearity among the variables were found as no variables are highly correlated. (> 0.80). This shows that all the variables are independent though related with each other.

Conclusion:

The study examined the factors that influence the customer’s preferences in selecting the best bank. It also explains how far functional Oriented Strategies and Infrastructure strategies play a vital role in the marketing strategies of banks. It also explains the various dimensions that affect the customer satisfaction and the relevant importance of each factor. The dimensions of Functional Oriented Strategy like Reliability, Awareness, Secondary services, Facilities, Bank Charges and Interest Rates and Staff Competencies and of Infrastructure’s like Tangibles, Ambience and proximity are positively correlated and each factor must be given due concentration by both the public and private sector banks in order to compete with the Foreign Banks.

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

### Table 6: Inter relationship between Functional Oriented Strategies and Infrastructure Strategies

<table>
<thead>
<tr>
<th></th>
<th>Fos Reliability</th>
<th>Fos Awareness</th>
<th>Fos Facilities</th>
<th>Fos services</th>
<th>Fos_competencies</th>
<th>Fos_Bank Charges</th>
<th>Infrastructure_tangibles</th>
<th>Infrastructure_ambience</th>
<th>Infrastructure_proximity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fos_Reliability</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fos_Awareness</td>
<td>.357(**)</td>
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<td>Fos_facilities</td>
<td>.346(**)</td>
<td>.414(**)</td>
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<td>Fos_services</td>
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<td>.315(**)</td>
<td>.395(**)</td>
<td>1</td>
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<td></td>
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<td>Fos_competencies</td>
<td>.415(**)</td>
<td>.396(**)</td>
<td>.476(**)</td>
<td>.304(**)</td>
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<tr>
<td>Fos_Bank Charges</td>
<td>.321(**)</td>
<td>.284(**)</td>
<td>.367(**)</td>
<td>.358(**)</td>
<td>.368(**)</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Infrastructure_tangibles</td>
<td>.391(**)</td>
<td>.275(**)</td>
<td>.345(**)</td>
<td>.278(**)</td>
<td>.333(**)</td>
<td>.290(**)</td>
<td>1</td>
<td></td>
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<tr>
<td>Infrastructure_ambience</td>
<td>.207(**)</td>
<td>.094(*)</td>
<td>.251(**)</td>
<td>.221(**)</td>
<td>.238(**)</td>
<td>.196(**)</td>
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<td></td>
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<tr>
<td>Infrastructure_proximity</td>
<td>.327(**)</td>
<td>.277(**)</td>
<td>.292(**)</td>
<td>.250(**)</td>
<td>.344(**)</td>
<td>.270(**)</td>
<td>.399(**)</td>
<td>.356(**)</td>
<td>1</td>
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</table>
References


Abstract

The number of road traffic casualties is still very lofty and the trend shows a boost with each passing day. The road traffic accidents involve fatalities due to which economic resources are damaged and the productivity of the economy is correspondingly impaired. Costs resulting from traffic accidents represent the largest single part of the overall cost of traffic to the economy. Knowledge about the harm of these traffic accidents to the economy is essential if measures to reduce road traffic accidents are to be identified and initiated. Once an economic assessment of road safety measures has been made, work on improving safety in accordance with economic criteria can be organized as efficiently as possible. Towards this end, it is necessary to opt for measures that are likely to be successful in a given situation. Current research is regarding the evaluation of road traffic safety measures in Pakistan and its economical effects based on available data. The research reveals that road accidents have key influence on the economic statistics of the country. The study presents a valuable tool for policy formulation on the road safety regulations in the country.

Keywords: Economic, Evaluation, Traffic, Safety, Accidents, Statistical Analysis.

1. Introduction

The transport of persons and goods by road is an essential element of modern society. At the same time such transport carries highest risks of accidents causing damage to human and resources. Safety is therefore a very important aspect of planning for road transport. Safety is of prime importance, not only to the users but also to engineers, planners and decision makers associated with operation, improvement and development of transportation system (Davis, 1993). Planning road safety measures is a complex exercise, since results and estimates varies in large way. In recent years, technical innovations have led to a steady increase in road safety measures (Hakim, 1991). Recent research has even stepped into behavioural theories and concluded that safety can be increased by improvements in human behaviour (Ghee, 1997). Education and training programmes for those using the roads can help reduce individual traffic problems. Economic dimension of road safety measure is also significant since road traffic crashes are a huge burden on the economy of countries, particularly those in low and middle-income groups (ADB, 1997). The economic cost of road crashes and injuries is estimated to be consuming roughly about 2% of the Pakistan’s GDP (NHA, 2006). In this research, statistical analysis of data pertaining to efficacy of road safety measures has been evaluated to draw meaningful conclusions. The data used in this paper is related to Pakistan and may not be applicable exactly to the other regions of the world.

2. Research Methodology

A comprehensive research methodology was used to carry out this study. The research approach was consisting of following steps:-

- Step 1: Appraisal of the efficacy of existing evaluation methods and selection of evaluation method for this research
Step 2: Identification of the nature of cost involved in the context of Pakistan.

Step 2: Field survey for collective of data about accidents and to ascertain trends and patterns.

Step 3: Economic evaluation of road safety measures.

Step 4: Conclusions.

3. Efficacy of the Current Evaluation Methods

Controversy exists over the choice of the correct way of evaluating road safety measures as different evaluation procedures produce different opinions and estimates (Tengs, 1995). Moreover, a generally accepted view on the economic cost of accidents has not emerged so far (Ghee, 1997). Estimates of the costs of accidents display considerable diversity. Presently following methods are available to assess the economic impacts of road safety measures:-

- Economic evaluation using cost-benefit analysis is based on the costs incurred as a result of road accidents. Avoiding such costs, through effective road safety measures, represents the economic benefit of road safety measures. A measure is macro-economically profitable, if the difference between benefits and costs is $\geq 0$ or the ratio of benefits to costs is $\geq 1$. This method is the most reliable, therefore, has been used in the current research.

- The “cost of damage” method determines costs through direct assessment of the damage caused by accidents. By determining the actual damage caused, this approach attempts to make an objective evaluation of the costs, based on various factors involved. This method has been used hitherto to calculate the cost of accidents around the globe (Choueiri, 1995). However, it is argued that the method can lead to ethical problems as injury may be assessed differently, depending on the individual injured and his/her contribution to production (Fouracre, 1977).

- Accidents costs can be assessed on the basis of “willingness to pay approach“, which is a more accurate indication of losses to the national economy resulting from road accidents (Ghee, 1997). This approach determines financial outlay a person is prepared to accept to refrain from harmful practice or the amount a person suffering the effects of such practice is prepared to pay to prevent it. The approach establishes the payments that must be made to induce a person responsible for harmful practice to stop or an injured party to tolerate such practice (Hakim, 1991).

4. Identification of the Nature of Cost

In economic analyses of road safety measures, it is important to assess costs arising from accidents. The nature of cost is different for different areas. Calculation of the economic costs of road accidents takes account of all the consequences of an accident that lead to a loss of net product (Ghee, 1997). After detailed survey, a matrix of component elements was developed which was named after the author as Gul’s matrix which is shown in Figure 1. Various related aspects are as under:-

4.1 Restoration Costs

These are incurred where a situation is restored through recourse of medical, legal, administrative and other measures. Direct restoration costs arise from the medical and professional rehabilitation of the accident victim. Professional rehabilitation consists of measures that enable the accident victim to resume his professional activity. Indirect restoration costs arise
from the attempt to settle legal matters (police costs, legal costs, insurance claims etc). In Pakistan, this type of cost takes the major share of total accident costs (NHA, 2006).

4.2 Costs Arising from Loss of Resources

This cost covers the reduction in economic net product resulting from the fact that persons injured or killed in an accident are no longer able to take part in the production process (Choueiri, 1995). Moreover, vehicles, property and materials are damaged or destroyed in road accidents which represent real capital.

4.3 Human Consequences

An accident is an experience that can have harmful psychological effects on those involved and their families. This may limit their capacity to endure stress as to make them unfit for work, and this entails an economic loss. Many accident victims have to change their way of life as a result of their experience (Cooper, 1998). This leads to a reduction in productivity. This also includes costs associated with the higher probability of future illness (Wilde, 1994).

![Gul’s Chart for Nature of Cost for Economic Evaluation Process](image)

5. Field Survey

An extensive field survey was carried out in which the data of accidents was collected from the traffic police offices at all the provincial headquarters and the capital of Pakistan. This data was then sequentially tabulated and analyzed. The results are discussed below.

5.1 Statistical Analysis of the Data

Data of accidents and fatalities from 2001 to 2009 obtained from the survey was tabulated and with the help of state of the art latest software Stat Assist 5.3 descriptive statistics were found which reveal interesting facts and trends. Figure 2 shows a relationship between time, accidents
and victims. The descriptive statistics of accidents and victims are shown in Table 1 and 2 respectively. Few important aspects from the statistical analysis of the data are as under:-

- Roughly there are about 17000 accidents of all kinds each year in Pakistan since 2001. The graph shows increasing trend of accidents with time, probably due to more number of vehicles coming in use of the citizen since 2001. The standard deviation for the accidents is high which reflects that accidents have never been less than 10000 per year.

- Roughly over 114000 people become the victim of accidents in Pakistan every year which means roughly about 300 people suffer each day. The victims include all types deaths, severe and minor injured.

- Total economic cost of accidents is estimated to be about a billion US $ every year (NHA, 2006).

- Material and property costs exceed US $200 Million per year which is neglected in most of the analysis.

- In next 12 years time, the number of accidents is likely to grow double; and the accident costs from US $ 1 billion to US $ 2.5 billion. Similarly the number of victims will be tripled making about 1000 people suffering from the accidents per day.

![Figure 2. Relationship Between Time, Accidents and Victims](image)

![Graph showing the relationship between time, accidents, and victims](image)
Table 1. Descriptive Statistics for the Accidents

<table>
<thead>
<tr>
<th>Statistic</th>
<th>Value</th>
<th>Percentile</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample Size</td>
<td>9</td>
<td>Min</td>
<td>5000</td>
</tr>
<tr>
<td>Range</td>
<td>30179</td>
<td>5%</td>
<td>5000</td>
</tr>
<tr>
<td>Mean</td>
<td>17116.0</td>
<td>10%</td>
<td>5000.0</td>
</tr>
<tr>
<td>Variance</td>
<td>1.1936E+8</td>
<td>25% (Q1)</td>
<td>7012</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>10925.0</td>
<td>50% (Median)</td>
<td>15897</td>
</tr>
<tr>
<td>Coefficient of Variation</td>
<td>0.63831</td>
<td>75% (Q3)</td>
<td>27795</td>
</tr>
<tr>
<td>Standard Error</td>
<td>3641.8</td>
<td>90%</td>
<td>35179</td>
</tr>
<tr>
<td>Skewness</td>
<td>0.54822</td>
<td>95%</td>
<td>35179</td>
</tr>
<tr>
<td>Excess Kurtosis</td>
<td>-1.1535</td>
<td>Max</td>
<td>35179</td>
</tr>
</tbody>
</table>

5.2 Identifying the causes of accidents

Analysis of the data reflected that road safety is affected by three main factors: man, vehicle and infrastructure. Table 3 shows the most common causes of accidents in Pakistan. It clearly emerges that in Pakistan human error is a far more frequent cause than technical failure or the condition of the infrastructure.
Table 3. Percentage Share of Causes of Accidents

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Driver’s fault</td>
<td>84.4</td>
</tr>
<tr>
<td>• Driving too fast</td>
<td>28.0</td>
</tr>
<tr>
<td>• Not observing highway code</td>
<td>25.8</td>
</tr>
<tr>
<td>• Driving under the influence of sleep</td>
<td>10.2</td>
</tr>
<tr>
<td>• Disregarding pedestrians</td>
<td>3.7</td>
</tr>
<tr>
<td>• Carelessness</td>
<td>16.7</td>
</tr>
<tr>
<td>Vehicle fault</td>
<td>5.9</td>
</tr>
<tr>
<td>Pedestrian’s fault</td>
<td>4.2</td>
</tr>
<tr>
<td>Road conditions</td>
<td>3.4</td>
</tr>
<tr>
<td>Other</td>
<td>2.1</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The above table shows that man in the role of driver is the major cause of accidents. The accumulative share of the man (driver and pedestrian) is 88.6%. This clearly indicates the need for training and monitoring of drivers and awareness of traffic rules in the common masses. This aspect has been neglected over the years. Moreover, lack of latest state of the art technological innovations and gadgets (shown as 2.1% in Table 1) is also emerging as a cause of accidents.

5.3 Results of Accident Cost Data Analysis

Tables 4 shows the results of accident cost analysis for Pakistan, established annually from the data obtained through field survey. By linking costs arising from accidents, with the frequency with which they occur in a year, the cost to economy due to road accidents has been worked out. Fatalities due to road accidents in a year accounted for the highest cost: more than 40 million dollars, followed by the sever injuries and the cost of damage to property and material. Overall the cost is more than a billion dollars per year.

Table 4. Results of Accident Cost Data Analysis

<table>
<thead>
<tr>
<th>Category</th>
<th>Cost ($Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Injury</td>
<td>96.75</td>
</tr>
<tr>
<td>• Fatal</td>
<td>43.13</td>
</tr>
<tr>
<td>• Severe</td>
<td>32.03</td>
</tr>
<tr>
<td>• Slight</td>
<td>21.59</td>
</tr>
<tr>
<td>Damage to property and material</td>
<td>23.22</td>
</tr>
<tr>
<td>Total</td>
<td>119.97</td>
</tr>
</tbody>
</table>
Personal injuries accounted for 80.65% of the total costs per year and damage to property and material for 19.35%. So, just as human is the man cause of accidents, human itself is the main sufferer. The cost provided in table 4, is the expenditure incurred on restoration, loss of resources and human psychological incapacitation. Its categorization is shown in Table 5.

Table 5. Categorization of the Cost Impact of Accidents

<table>
<thead>
<tr>
<th>Category</th>
<th>Personal Injuries (Million $)</th>
<th>Damage to Property and Material (Million $)</th>
<th>Total (Million $)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fatal</td>
<td>Severe</td>
<td>Slight</td>
</tr>
<tr>
<td>Restoration Costs</td>
<td>25.84</td>
<td>16.34</td>
<td>10.55</td>
</tr>
<tr>
<td>Loss of resources</td>
<td>15.09</td>
<td>10.78</td>
<td>6.98</td>
</tr>
<tr>
<td>Human Costs</td>
<td>2.20</td>
<td>4.91</td>
<td>4.06</td>
</tr>
<tr>
<td>Total</td>
<td>43.13</td>
<td>32.03</td>
<td>21.59</td>
</tr>
</tbody>
</table>

As shown in Figure 3, restoration cost takes 61% share of the total cost per year. Restoration includes both rehabilitative and legal aspects. This is followed by cost arising from the loss of resources which comes to 30% whereas a small share of 9% is taken by the human incapacitation due to psychological reasons. In Pakistan, there is a constant increase with time in the cost arising from restoration and loss of resources. This is because of consistent increase in the cost of component elements which makes restoration and rehabilitation. The human capital is badly depleted due to accidents. It is believed that efficiency of the human being is averagely reduced by 5 – 15% even after the minor accidents for considerable period of time. From economics point of view, accident is a phenomenon which has only cost out flows and no revenue in flow.

Figure 3. Percentage Share of Cost Categories

6. Economic Evaluations of Road Safety Measures

The above discussion clearly indicates that accident is a heavy burden on the national economy. To reduce the harm to manageable proportion, possible ways of reducing accidents, are
implemented by each state around the globe (Hakim, 1991). The economic evaluation of these measures is essential to assess their efficacy in reduction of accidents, and hence, contribution to the economy. Table 6 shows the potential of current road safety measures for reducing the accidents in Pakistan, based on the field survey and opinion of the masses taken on selected sites. The analysis of the current measures shows that these measures are sufficiently insufficient to control the situation. The traffic police control and speed surveillance are the two measures which are marginally effective, but overall a very weak trend can be seen in the table. The accumulative effect of these measures is not more than 60%, which indicates the huge space for improvement required in the field of traffic safety measures. Current inadequacy can be sited as the most significant reason for increase in the accidents with time instead of decrease (Figure 2). The reductions shown should be understood as potential reductions based on empirical data and not the factual.

Now let us evaluate some of the road safety measures using cost-benefit analysis (CBA). As has been stated earlier, CBA is the most reliable and effective method for economic evaluation of the road safety measures since it takes the practical and tangible facets and quantifies the intangible as well (Ghee, 1997). It is in use for evaluation of roads and communication infrastructure since 1950s and it has been used extensively for development of highways and motorways investments in the USA and UK (Hakim, 1991). CBA is simple in application as it relies on the addition of positive factors and the subtraction of negative ones to determine a net result. The accuracy of the outcome of CBA depends on how accurately costs and benefits have been estimated. Table 6 shows the CBA of all the road safety measures in terms of cost – benefit ratio (CBR) which is the ratio of benefits to costs for a particular safety measure and has to be $\geq 1$ for a measure to be economically beneficial and viable.

Except for few minor safety measures, most of the measures are not viable and effective. Currently the cost on these measures is more than the benefit they are rendering in terms of reduction in the accidents. The average CBR for all measures considered in this analysis comes to be less than one, which economically undesirable. A comparison of CBR value and accident reduction percentage for each road safety measure is shown in Figure 4.

Table 6. Accident Reducing Potential and Cost Benefit Ratio of Current Road Safety Measures

<table>
<thead>
<tr>
<th>Category Number</th>
<th>Measures</th>
<th>Accident Reduction Potential (%)</th>
<th>CBR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Strictness in driving licensing</td>
<td>2</td>
<td>0.78</td>
</tr>
<tr>
<td>2.</td>
<td>Driver’s fitness</td>
<td>3</td>
<td>0.54</td>
</tr>
<tr>
<td>3.</td>
<td>Traffic police control measures including penalties for violation</td>
<td>15</td>
<td>0.91</td>
</tr>
<tr>
<td>4.</td>
<td>Compulsory wearing of safety belts</td>
<td>3</td>
<td>1.63</td>
</tr>
<tr>
<td>5.</td>
<td>Compulsory wearing of crash helmets</td>
<td>2</td>
<td>1.42</td>
</tr>
<tr>
<td>6.</td>
<td>Road maintenance</td>
<td>8</td>
<td>0.87</td>
</tr>
<tr>
<td>7.</td>
<td>Traffic speed surveillance</td>
<td>9</td>
<td>0.82</td>
</tr>
<tr>
<td>8.</td>
<td>Road guidance system / sign boards</td>
<td>6</td>
<td>0.79</td>
</tr>
<tr>
<td>9.</td>
<td>Vehicle fitness</td>
<td>3</td>
<td>0.65</td>
</tr>
<tr>
<td>10.</td>
<td>Multi lane traffic</td>
<td>4</td>
<td>0.85</td>
</tr>
<tr>
<td>11.</td>
<td>Side lines, pedestrian lines and restrictions</td>
<td>2</td>
<td>0.86</td>
</tr>
<tr>
<td>12.</td>
<td>Awareness</td>
<td>1</td>
<td>1.23</td>
</tr>
<tr>
<td>Overall Average</td>
<td>58</td>
<td>0.95</td>
<td></td>
</tr>
</tbody>
</table>
Figure 4 indicates that although traffic control measures are effective in reduction of accidents but these are not economically viable. Similarly, small measures such as wearing of safety belt, using crash helmets and traffic awareness are economical and effective as they reduce accidents costs.

7. Conclusions

Based on the data available, this study has provided an economic evaluation of the current road safety measures. It has also, shown the weaknesses of the existing measures and the need to put system worthy and beneficial. The following points show possible limitations and areas of emphasis for future in the context of Pakistan:-

- Studies of costs arising from road accidents reveal considerable differences in scope and composition. For example, damage to property is often not taken into account in the calculation of accident costs, although they account for a considerable proportion – over 19% of overall accidents costs.

- Differences in accident cost levels also result from the fact that the cost components and evaluation procedures used in the calculations are not always the same. The origin of data is not always clear which makes comparison and judgment difficult. The information available for assessing the measures is sometimes incomplete. The functional connections between traffic parameters (for example kilometer performance, speed) and the frequency and seriousness of accidents are not always apparent.
Priority needs to be given to the collection of road accident data. This information can then be used to assess the relative importance of the problem from both an economic and social viewpoint. For this purpose a computerized accident database centre may be established.

Assessment of accident cost should be reviewed each year and accordingly suitable measures may be taken to reduce these costs. The economic costs of road crashes are, in general, not well understood as much of the cost is hidden and incurred in small-scale crashes rather than in large incidents.

The current study shows that the implementation of certain road safety measures could develop the potential for safety even further. This potential is associated with technological and legal measures, as well as those that address behaviour:

- Traffic awareness has shown one of the best cost-benefit results. This area needs to be exploited.
- As regards legal measures, the requirement to wear seat belts and helmets is proving to have a significant effect on road safety while also being more cost-effective.
- A further tightening on licensing, driver’s health and vehicle fitness is also regarded by many experts as an effective way of improving road safety.
- If the accident reduction target alone is considered, we might expect speed restrictions to have a significant effect on road safety. Unfortunately, the available data on the cost effectiveness of speed restrictions is not very encouraging. Investigations carried out suggest that such a measure would lead to higher costs, resulting mainly from loss of time.
- Technological innovations also promise further improvements in road safety. This involves measures taken both inside and outside the vehicle. The critical point is that technological improvements are often associated with significant costs, which mean unsatisfactory cost benefit ratios.
- The traffic rules and regulations need to be enforced in true letter and spirits. This has the maximum accident reduction potential in the developing societies.


The Standard Theory of Economic Behavior Towards Risk:
Large Risks versus Small Risks

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Abstract
This paper focuses on some of the major theories of economic behavior towards risks and its efficiency in explaining risk attitudes towards large risks and small risks alike. Risk attitude measures the willingness of a decision maker to undertake risks in return for perceived rewards, ranging from risk aversion, risk neutrality, to risk preference. Due to earlier research exposing the limitations of the expected utility theorem in plausibly explaining risk aversion over relatively smaller stakes, this paper has empirically explored the possibilities that may cause similar ambiguous explanations in such modest-scale risk aversion. The empirical examination of the expected utility theory generally lends further supportive evidence that only large risks are capable of explaining risk aversion, with small to moderate risks being incapable of explaining risk-aversive behavior. Many other risk theories remain to be explored, and it is hoped that variants of these risk models might eventually lead to a more comprehensive coverage of risk behavior over the spectrum of large to small risks.

Keywords: Expected utility theorem, risk aversion, larger risks, small risks

1. Introduction
A central objective in developing an empirical science is coherence in the application of theory to data from different sources. Thus, Rabin (2000), and Rabin and Thaler (2001) address an important question concerning coherence of the application of concave expected utility theory to explain risk-averse behavior for both small stakes gambles used in laboratory experiments and large-stakes gambles observed in everyday life.

A decision maker’s risk attitude characterizes his willingness to engage in risky prospects. Focusing on risky prospects with monetary outcomes, a decision maker displays risk aversion if and only if he strictly prefers a certain consequence to any risky prospect whose mathematical expectation of consequences equals that certain amount. Equivalently, a decision maker is said to be risk averse if and only if he strictly refuses to participate in fair games (i.e. games with an expected net outcome of zero). He is said to be a risk preferrer if and only if he strictly prefers the above mentioned risky prospect to its certain consequence. He displays risk neutrality if and only if he is indifferent between the risky prospect and the certain consequence.

The most common theory that has been used wisely by economists to explain people behavior towards risks is expected utility theorem. This theorem implies that the utility function over wealth is concave. This diminishing marginal utility of wealth theory of risk aversion is psychologically intuitive and helps in explaining our behavior towards large-scale risk (Rabin, 2000).

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[20] The explanation of risk attitude is taken from web: www.sfb504.uni-mannheim.de/glossary/riskatt.htm
However, the explanation for risk especially risk aversion towards small-scale risk is implausible in most cases where economists and researchers invoke it.

Many early researches have noted the inability of expected utility theory to provide a plausible account of risk aversion over moderate stakes (Pratt, 1964; Arrow, 1971; Machina, 1987), but the questions still arise and remain unresolved: why the standard theory of economic behavior towards risk can explain behavior towards large risks but not towards small risks? How well risk aversion does in explaining behavior towards small risks in relation to other theories? Thus, the objective of this paper is to discuss empirically results that have been done by early and recent researchers, aiming to shed light on the unanswered questions.

The following section of this paper is to discuss empirically that the standard theory of economic behavior towards risk in fact can well explain behavior towards large risks but not towards small risks. In section three, we will evaluate how well risk aversion does in explaining small risk in relation to other theories (quantitative and qualitative). Finally, a brief conclusion is drawn in the last section.

2. Literature Review

The empirical examination of research of ‘the standard theory of economic behavior towards risk can explain towards large risk but not small risks’ has attracted the interest of many researchers dwell on it while economists attempt to explore more detail to establish the statement.

In the following section, we will present several researches that had been conducted, either by simply taking general risks, to large risks, and even to laboratory risks. However, these studies had neglected size of risk in all of their tests. In other words, they have not taken into account the economic behavior towards small risk. Thus, later on this paper, we will present and discuss the research study conducted on this area of economic behavior towards small risk.

Arrow (1971) shows that an expected utility maximizers with a differentiable utility function will always want to take a sufficiently small stake in any positive expected-value bet. That is, expected utility maximizers are (almost everywhere) arbitrarily close to risk neutral when stakes are arbitrarily small. Certainly, this circumstance will arise when the stakes are negligible or substantially small and the loss or gain will not affect the gambler economically. Eventually, invoking the expected utility theory to explain substantial risk aversion over these stakes will bring biased results as the theory actually predicts virtual risk neutrality.

Rabin (2000) provides a theorem that shows the risk-neutrality implication of expected utility is not restricted to particular contexts, particular functional forms, or negligible stakes. Assuming nothing about the utility function except that it is increasing and concave, the theorem allow us to make statements of the form: “If an expected utility maximizer always turns down modest-stakes Gamble A, she will always turn down large-stakes Gamble B.

The intuition for the theorem itself is that within the expected-utility framework, turning down a modest-stakes means that the marginal utility of money must diminish very quickly for a small change in wealth. Indeed, the theorem is merely an algebraic articulation of how implausible it is that the consumption value of dollar changes significantly as a function no matter how much is the wealth that we hold. In other word, we should conclude that aversion to modest-stakes risk has nothing to do with the diminishing marginal utility. This contradiction
with assumption of expected utility theory again enhance that the theory can be very misleading in analyzing risk attitudes towards modest stakes.

Rabin and Thaler (2001) make the above assumption to establish the implausibility of expected utility theory by showing that absurd large-stakes risk aversion (rejecting Gamble B) follow inherently from non-negligible modest-scale risk aversion (rejecting Gamble A). The logic behind this result is that within the expected utility framework turning down a moderate stakes gamble means that the marginal utility of money must diminish very quickly.

Rabin (2000) also demonstrates a simple gamble to enhance this assumption. Suppose that you have initial wealth of $W$, and you reject a 50 - 50 lose $10/gain $11 gamble because of diminishing marginal utility of wealth. Then it must be that:

$$U(W + 11) - U(W) \leq U(W) - U(W - 10)$$

Hence, on average you value each of the dollars between $W$ and $W + 11$ at most 10/11 as much as you, on average, value each of the dollars between $W - 10$ and $W$. By concavity, this implies that you value the dollar $W + 11$ at most 10/11 as much as you value the dollar $W - 10$. Iterating this observation, if you have value dollar $W + 21 - 10 = W + 11$, which means you value dollar $W + 32$ by at most 10/11 x 10/11 = 5/6 as much as dollar $W - 10$. You will value the $W + 210^{th}$ dollar by at most 40% as much as dollar $W - 10$, and the $W + 199^{th}$ dollar by at most 2% as much as dollar $W - 10$. Rejecting the 50 - 50 lose $10/gain $11 gamble implies a 10% decline in marginal utility for each $21 in additional lifetime wealth, meaning that the marginal utility plummets for substantial change in lifetime wealth.

The theorem in Rabin (2000) shows that any attempt to explain attitudes about modest risk in terms of the utility of lifetime wealth would imply a paralyzing aversion to risks that everyone finds extremely attractive. Rabin’s Theory also demonstrates that people will not be averse to risks involving monetary gains and losses that do not alter lifetime wealth enough to affect significantly the marginal utility one derives from that lifetime wealth. He concludes that risk aversion pertains to large stakes and not small stakes merely an artifact of the structure of expected utility theory.

Another observation made by Samuelson (1963) showed that expected utility theory’s presumption that attitudes towards moderate-scale and large-scale risks derive from the same utility-of-wealth function relates to a widely discussed implication of the theory: that people have approximately the same risk attitude towards an aggregation of independent, identical gambles as towards each of the independent gambles. This was inconsistent with expected utility theory, which implies that if (for some range of wealth level) a person turns down a particular gamble, then the person should also turn down an offer to play many of those gambles.

Samuelson (1963) enhanced his statement by offered his colleague a bet in which he could flip a coin and either gain $200 or lose $100. His colleague declined the bet but willing to accept 100 such bets together. The aggregated gamble of 100 50-50 lose $100/gain $200 bets has as expected return of $5,000, with only a 1/ 2,300 chance of losing any money and merely a 1/ 63,000 chance of losing more than $1,000. No matter what his colleague expected utility, since the degree of risk aversion he exhibited proved he was not an expected utility maximizer. In fact, under the same assumptions by Samuelson, Rabin implies that a risk-averse expected utility maximizer who turns down a 50-50 lose $100/gain $200 gamble will turn down lose $200/gain
$20,000 gamble. This has an expected return of $9900 with exactly zero chance of losing more than $200.

3. Discussion
Expected utility theory may well be a useful model of the taste for very large scale stakes or insurance but not for small scale stakes. Besides its usefulness, however, there are reasons why it is important for economists to recognize how miscalibrated expected utility theory is as an explanation of modest-scale risk aversion. For example, some research methods economists recently employ should be abandoned because they rely significantly on the expected utility interpretation of modest-scale risk aversion.

3.1 Quantitative
3.1.1 Expected utility theory is not sufficient to explain neutralizing risk aversion
Recent years, there has been laboratory research in economics in which subjects interact to generate outcomes with payoffs on the order of $10 to $20. Researchers are often interested in inferring subjects’ beliefs from their behavior. Doing so often requires knowing the relative value subjects hold for different money prizes. If a person chooses $5 in event A over $10 in event B, we know that she believes A is at least twice as likely as B only if we can assume the person likes $10 exactly twice as much as $5. Experimentalists (Davis and Holt, 1993, 472 -476) have developed a clever scheme to avoid this problem: Instead of prizes of $10 and $5, subjects are given prizes such as 10% chance of winning $100 vs. 5% chance of winning $100. Expected utility theory tells us that irrespective of the utility function, a subject values the 10% chance of a prize exactly twice as much as the 5% chance of winning the same prize.

Rabin (2000) found that this laboratory procedure is known to be sufficient only when we maintain the expected utility hypothesis. If the statement of expected utility ‘people will be virtually risk neutral in decision on the scale of laboratory stakes’ is right, then the above procedures are at best redundant and harmful. Conversely, if the subjects are risk averse, then they are not expected utility maximizers. Hence, the assumptions that preferences are linear in probabilities and that risk attitudes come only from the curvature of the utility of wealth function, has little presumptive value in “neutralizing” risk aversion. This observation proves that expected utility theory is not sufficient to explain neutralizing risk aversion.

3.1.2 Problem in the scale of comprising data
Rabin (2000) also demonstrates another problematic of research methods is expected-utility theory makes wrong predictions about the relationship between risk aversion over modest stakes and risk aversion over large stakes. Hence, when measuring risk attitudes maintaining the expected-utility hypothesis, differences in estimates of risk attitudes may come from differences in the scale of risk comprising data sets, rather than from differences in risk attitudes of the people being studied. Data sets dominated by modest-risk investment opportunities are likely to yield much higher estimates of risk aversion than data sets dominated by larger-scale investment opportunities. So not only are standard measures of risk aversion somewhat hard to interpret given that people are not expected-utility maximizers, but even attempts to compare risk attitudes so as to compare across groups will be misleading unless economists pay due attention to the theory’s calibrational problems.

3.1.3 Amalgamation bet
The problems with assuming that risk attitudes over modest and large stakes derive from the same utility of wealth function relate to a long-standing debate in economics. Expected-utility theory makes a powerful prediction that economic actors don’t see an amalgamation of
independent gambles as significant insurance against the risk of those gambles; they are either barely less willing or barely more willing to accept risks when clumped together than when apart. This observation was introduced in a famous article by Samuelson (1963), who showed that expected-utility theory implies that if (for some sufficiently wide range of initial wealth levels) a person turns down a particular gamble, then she should also turn down an offer to play n > 1 of those gambles. Hence, in his example, if Samuelson’s colleague is unwilling to accept a 50-50 lose $100/gain $200 stake, then he should be unwilling to accept 100 of those gambles take together. Though Samuelson’s theorem is “weaker” than Rabin’s Theorem, it makes manifest the fact that expected-utility theory predicts that adding together a lot of independent risks should not appreciably alter attitudes towards those risks.

Obviously everyone would find the aggregated gamble of 100 50-50 lose $100/gain $200 bets attractive. It has an expected yield of $5,000, with negligible risk: There is only a (1/700) chance of losing any money and merely a (1/25,000) chance of losing more than $1,000. While nobody would turn down this gamble, many people might reject the single bet. Thus, using expected-utility theory to make inferences about the risk attitudes towards the amalgamated bet from the reaction to the one bet – or vice versa – would be misleading.

What is empirically the most firmly established feature of risk preferences, loss aversion, is a departure from expected-utility theory that provides a direct explanation for modest-scale risk aversion. Loss aversion says that people are significantly more averse to losses relative to the status quo than they are attracted by gains and more generally that people’s utilities are determined by changes in wealth rather than absolute levels. Preferences incorporating loss aversion can reconcile significant small-scale risk aversion with reasonable degrees of large-scale risk aversion. A loss-averse person will, for instance, be likely to run down the one 50/50 lose $100/gain $200 gamble Samuelson’s colleague turned down, but will surely accept one hundred such gambles pooled together. Variants of this or other models of risk attitudes can provide useful alternatives to expected-utility theory that can reconcile plausible risk attitudes over large stakes with nontrivial risk aversion over modest stakes.

3.1.4 Measurement of Risk Aversion

The aversion to risk implied by a utility function u seems to be a form of concavity, and one might set out to measure concavity as representing aversion to risk. For this purpose,

\[ r(x) = -u''(x)/u'(x) \]

can be considered a measure of the concavity of u at the point of w. A case might perhaps be made for using instead some one–to-one function of r(x), but it should be noted that u"(x) or -u"(x) is not in itself a meaningful measure of concavity in utility theory no is the curvature. Multiplying u by a positive constant, for instance, does not alter behavior but does alter u"(x) and the curvature.

A more striking and instructive example is provided by the function \( u(x) = -e^{-x} \). As x increase, this function approaches the asymptote u = 0 and looks graphically less and less concave and more and more like a horizontal straight line, in accordance with the fact that \( u'(x) = e^{-x} \) and \( u''(x) = -e^{-x} \) both approach 0. As utility function, however, it does not change at all with the level of assets x, that is, the behavior implied by u(x) is the same for all x. All this is duly reflected in r(x), which is constant: (Pratt, 1964)

\[ r(x) = -u''(x)/u'(x) = -e^{-x} / e^{-x} = 1, \quad \text{for all } x \]

(2)
Therefore, economists have to take into account that it is important to obtain the precise value of aversion before further investigating one’s behavior towards risk. Otherwise, the outcome of any theory in explaining one’s attitudes towards risk is meaningless.

3.1.5 Myopic Loss Aversion in Risk Aversion

The myopic loss aversion explanation rests on two behavioral principles: loss aversion and mental accounting. Loss aversion refers to the fact that people tend to be more sensitive to decreases in their wealth than to increases. This reflected in the prospect theory value function that has a kink at the origin. Empirical estimates find that losses are weighted about twice as strongly as gains. Mental accounting is the set of (implicit or explicit) cognitive activities that individuals and households engage in to serve the same function that regular accounting serves in as organization. In the context of financial transactions, the key mental accounting issues concern aggregation: how transactions are grouped both cross-sectionally (e.g., are securities evaluated one at a time or as portfolios) and intertemporally (how often are portfolios evaluated). A financial investor can be modeled as making a series of decisions about the allocation of his assets.

Loss aversion and mental accounting are well illustrated by a famous example due to Samuelson (1963). Using the same observation in section 2.4, Samuelson proved a theorem showing that this pair of choices is irrational. That is, someone should not be willing to play a bet many times if he is not willing to play just once. Samuelson’s friend was evidently loss averse, but not myopic. A myopic decision maker will first determine whether he likes the prospect of the initial gamble in the series, will conclude that he does not, and consequently reject the entire series.

The argument developed by Thaler et al. (1997) is that the price of financial assets reflects the preferences of investors who are both loss averse and myopic. Their subjects were so myopic that they simply did not distinguish the tasks of deciding on an allocation for 400 trials and for a single trial. This result also shows that the subjects do not realize that they suffer from myopic loss aversion – they are unsophisticated about their malady. If they were sophisticated but unable to control themselves, then, when offered the opportunity to commit themselves for 400 trials with no interim feedback, they would take the opportunity to accept more risk or vice versa. Through experience, the investors who vary in myopia will learn to gravitate to a lower level of risk and earn less money. Investors will turn their intention from high risk trials to lower risk trials. This condition is inconsistent with the expected utility theory that once you reject a single bet, you will reject the entire bets.

3.1.6 Degree of Relative Risk Aversion

Rabin and Thaler (2001) concluded that in the case of a risk-averse expected utility maximizer who turns down a 50-50 chance of losing $10 and winning $11 for any initial wealth level due to the diminishing marginal utility, then this individual would also turn down all bets involving a 50-50 chance of losing $10 and winning even an infinite amount of money. Watt (2002) commented on their statement that since the large-stakes bets should obviously be taken, then it may be incorrect that the moderate-stakes bets should be turned down in the first place. To illustrate the counterargument, Watt (2002) demonstrates a quantitative test by using a simple utility function: \( U(x) = \ln(x) \), where \( x \) is income. An individual turns down the 50-50 chance of losing $10 and winning $11 at an initial wealth level of \( w \), which implies that \( \ln(w-10) + \ln(w+11) < 2\ln(w) \). Let individual wealth, \( w = 109 \), a 50-50 chance of losing $100 and
winning $Y$ will be accepted if $\ln(99) + \ln(109 + Y) \geq 2\ln(109)$ if $Y \geq 1,211.11$. Thus for the utility function and with a starting wealth level of $109$, the individual will turn down the 50-50 chance of losing $10$ and winning $11$, but will accept a bet of losing $100$ and winning any amount $Y$ in excess of $1,211.11$.

Watt (2002) explained that for someone with a very high initial level of wealth, this bet poses very little risk, and so turning it down requires an extraordinarily high level of risk aversion. But if the person has an extraordinarily high level of risk aversion in turning down the bet for even moderate stakes, then the person will also have an extraordinarily high level of risk aversion in turning down bets for large stakes. Using Pratt’s approximation, Watt showed that absolute risk aversion at wealth $w$ is approximately equal to $\frac{2(w+E(L) - C(L, w))}{V(L)}$ where $L$ denotes a lottery with expected value $E(L)$, variance $V(L)$ and certainty equivalent at wealth $w$ of $C(L, w)$. The rejection of the 50-50 bet of gaining $105$ and losing $100$, with the initial wealth $350,000$ implies that relative risk aversion would have to be greater than 166.57. Watt concluded that for a person with a high level of wealth to turn down a bet for even moderate stakes that has a positive expected value would require either an unreasonably high level of risk aversion, or some other unusual peculiarity in the utility function. Otherwise, the individual will not reject both large-scale bets and moderate-scale bets. Therefore, the Expected utility theory certainly faces its share of problems in explaining certain kinds of empirical evidence, as do other competing theories.

### 3.2 Qualitative

#### 3.2.1 Reference Level

How psychological findings suggest modifying the utility function that economists employ through years. Researchers have identified a pervasive feature of reference dependence. In a wide variety of domains, people are significantly more averse to losses than they are attracted to same-sized gains (Kahneman et al., 1990). One realm where such loss aversion plays out is in preferences over wealth levels. Tversky and Kahneman (1992) suggest that in the domain of money (and in others where the size of losses and gains can be measured), people value modest losses roughly twice as much as equal-sized gains. That the displeasure from a monetary loss is greater than the pleasure from same-sized gain is also implied by a concave utility function, which typically use as the explanation for risk aversion. But loss aversion says that the value function abruptly changes slope at the reference level, so that people prefer their status quo to a 50/50 bet of losing $10$ or gaining $11$. The standard concave-utility-function explanation for risk aversion is simply not a plausible explanation of such risk attitude.

Mehra and Prescott (1985) and Epstein and Zin (1990) have, for instance, observed that the utility-function framework cannot simultaneously explain both small-scale and large-scale risk attitudes implied by macro data. Rabin (2000) also supported this claim by providing a “calibration theorem” that indeed show that no concave utility function can simultaneously explain plausible small-scale and large-scale risk attitudes.

### 4. Conclusion

We have focused on some of the major theories of economic behavior towards risks and its efficiency of explanation toward large risks and small risks. Due to the inability of the expected utility theory to provide a plausible account of risk aversion over modest stakes, we also discuss the possibilities that may cause an ambiguous explanation of modest-scale risk aversion. This is crucial especially for the research methods that rely extensively on the expected utility interpretation.
This paper lends further support to the contention that an expected utility preference representation with a single utility function is unable to describe behavior towards both small, moderate stakes risk and large stakes risks. We show that the coefficients of constant relative risk aversion compatible with wage fatality risk premium data are smaller than the coefficients compatible with portfolio choice data, suggesting that utility functions used to evaluate large-stakes risk are less risk averse than those used to evaluate small or moderate-stakes risks. This result is compatible with the theoretical analysis presented by Rabin (2000).

Besides expected utility theory and the above-mentioned theories, there are plenty of other theories used by researchers in explaining risk behavior towards risk. However, it is hardly worthwhile trying to conclude which theory could possibly best replace another. Also, given the fact that recent years have not seen the influx of new literature related to the expected utility theorem in explaining risk averse behavior; therefore, it is hoped that this paper would help to stimulate the development of new variants of the models of risk attitudes, that could offer useful alternatives to the standard theory that could possibly resolve both plausible risk attitudes over large risks with nontrivial risk aversion over small risks.
References


http://www.sfb504.uni-mannheim.de/glossary/riskav.htm


Impact of Culture on Employees' Trust in Management: Evidence from Pakistani Banking Sector

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Abstract

The main purpose of this paper was to examine and analyze the impact of cultural dimension of Power Distance, given by Hofstede, on factors which manipulate the employees’ insight regarding the trust-worthiness of management. This research is estimated to validate the hypotheses related to probable moderating influence of High Power Distance on the relationship between employees’ participation, autonomy, feedback and goal clarity (independent variables) and trust in management (dependent variable). Culture plays an important role in employees’ trust in the management and the most important cultural dimension of Power Distance, is analyzed in this paper. Pakistani culture has been defined by Hofstede as High Power Distance (HPD). A sample of 120 employees of private sector banks located in Rawalpindi and Islamabad was studied. The results indicated that HPD had negative effect on relationships of independent and dependent variables. The employees’ participation, goal clarity and autonomy are significantly influenced by HPD in Pakistani culture, whereas employees’ feedback is not influenced by HPD.

Key Words: Power Distance, Trust in Management, Employees’ Participation, Autonomy, Goal Clarity, Feedback.

INTRODUCTION

The function of Trust in Organizations’ Performance has gained considerable importance in the recent past as organizations shift away from monitored style of control and supervision, to greater employee empowerment, autonomy, and introduction of changed organizational structures such as “self-directed and self-managed teams” (Connell & Mannion, 2006). HR managers can have a positive impact on employees by inculcating trust and confidence in the organization and the management (Tzafrir et al, 2003). Organizational Environments where employee's participations are always welcomed and positively considered, lead to a greater trust in management. Building trust between employees and management is considered essential for success of organizations in all countries and cultures. However, the degree of trust varies in cultures. As identified by Seal (1998) and Coleman & Mannion (2006), culture affects the trust of employees in management because trust is enhanced by interactions of individuals and the trust most importantly depends upon the organization and the social structure and culture of the country. Hofstede had studied culture over many years and gave five important dimensions which could be found common in all regions, cultures and countries (Hofstede, 1984). One of the most important dimensions of culture is power distance which refers to the extent to which a society tolerates power differences as well as accepts status privileges (Carl, Gupta, & Javidan, 2004). Employees’ trust in the supervisor/ manager may differ depending on the kind of cultural support given to the power distance. Pakistan is considered to be high power distance (HPD) country as indicated by Hofstede cultural dimensions (Hofstede Cultural Dimensions of Pakistan available at http://www.geert-hofstede.com/hofstede_pakistan.shtml).
The ever changing world economy, pressures from competitors, and changing customer preferences have placed organizations including banking sector right on the threshold of constant change. These factors coupled with environmental ambiguity in Pakistan have put many organizations in a vicious competition of gaining more and more of the market share. Trust in management is becoming significant to motivate the employees and to retain the talent. Some of the variables that contribute to trust in management are employees’ participation, feedback, goal clarity and autonomy. Yoon et al. (2001) had emphasized on managers’ concern and support for staff work to create climate of trust, support and cooperation. Sharkies’ research (2005) on employees’ perception of trust is also very important. These research findings indicate that organizations have to develop clear and open communication means to enhance Goal Clarity, Employee Participation and eventually the Trust in Management. These findings also strengthen Coleman’s view of “Social organization of trust” (1984). An environment of support, trust, and cooperation from the senior management gives employees greater control over their work efforts in order to achieve their job goals (Brown & Leigh, 1996).

This paper is an exploratory examination that considers the cultural impacts on Employees’ Trust in Management. For this purpose we have chosen an important dimension of Pakistani culture i.e. HPD (High Power Distance) and its’ impact on employees’ trust in management. The other dimensions of culture i.e. Uncertainty Avoidance, Short term Vs Long term Orientations, Masculinity Vs Femininity and Individualism Vs Collectivism, have not been purposely studied so as to have a focused approach to study only one important dimension effecting management. The research was done by using the survey method. The respondents were 120 employees of different private sector banks i.e. Askari Bank, Bank Alfalah, United Mank Limited, Habib Bank Limited, Muslim Commercial Bank and Standard Charted Bank from Rawalpindi and Islamabad. The statistical analysis has revealed that HPD has significant moderating effect on the relationship of independent and dependent variables thus the HPD has negative influence on the positive relationship of Employee Participation, Goal Clarity and Autonomy with an inherently immeasurable concept such as Employee’s Trust in Management in the private Banking Sector of Pakistan. Influence of HPD on relationship of Feedback and Trust was found to be slightly positive instead of negative effect. On the whole, this research supports the divergence theory that employees trust is culture-bound.

This research paper may add new dimensions which may hold value for the HR practices in the leading banks / firms. This paper is expected to help HR managers to devise plans and strategies to foster employee’s trust in management in a complex and volatile industry and culture of high power distance.

Culture and Power Distance in Pakistani Culture

Culture has a complex definition, however most of the researchers commonly agree on the definition given by Kroeber and Kluckhohn (1952) as “Human-made part of the environment”. Hofstede defined culture as “Collective programming of minds” (1994). Culture is influenced by society’s shared values, norms, beliefs, customs, and religion; and above all by individual attitudes and personality (Kluckhohn & H.A. Murray, 1953; Triandis, 1996). Culture is consequent of the social, economic, legal, political, religious norms, values and traditions of the society. Hofstede had indicated that culture shapes the individual behaviour to act differently in various situations in all spheres of life (Hofsted, 1984). Cotgrove (1978) had stated that culture is the shared values, norms and traditions of a social system which are considered the most important aspect of any society.

National culture and organizational culture are frequently mixed with each other. It is therefore imperative to differentiate national culture from organizational culture. An organizational culture differentiates the same kind of organizations within the same country, whereas the national culture distinguishes alike type of people, organizations and countries.
around the world. All organizations continue living in specific socio-cultural environment which affects the individual behaviour and the organizations to a great extent. The research remained mostly focused on organizational culture and its different effects on organizational behaviour. Therefore, modest work was done to analyze the effects of national culture on individuals and organizational behaviours. This research paper fulfills this gap by analyzing the effects of national culture on employees’ trust in management in the context of Pakistan.

Pakistan's national culture is having high degree of power distance; this can be also viewed through the prevalent variety of social classes in Pakistani society. The wealth in Pakistan is very much unequally distributed among various segments of the society. Different classes of the society enjoy different types of lifestyles, education, medical and residential facilities. INSEAD, Europe's newly published recent edition of its Global Innovation Index 2008-2009, which benchmarks the world's most innovative economies, states that Pakistan is ranked at 93 out of 130 countries of the world. (INSEAD Global Innovation Index 2008-2009).

Power Distance Index

Power Distance Index (PDI) can be aptly defined as the degree to which the less authoritative individuals of institutions, organizations and the family groups admit and anticipate that power is distributed disproportionately (Hofstede & Bond, 1984; Hofstede & McCrae, 2004). This represents discrimination (more versus less), but distinctive from below, not from above. It advocates that a society's level of disparity is allowed and accepted by the followers as much as by the leaders. Power and inequality are fundamental and accepted facts of any society and anyone who has some international will be aware that 'all societies are unequal, but some are more unequal than others', this is where discrimination exists.

The Impact of High Power Distance Index (HPDI)

The impact of High Power Distance Index (HPDI) creates societies which are highly rule-receptive and abide by laws, rules, regulations, and controls, while inequality of power and wealth have been accepted and are allowed to prosper within the society. These cultures mostly follow a caste system that negates considerable upward mobility of its citizens (Hofstede, 1984). This type of culture creates a situation where leaders have virtually decisive power and authority and moreover, the rules, laws and regulations are developed by those in power basically reinforce their own leadership and control. It is not abnormal for the new leadership to come up from armed uprising - the ultimate power, rather than from democratic or diplomatic change (Hofstede, 1984). The high degree of power distance index (HPDI) suggests that Pakistani culture and society is highly rule-receptive with laws, rules, regulations, and controls, whereas the imbalances created by power and wealth have been supported to flourish within the society. Pakistani culture is expected to follow a caste system which does not allow upward movement of its citizens and the gap between leader and the followers remains significant.

Trust and Trust in Management (Dependent Variable)

The definition of Trust in the Oxford English Dictionary is given as, “Confidence in or reliance on some quality or attribute of a person or thing, or the truth of the statement”. Robbins (2003) defined trust as, “A positive expectation that another will not act opportunistically”, Mayer et al. (1995) modified the definition as “A positive expectation that another will act benevolently towards others”. Rousseau et al. (1998) defined trust as, “a psychosomatic state comprising the objective to recognize susceptibility based upon positive expectations of the intentions or behaviour of another”. Robert Bruce Shaw (1997) defined trust to mean: Belief that those on whom we depend will meet our expectations of them.

Trust is considered as a critical intangible resource in modern organizations without which they cannot achieve excellence and severe negative consequences of organizational competitiveness may result (Greenberg & Cropanzano, 1990: cited in Tzafrir et al., 2003, p. 630). It is crucial for the organizational success to build a trusting relationship between the employees and the management. Substantial research findings of Dolan & Garcia (2002),
Gambetta (1988), McKnight et al., (1998), suggest that organizations consider ‘trust’ as a desirable attribute. Seal (1998) advocated that the person (or a company or firm) trust may be evaluated by analyzing the characteristics of the company or firm and may be developed by personal interaction between staff, particularly the key-decision makers. The existence of a culture of trust guarantees that the promises are honored by the senior management which would reduce ambiguity to a great extent (Connell & Mannion, 2006). To grow a culture of trust between management and employees is a time intensive process with a display of trust-worthy attitude from the employee’s and management creates reciprocating element of trust. This investment in trust building processes can be lost easily whereas it is difficult to form and establish. Blois, (1999) concluded that in case if the promisor does not honour the promise, he subjects himself to the penalty of never being trusted again” by those who know the incident.

Researchers like Sable (1992); Ghoshal & Moran, (1996) accentuate that unremitting organizational progress and culture might amplify manifold in a high-trust relationship based surroundings. Employees encompassing trust in their supervision might feel equivalence with decision-making values (Martin, 1998). The information sharing related to strategy, financial performance, and operational measures suggests to the organization’s people that they are trusted (Pfeffer & Veiga, 1999).

**Trust in Management and Impact of HPD**

“Trust in Management’ is the only dependent level variable considered in this study. Coleman identified trust as a societal occurrence and not an individual experience. He advocates that trust mostly depends upon the organization and the social and cultural structure of the country. He noted that individuals trust one another perfectly, who in turn trust others, resulting in a, “Social organization of trust” (Coleman, 1984).

As stated earlier, power distance indicates the extent to which organizational members and society accept unequal power sharing (Carl et al., 2004). High power distance (HPD) cultures’ individuals tend to be limited by distinct role expectations that will not let them deviate (Tyler, Lind, & Huo, 1995). It is expected that role of these employees will be more discriminatory by their level of trust in the management. On the other hand, persons from a low power distance (LPD) culture tend to be less controlled by role expectations, permitting them more freedom to deviate behaviorally across situations, depending on trust levels. Reduction of trust in HPD had also been reported by Williams, Whyte & Green (1966) who assert that Peruvians in HPD culture were less trusting of others. Their satisfaction with their supervisor is based less on the socio-emotional qualities of the leader and more on the leader's technical know-how.

As the above literature findings suggest, organizations need to develop clear and open communication means to enhance Goal Clarity, Employee Participation and eventually their Trust in Management. The high scores of Pakistani cultural dimension of power distance suggest reduction of employees’ trust in the management specially the banking sector which otherwise demands strict following the authority and rules/ regulations. This leads us to the first hypothesis of the study.

**H 1: Higher power distance dimension of culture reduces the Trust in Management.**

Four independent level variables have been considered in this study, namely Employee Participation, Feedback, Goal Clarity and Autonomy. Cultural dimension of High Power Distance (HPD) has moderating effect on the relationship of independent variables on dependent variable (Trust in Management).
Employee Participation - Trust in Management and Power Distance

White & Ruh (1973) had defined employee participation as, “The degree to which employees believe that they can make decisions about how they do their work”. It must be noted that employee participation in turn depends upon the support it gets from the organization. The organizational structures and process need to support the employee participation process thus, leading to organizational participation. Strauss, (1998) had defined organizational participation as, “A process which permits employee to exert some influence over his/her work in the organizational environment”.

In this paper we have focused on the employee participation in the context of their “say in the decision making” in the organization. Issues like whom to involve, when to involve; and how to involve, hold significant importance in determining the employee participation. In all, this suggests that regardless of how the participation in decision making is applied, the role and level of participation needs to be made very clear (Ladd & Marshall, 2004). Rausch (1996) had suggested that best results of employee participation are obtained if top management leads the ways by example and encourages others.

As per research evidence a positive relationship exists between employees’ believe that they have the ability to participate in decision making. This supports that there will be positive impact on the work environment (Lawler, 1994; Sullivan, 1992). According to Rausch (1996), the extent to which employees have access to the information, required to participate in decision making serves as a limiting factor. He argues that not every employee shall exercise employee participation but only the ones who are capable to handle increased responsibilities, non routine tasks and possess work - maturity. Maher & Pier sol (1970) had discovered that the direct involvement and participation of employee with his manager in the goal-setting process results in two-fold benefit- firstly, the participation process leads to a greater clarity of what to do and how to evaluate the outcomes, secondly, increased mutual commitment was witnessed upon the agreed upon results.

The high value of power distance in Pakistani culture will not permit employees participation in any decision making. Thus the trust of employees in management will be adversely affected. Since Pakistan is rated higher on the power distance, which should have an impact on the employee participation process in two ways. First, managers may be reluctant to involve employees in goal setting and decision making activities because they may perceive this as "giving up" their own power and authority. In a high power distance culture, this perception of empowerment may cause the concept to be rejected. Second, employees may not accept a more empowered role because they expect the manager to be the person "in control." The above literature review leads to the development of second Hypothesis;

**H 2: The positive relationship of Employee Participation with Trust in Management is reduced due to higher power distance dimension of culture.**

Feedback -Trust in Management and Impact of Culture

Robbins (2003) defined feedback c as the, “extent to which carrying out the work activities as per job requirements results in the individual obtaining direct and clear information about the effectiveness of his or her performance”. Stanley & Standen (2001) had reviewed the work of Rozzell & Gardner (1995) and they have suggested on condition that positive feedback to skeptical workforce, whenever possible, will result in avoiding personal and global attributions for employee failure. Randolph (1995) has concluded that sharing of performance related information with employees will keep them informed about their impacts on organizational outcomes and will raise the employee’s trust in management Ardalan et al. (1994) research results support the assumption that permitting employee’s discretion in decision making process and providing them with outcome feedback will result in to higher quality decisions. These
results substantiate the conviction that by allowing employees’ discretion and providing feedback improves the confidence of fellow workers in each other. The relationship of trust shall encourage exchange of knowledge, mostly during informal exchanges (Dirks, 1999; Dirks & Ferrin, 2001). Kramer & Cook (2004) have concluded that the trust can also endorse sharing of timely and accurate information because trusting associates are extra motivated to be open and visible in their actions and business relationships.

The high power distance (HPD) culture is expected to influence managers' self-ratings. Hofstede had argued that a society's level of inequality is endorsed by the followers as much as by the leaders (Hofstede 1980a; Hofstede, 2001). On contrary, a low power distance (LPD) indicates a more broad-based power distribution in the society, with people's participation at various levels and adequate self-governance. This approach strengthens a cooperative interaction across different power levels and creates a more stable cultural environment (Hofstede, 2001). The power asymmetry in a vertical relationship in a High Power Distance (HPD) environment results in subordinates praising their supervisors at every level. Each person in the chain of command perceives himself to be substandard in comparison with the boss but superior to his subordinates. For this rationale, self-assessments by managers in HPD cultures will tend to reflect their perception and acceptance of their position in the power chain. In Low Power Distance (LPD) cultures on the other hand, the tendencies towards self-promotion and non-acceptance of power asymmetry in the vertical relationship will lead managers boosting their self-evaluations. Research of Bond, Wan, Leung and Giacalone (1985) envisaged that Chinese having culture of high power distance index (HPDI) were keen to accept negative feedback from a senior; such HPD orientations serve to authenticate the authenticity of unequal power distributions among various members.

James (1993) recommends that individuals with low power distance (LPD) orientation will exhibit less respect to authority and will react poorly to feedback that indicates areas needing improvement. Buckley & Ghauri (1999) concluded that in HPD orientation, learning involves receiving knowledge from teacher or mentor (i.e., guru) whose methods are not questioned; leaders are rigid in style and juniors or subordinates are expected to perform based on these instructions. Hofstede (1984) asserts that, in a LPD context, people with formal authority are “not supposed to look powerful”; in other words, they are professed more as colleagues on a virtually equal footing as the subordinate/junior.

One may feel safe to assume that people have a preference for positive feedback; whereas certain people might have a higher tolerance for negative feedback. A HPD context accepts the unequal distribution of authority within an organization, and as such members recognize that negative feedback from a superior is virtually unavoidable (Bond et al., 1985; Hofstede, 1980b). The superior/senior functions as a mentor that conveys wise guidance (Buckley & Ghauri, 1999); as a result, subordinates/juniors receive any feedback – positive or negative – as helpful and unquestionably productive. Managers with HPD culture favour routine working and prefer to avoid suspicions in their decision making. They prefer having clear rules, regulations and guidance. Moreover, they are also motivated by having legitimate procedures and protocols and are supporters of human resource-related issues such as training, development and empowerment.

The analysis of above literature suggests that impact of high power distance adversely affects the employees trust in management, especially once the feedback is not based on fairness. This leads to the third hypothesis of the study,

**H 3: The positive relationship of Employee Feedback with Trust in Management is reduced due to higher power distance dimension of culture.**
Goal Clarity - Trust in Management and Impact of HPD

Maher & Piersol (1970) concluded that lack of transparency on the part of an employee concerning his or her own job or the overall assignment of his / her position will result in major negative consequences. Maher & Piersol (1970) also concluded in their study that the “…….sources of frustration- lack of professed clarity about person and group work goals / objectives and to relate the results to the organizational communication process”. The findings of Maher & Piersol had confirmed that the more role clarity will result in a comparatively high measure of cohesiveness, teamwork and cooperation within his/ her working entity or unit and between his/ her unit and other working units at the location.” Maher & Piersol (1970) have also claimed that the employee-involvement approach increases goals / objectives clarity and thus decreasing significant amount of frustration from the work situation. Increased goal clarity leads to job satisfactions which in turn involve a critical need for meticulous understanding of communication media as well as ability in oral and written communication skills in order for an administrator to be successful (Maher & Piersol, 1970). Stanley & Standen (2001) quoted Gollwitzer & Moskowitz, “Because ……. there is often a long way from goal-setting to goal attainment’ (1996, p. 368), ways should also be found to support key workers who are faced with unexpected failures of goal planning.”

Improper or ineffective communication and clarity regarding the job increases ambiguity and decreases employee’s perceptions of management trustworthiness (Schweiger & DeNisi, 1991). Apparently, training key workers to improve the technical quality of their goal setting is an important prerequisite (Cardillo & Choate, 1994). Stanley & Standen (2001) had reviewed the work of Harris & Rosenthal (1985) who reported that positive expectations about others were found to be associated with more admire, support, feedback, input and acceptance than for those for whom expectations were negative. Erez & Earley (1987) had examined the impact of cultural differences on goal reception; one of the cultural variables was power distance. People with a HPD orientation accepted the unequal power distribution and believed that it was acceptable for superiors/ seniors to have a great degree of power over subordinates/ juniors (Hofstede, 1980b). On the contrary, employees with LPD orientations have a tendency to develop a strong, personal connection with their seniors/ superiors (Tyler, Lind & Huo, 1995). This type of relationship may distort the lines of authority because the junior / subordinate might be somewhat dependent on goal clarity and positive feedback which enhances the relationship.

The analysis of above literature suggests that impact of high power distance negatively affect the employees trust in management, especially once the goal clarity is not there. This leads to the fourth hypothesis of the study.

H 4: The positive relationship of Goal Clarity with Trust in Management is decreased due to higher power distance dimension of culture.

Autonomy - Trust in Management and Impact of Culture

Metaal (1992) defined autonomy as; “Individuals make their own choices independent of others.” Robbins (2003) defined autonomy as, “The degree to which the job provides considerable freedom and discretion to the individual to schedule his/ her work and in determining the procedures to be used in carrying it out”. Melhem (2003) defined autonomy as “An employee’s perception that he or she uses his/ her capability of discretion and freedom when dealing with customers/ clients. It replicates the amount of confidence among employees.” In this competitive era, the organizations have to look beyond the traditional directive styles of management. Now the employees are involved and they feel autonomous. Pfeffer (1994, p. 41 cited in Melhem, 2003) stated sharing information as: It is an important feature found in many successful work systems that decentralization of decision making and more worker participation
and empowerment in controlling his/ her own work process. Organizations those who empower lower levels of employees in order to enhance organizational performance might be at risk and it might create ambiguity in association with employee’s reaction to such initiatives (Tzafrir et al., 2003).

Kirkman & Shapiro (1997) state “Employees from HPD cultures expect managers to lead, and they become uncomfortable with both the delegation of discretionary decisions and the role ambiguity that may result from taking on new tasks … management approaches granting employees more autonomy and responsibility may not be suitable for employees from HPD cultures.” In HPD culture, the companies that have no employee involvement have no or very limited market orientation and success. In HPD culture managers are afraid of giving autonomy to the employees. They fear that employees might involve themselves in unwarranted activities and might not follow the rules and regulations of safe practices. The analysis of above literature suggests that impact of HPD adversely affect the employees trust in management, especially once employees are not given autonomy. This leads us to the fifth hypothesis of the study.

**H 5:** The positive relationship of Autonomy with Trust in Management is decreased due to higher power distance dimension of culture.

**THEORETICAL FRAME WORK**

![Diagram of theoretical framework](image)

Source: Researchers’ own processing.

**Methods**
The details regarding population, sample size, sampling procedure and data collection measures are given below.

*Population:* Banking Sector at Rawalpindi & Islamabad.

*Sample Size:* 120

*Sampling Procedure*
Convenient sampling technique was used and questionnaires were distributed to the employees of Askari Bank, Askari Bank, Bank Alfalah, UBL, HBL, MCB & Standard Charted Bank from Rawalpindi and Islamabad. A covering letter was attached with questionnaire which...
explained the purpose and scope of the study and respondents were assured about confidentiality of information provided by them. Out of 150 questionnaires issued 120 filled surveys were received back making the response rate of 80%.

**Measures**

Questionnaire was used as secondary method to collect data from respondents. The question items were taken from the sources identified in Table 1. The same have already been deployed by Weber & Weber (2001) and Yoo, 1996). Questionnaire is attached as Annex-A.

<table>
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<tr>
<th>Variables</th>
<th>Scale Source</th>
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</tr>
<tr>
<td>Employee Participation</td>
<td>White and Ruh (1973)</td>
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<td>.787</td>
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<tr>
<td>Feedback</td>
<td>Sims et al. (1979)</td>
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<td>Goal Clarity</td>
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<td>Sims et al. (1979)</td>
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<tr>
<td>Cultural Dimension - Power Distance</td>
<td>Yoo, (1996)</td>
<td>7</td>
<td>.785</td>
</tr>
</tbody>
</table>

Table 1: Sources of Questionnaire Items adapted from Weber & Weber (2001) and Yoo, 1996).

Four Independent and One Dependent Variables and culture (HPD) as Moderator were employed in the Study. The scale used was a seven point Likert-Scale. Reliability of each scale was measured through SPSS Version 16, which is between 70.4 to 83.6% (Table1). This is considered ideal scales for conducting social sciences research.

**Trust in Management**

This was the only Dependent level variable. Four items were places in the questionnaire. The items included like, “Do you trust your supervisor?” and “Does management treat you with respect?” The Seven Item Likert scale used 1 as Never and 7 as Always.

**Employee Participation**

It was the first independent level variable. Four items were places in the questionnaire. The items included were like, “Can you influence your supervisor’s decisions?” & “Does your supervisor accept your ideas and suggestions?” The Seven Item Likert scale used 1 as Never and 7 as Always.

**Feedback**

It was the second independent level variable. Five items were placed to assess feedback. The items included were like, “The feedback from my supervisor, on how well I am doing?” & “The opportunity to find out, how well I am doing on my job?” The Seven Item Likert scale used 1 as Very Little and 7 as Very Much.

**Goal Clarity**

It was the third independent level variable. Six items assesses goal clarity. The items included like, “Are the organization’s goals clear to you?” The Seven Item Likert scale used 1 as Never and 7 as Always.

**Autonomy**

It was the last independent level variable. Six items were places in the questionnaire. The items included like, “How much are you left on your own to do your own work?” & “The freedom to do pretty much what i wants on my job?” The Seven Item Likert scale used 1 as Very Little and 7 as Very much.

**Power Distance**

It was the only moderating variable used in this study. Seven items assesses power distance. The items included like, “People in higher positions should make most decisions without consulting people in lower position.” The Seven Item Likert scale used 1 as Very Little and 7 as Very Much.
Statistical Tools
Statistical tools of software such as SPSS version 16 was used to calculate the Correlation between independent variables and dependent variables. As a further step of the analysis, Linear Regression was used to find out combined effect of all the independent variables on dependent variable and Moderated Regression was used to find out moderation of cultural dimension of Power Distance. Higher scores represent the higher reported levels of variables.

Results
Results were obtained through SPSS Version 16, which included demographic details, correlation analysis, regression analysis and moderating regression analysis.

Demographics
Demographic details of the sample, though not used in this paper, included Employee Designation, Gender, Age, Education, Religion, Marital Status, Type of Employment (contractual or regular), Work Experience, Overtime Paid and Extra Work Required in the Job (Refer to Table 2). In this study, these control variables were ascertained directly through the questionnaire. Table 3 provides the Means, Standard Deviations and Correlations among the study variables. The mean for employees trust in management was 4.9229 and S.D=1.09275 on scale of 1 to 7, which was above 70%.

Descriptive Statistics

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Table 2. Descriptive Statistics of this study.

**Correlation Analysis of All Variables**

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**, Correlation is significant at the 0.01 level (2-tailed).
*, Correlation is significant at the 0.05 level (2-tailed).

Table 3 above indicates correlation analysis of all the variables i.e. Trust in Management (Dependent Variable), Power Distance (Moderating Variable) and Employee Participation, Goal Clarity, Autonomy and Feedback (Independent Variables). The table shows that Trust has positive and significant relationship with Employee Participation (Correlation .315 at p< .000) and Goal Clarity (Correlation .493 at p< .000). It has positive but insignificant relation with Autonomy (Correlation .055 at p< .552) and Feedback (Correlation .090 at p< .327), whereas it has negative and significant relationship with moderating variable Power Distance (Correlation -.190 at p< .038).
Regression Analysis of Independent and Dependent Variables

### Model Summary

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<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
<th>Change Statistics</th>
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<td>1</td>
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<td>.567 a</td>
<td>.322</td>
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<td>.322</td>
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**Change Statistics**

- **F Change**: 13.642
- **df1**: 4
- **df2**: 115
- **Sig. F Change**: .000

* a. Predictors: (Constant), Feed Back, Employee Participation, Goal Clarity, Autonomy

### Coefficients

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<th>Model</th>
<th>Un-standardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
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<th>Correlations</th>
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<td>(Constant)</td>
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<td>.132</td>
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</table>

* a. Dependent Variable: Trust

**Table 4. Results of Regression Analysis of the study.**

Regression analysis of the study indicates that all the independent variables have a combined affect of 32.2 % (R square .322) on the trust in the management whereas other factors also contribute in enhancing trust in management.

**Moderated Regression and Hypotheses Testing**

Moderated regression analysis was conducted through SPSS version 16 in three steps. In step-1 the demographics were controlled, in step-2 mean of each independent variable and mean value of Power Distance (moderating variable) was fed in. In step-3 interaction term (IV*MV) of respective independent variable was put in to compute moderated regression. Results of moderated regression of each independent variable were found as given below.

### Moderating Effect of Power Distance on Relationship of Employee Participation & Trust

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>1 Control Variables (Demographics)</td>
</tr>
<tr>
<td>2 Employee Participation Power Distance</td>
</tr>
<tr>
<td>3 Interaction Term EPPD ( Employee Participation*Power Distance)</td>
</tr>
</tbody>
</table>
Table 5a. Model moderating effects of Power Distance on the relationship of Employee Participation & Trust.

<table>
<thead>
<tr>
<th>Model</th>
<th>Beta</th>
<th>T</th>
<th>Sig.</th>
<th>Partial Correlation</th>
<th>Tolerance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Participation</td>
<td>.253*</td>
<td>2.936</td>
<td>.004</td>
<td>.272</td>
<td>.952</td>
</tr>
<tr>
<td>Power Distance</td>
<td>-.225*</td>
<td>-2.582</td>
<td>.011</td>
<td>-.241</td>
<td>.942</td>
</tr>
<tr>
<td>Interaction Term EPPD</td>
<td>-.028*</td>
<td>-.302</td>
<td>.763</td>
<td>-.029</td>
<td>.915</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interaction Term EPPD</td>
<td>-.491*</td>
<td>-1.568</td>
<td>.120</td>
<td>-.151</td>
<td>.070</td>
</tr>
</tbody>
</table>

Table 5b. Results of Moderated Regression indicating effects of Power Distance on the relationship of Employee Participation & Trust.

H1 posits that High Power Distance would reduce Trust in Management. Table 3 indicates significant negative relationship of High Power Distance and Trust (Correlation -.190 at p< .038). This validates H1 that High Power Distance will reduce the Trust of employees in the management.

H2 posits that the positive relationship of Employee Participation with Trust in Management is reduced due to higher power distance dimension of culture. Correlation Analysis at Table 3 indicates that Employee Participation has significant positive relationship with Trust in Management (Correlation .315 at p< .000). Regression Analysis at Table 4 indicates that Employee Participation contributes significantly in building trust in management (b= .256, t= 3.556 at p< .001). Whereas Moderated Regression Analysis Table 5b indicates that interaction of Employee Participation (b=.253, t= 2.936 at p< .004) with cultural dimension of High Power Distance has reduced the relationship of Employee Participation with Trust (b= -.419, t= -1.568 at p< .120). This substantiate H2 that High Power Distance effects negatively the relationship between Employee Participation and Trust in Management.

Moderating Effect of Power Distance on Relationship of Feedback & Trust

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.420*</td>
<td>.176</td>
<td>.101</td>
<td>1.03639</td>
</tr>
<tr>
<td>2</td>
<td>.492*</td>
<td>.242</td>
<td>.157</td>
<td>1.00318</td>
</tr>
<tr>
<td>3 Interaction Term FBPD</td>
<td>.494*</td>
<td>.244</td>
<td>.151</td>
<td>1.00690</td>
</tr>
<tr>
<td>( Feedback*Power Distance)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 6a. Model moderating effects of Power Distance on the relationship of Employee Feedback & Trust.

<table>
<thead>
<tr>
<th>Model</th>
<th>Beta</th>
<th>T</th>
<th>Sig.</th>
<th>Partial Correlation</th>
<th>Tolerance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feedback</td>
<td>.139*</td>
<td>1.575</td>
<td>.118</td>
<td>.150</td>
<td>.957</td>
</tr>
<tr>
<td>Power Distance</td>
<td>-.225*</td>
<td>-2.582</td>
<td>.011</td>
<td>-.241</td>
<td>.942</td>
</tr>
<tr>
<td>Interaction Term FBPD</td>
<td>-.053*</td>
<td>-.592</td>
<td>.555</td>
<td>-.057</td>
<td>.952</td>
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<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interaction Term FBPD</td>
<td>.196*</td>
<td>.458</td>
<td>.648</td>
<td>.044</td>
<td>.039</td>
</tr>
</tbody>
</table>
H3 posits that the positive relationship of Employee Feedback with Trust in Management is reduced due to higher Power Distance dimension of culture. Correlation Analysis at Table 3 indicates that Employee Feedback has insignificant positive relationship with Trust in Management (Correlation .090 at p< .327). Regression Analysis at Table 4 indicates that Employee Feedback contributes in building trust in management though not significantly (b= .011, t=.132 at p< .895). Whereas Moderated Regression Analysis Table 6b indicates that interaction of Employee Feedback (b=.139, t= 1.575 at p< .118) with cultural dimension of High Power Distance has slightly enhanced the relationship of Employee Feedback with Trust (b= .196, t=.458 at p< .648). This negates H3 that High Power Distance effects negatively the relationship between Employee Participation and Trust in Management. Thus H3 has not been proved.

### Table 6b.
<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Control Variables (Demographics)</td>
<td>.420a</td>
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<td>.101</td>
<td>1.03639</td>
</tr>
<tr>
<td>2 Goal Clarity</td>
<td>.650b</td>
<td>.423</td>
<td>.358</td>
<td>.87557</td>
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<tr>
<td>Power Distance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Interaction Term GCPD (Goal Clarity*Power Distance)</td>
<td>.657c</td>
<td>.432</td>
<td>.362</td>
<td>.87250</td>
</tr>
</tbody>
</table>

Table 7a. Model moderating effects of Power Distance on the relationship Goal Clarity & Trust.

<table>
<thead>
<tr>
<th>Excluded Variables</th>
<th>Model</th>
<th>Beta In</th>
<th>t</th>
<th>Sig.</th>
<th>Partial Correlation</th>
<th>Collinearity Statistics</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
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<td>Tolerance</td>
</tr>
<tr>
<td>1 Goal Clarity</td>
<td>.473a</td>
<td>6.063</td>
<td>.000</td>
<td>.504</td>
<td>.935</td>
<td></td>
</tr>
<tr>
<td>Power Distance</td>
<td>-.225a</td>
<td>-2.582</td>
<td>.011</td>
<td>-.241</td>
<td>.942</td>
<td></td>
</tr>
<tr>
<td>Interaction Term GCPD</td>
<td>-.140a</td>
<td>-1.564</td>
<td>.121</td>
<td>-.149</td>
<td>.927</td>
<td></td>
</tr>
<tr>
<td>2 Interaction Term GCPD</td>
<td>-.161b</td>
<td>-1.325</td>
<td>.188</td>
<td>-.128</td>
<td>.364</td>
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</tr>
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</table>

Table 7b. Results of Moderated Regression indicating effects of Power Distance on the relationship of Goal Clarity & Trust.

H4 posits that the positive relationship of Goal clarity with Trust in Management is reduced due to higher Power Distance dimension of culture. Correlation Analysis at Table 3 indicates that Goal Clarity has significant positive relationship with Trust in Management (Correlation .493 at p< .000). Regression Analysis at Table 4 indicates that Goal Clarity contributes much in building trust in management significantly (b= .526, t=6.077 at p< .000). Whereas Moderated Regression Analysis Table 8b indicates that interaction of Goal Clarity (b= .473, t= 6.063 at p< .000) with cultural dimension of High Power Distance has reduced the relationship of Goal Clarity with Trust (b= -.161, t= -1.325 at p< .188). This proves H4 that High Power Distance effects negatively the relationship between Goal Clarity & Trust in Management.
Moderating Effect of Power Distance on Relationship of Autonomy & Trust

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Control Variables (Demographics)</td>
<td>.420*</td>
<td>.176</td>
<td>.101</td>
<td>1.03639</td>
</tr>
<tr>
<td>2 Autonomy</td>
<td>.482²</td>
<td>.233</td>
<td>.147</td>
<td>1.00942</td>
</tr>
<tr>
<td>Power Distance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Interaction Term APD</td>
<td>.499c</td>
<td>.249</td>
<td>.157</td>
<td>1.00331</td>
</tr>
<tr>
<td>( Autonomy*Power Distance)</td>
<td></td>
<td></td>
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</table>

Table 8a. Model moderating effects of Power Distance on the relationship Autonomy & Trust.

Excluded Variables

<table>
<thead>
<tr>
<th>Model</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
<th>Partial Correlation</th>
<th>Tolerance</th>
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<tr>
<td>1</td>
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<td></td>
</tr>
<tr>
<td>Autonomy</td>
<td>.087a</td>
<td>.962</td>
<td>.338</td>
<td>.092</td>
<td>.920</td>
</tr>
<tr>
<td>Power Distance</td>
<td>-.225a</td>
<td>-2.582</td>
<td>.011</td>
<td>-.241</td>
<td>.942</td>
</tr>
<tr>
<td>Interaction Term AD</td>
<td>-.140a</td>
<td>-1.564</td>
<td>.121</td>
<td>-.149</td>
<td>.927</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interaction Term APD</td>
<td>-.597b</td>
<td>-1.520</td>
<td>.132</td>
<td>-.146</td>
<td>.046</td>
</tr>
</tbody>
</table>

Table 8b. Results of Moderated Regression indicating effects of Power Distance on the relationship of Autonomy & Trust.

H5 posits that the positive relationship of Autonomy with Trust in Management is reduced due to higher Power Distance dimension of culture. Correlation Analysis at Table 3 indicates that Autonomy has positive relationship with Trust in Management though not significant (Correlation .055 at p< .527). Regression Analysis at Table 4 indicates that Autonomy does not contribute much in building trust in management significantly (b= -.067, t= -.802 at p< .424). Whereas Moderated Regression Analysis Table 8b indicates that interaction of Autonomy (b= .087, t= .962 at p< .338) with cultural dimension of High Power Distance has reduced the relationship of Autonomy with Trust (b= -.597, t= -1.520 at p< .132). This proves H5 that High Power Distance effects negatively the relationship between Autonomy and Trust in Management.

DISCUSSION

The results of this study are mostly in accordance with expectations. As hypothesized, Cultural dimension of High Power Distance had a significant effect on the relationship of independent variables (Employee Participation, Feedback, and Goal Clarity & Autonomy) and dependent variable Trust in Management. However, High Power Distance did not significantly affect relationship of Employee Feedback with Trust in Management for the High Power Distance society of Pakistan. The lack of association for Employee Feedback in the Pakistan is contrary to provide a strong empirical support for the proposed model. However, the effect is negligible. Thus H3 of the study is not substantiated whereas remaining four hypotheses of the study have been proved. The fact that power distance did not show a strong moderating effect is perhaps due
to the weak correlation of Employee Feedback and Trust which is .090 at p< .327. Moreover, due to better educated sample of the study and improper feedback of employees’ performance by the managers could also contribute to a weaker relationship Employee Feedback and Trust and thus insignificant moderating effect of power distance. The power distance scores may simply not enough to capture a strong moderating effect, especially given the small sample size of 120 employees. Nonetheless, there is still sufficient evidence for the moderating role of power distance on other independent variables.

Employee Feedback from managers in High Power Distance may not be the true reflection of their performance moreover employees from HPD culture would tend to accept negative feedback from their managers and seniors due to the authoritative positions of the management. This had been found in Chinese HPD culture in which employees were keen to accept negative feedback from a senior; such HPD orientations proves the authenticity of unequal power distributions among various members (Bond, Wan, Leung & Giacalone, 1985). This could also support the unexpected results of Employee Feedback found in this study.

Pakistani culture with high degree of power distance index (HPDI) demands that and society is highly rule receptive and laws, rules, regulations etc. are followed which is more pronounced in most of the government departments and banking sector. People of high power distance (HPD) cultures would want to have a situation of high separation of those who do and who do not hold power.

It has been amply supported by research that people with HPD culture accept the unequal distribution of power and wealth and it is acceptable for superiors/ seniors to have a great degree of power over subordinates/ juniors (Hofstede, 1980b). Whereas the employees with LPD culture tend to grow a strong personal association with their seniors, managers and superiors (Tyler, Lind & Huo, 1995). This type of relationship would tend to distort the lines of authority because the junior / subordinate might be somewhat dependent on goal clarity and positive feedback which enhances the relationship. HPD culture suggests learning by receiving knowledge from teacher or mentor (i.e., guru) whose methods are not questioned (Buckly & Ghauri, 1999). The leaders are found rigid in their style and subordinates are expected follow the instructions of their seniors / leaders.

The negative impact of High Power Distance culture would reduce the goal clarity of the employees specially of banking sector because employees in HPD tend to agree that the goal setting process is an exercise of the manager's power and so the manager is still the authority figure in deciding their goals and employees have very less say, which could be expected in MBO (Management by Objectives) scenario of banking sector.

The HPD in Pakistani culture would not allow employees participation in any decision making process. Thus the trust of employees in management will be adversely affected. Since Pakistan culture is rated higher on the power distance, this would have an impact on the employee participation process. Firstly, the managers might be reluctant to involve employees in goal setting and decision making activities due to their perception of "giving up their own power and authority". Secondly, the employees may be reluctant to accept a more empowered role because they expect the manager to be the person "in control." Thus HPD would reduce goal clarity, employees’ participation and autonomy as found in this research study.

In HPD culture the managers and seniors have to adopt certain measures to create atmosphere of trust, support and cooperation (Yoon et al., 2001). The research findings suggest
that organizations have to develop clear and open communication means to enhance Goal Clarity, Employee Participation and ultimately the Trust in Management. It may be noted that an environment of support, trust, and cooperation from the senior management gives employees greater control over their work efforts in order to achieve their job goals (Brown & Leigh, 1996). Therefore, organizations, specially banks, need to develop clear and open communication means to enhance Goal Clarity, Employee Participation and finally their Trust in Management. The high scores of Pakistani cultural dimension of power distance suggest reduction of employees’ trust in the management specially the banking sector which otherwise demands strict following the authority and rules/ regulations.

Greater autonomy to the bank employees, empowering them to independently take actions so as to devise the means to better satisfy customer needs, is considered essential. Conger & Kanungo (1988) had suggested that empowerment is not only delegating / sharing of power with workers, but the empowerment could include sharing of resources. This envisages empowerment as a process by which a leader / manager share his/her power with subordinates by sharing control over organizational/ firm resources. Conger & Kanungo had grouped techniques such as Management by Objectives (MBO), Goal Setting & Quality Circles, and together as a category of tools which facilitate the sharing of resources. A goal setting structure can be used to evade this power distance obstacle. As a preliminary point, managers have to revolutionize the way they think about power and control. This may be more relevant to banking sector where goals are set for each individual to achieve. Conger & Kanungo also describe empowerment as a motivational construct where workers are motivated through enhancing their own self-efficacy. That is, employees are motivated to accomplish tasks and goals because they are given the authority to do so. Thomas & Velthouse (1990) have further expanded upon the work of Conger and Kanungo. They see empowerment as a type of motivation which emphasizes the "pull of the task rather than the push of management" (1990).

The manager ought to comprehend that for empowerment and participation to occur, the subordinates' jobs will have to vary and so must the manager's job. The managers must be qualified and have expertise to administer the new jobs of subordinates. Managers must understand that while their base of power doesn't change, they should exercise their power differently. Underneath this coordination the manager maintains his/her command by establishing goals, guiding employees in the growth and use of strategies for the accomplishment of demanding goals, providing feedback about goal achievement and allocation of resources based on goal achievement. In the course of this system of activities, the manager continues to direct employee actions.

CONCLUSION

This study was aimed at enhancing our understanding of the impact of culture on employees' trust in management in Pakistani environment by proposing a model which gives relationship of determinants of trust i.e. Employees’ Participation, Employees Feedback, Goal Clarity and Autonomy. The proposed model incorporates Hofstede’s (2001) one of cultural dimensions (power distance) as key moderators of the effect of independent variables on dependent variable. An empirical study was conducted in Pakistani HPD culture. The outcomes of this study may help employers redefine their organizational strategies keeping the Trust of the employees as the focal point. It is assumed that this trust can be the only ever-lasting association if, employees and employers enjoy as mutual beneficiaries in the form of high profitability, market share and development of both the employees and the organizations. We have studied only dimension of
Pakistan culture future research may be found useful to study the impact of other dimensions of culture on trust in management.

References


Theory: an Organizational Perspective (ed. M. J. Martinko), 125–45. St Lucie Press, Delray Beach, FL.


Questionnaire Moderating Impact of Power Distance on Trust Annex-A

Dear Sir/Madam

Your contribution in helping me analyze employees’ perceptions of trust in management and the factors associated in this process is valued highly. I am also studying the impact of Pakistani culture on employees’ trust in management. Completion of this information is voluntary and confidentially is assured. No individual data will be reported.

Thank You!

Name:___________________(Optional)         Designation: ________________________

Bank Name______________________________________________________________

A   Gender         Male          Female
B   Age(Years)     20-25  26-30  31-35  36-40  41-50  ABOVE 50

C   Educational Attainment  Matric / D COM  FA/FSC/ I COM  BA/BSC/ B COM  MA/ MSC/ MBA  MS/M Phil  PhD or Above

D   Religion  Islam  Christianity  Others

E   Marital Status  Un-married  Married  Divorced  Widowed  Separated

F   Type of Employment  Contractual  Regular

G   Work Experience  Less than 1 Year  1-2 Years  3-5 Years  6-10 Years  Above 10 Years

H   Are you paid for overtime work hours?  Yes  No

J   Does your job require you to work extra hours?  Yes  No

Trust in Management:

1. Does management treat you with respect? 1 2 3 4 5 6 7
   Never  Always

2. Does management follow through on its commitments? 1 2 3 4 5 6 7
   Never  Always

3. Do employees trust management? 1 2 3 4 5 6 7
   Never  Always

4. Do you trust your supervisor? 1 2 3 4 5 6 7
   Never  Always
Employee Participation:

<table>
<thead>
<tr>
<th></th>
<th>Can you influence the decisions that affect your work group?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td></td>
<td>Never  Always</td>
</tr>
<tr>
<td>2</td>
<td>Can you influence your supervisor’s decisions?</td>
</tr>
<tr>
<td></td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td></td>
<td>Never  Always</td>
</tr>
<tr>
<td>3</td>
<td>Does your supervisor accept your ideas and suggestions?</td>
</tr>
<tr>
<td></td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td></td>
<td>Never  Always</td>
</tr>
<tr>
<td>4</td>
<td>Are you free to decide how to do your job?</td>
</tr>
<tr>
<td></td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td></td>
<td>Never  Always</td>
</tr>
</tbody>
</table>

Goal Clarity:

<table>
<thead>
<tr>
<th></th>
<th>Are the organization’s goals clear to you?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td></td>
<td>Never  Always</td>
</tr>
<tr>
<td>2</td>
<td>Do you think organizational goals are used to make day-to-day work decisions?</td>
</tr>
<tr>
<td></td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td></td>
<td>Never  Always</td>
</tr>
<tr>
<td>3</td>
<td>Do you think there are thorough plans for achieving organizational goals?</td>
</tr>
<tr>
<td></td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td></td>
<td>Never  Always</td>
</tr>
<tr>
<td>4</td>
<td>Do you think there is formal planning for achievement of organizational goals?</td>
</tr>
<tr>
<td></td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td></td>
<td>Never  Always</td>
</tr>
</tbody>
</table>

Autonomy:

<table>
<thead>
<tr>
<th></th>
<th>How much are you left on your own to do your own work?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td></td>
<td>Very  Much</td>
</tr>
<tr>
<td>2</td>
<td>To what extent are you able to act independently of your supervisor in performing your job function?</td>
</tr>
<tr>
<td></td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td></td>
<td>Very  Much</td>
</tr>
<tr>
<td>3</td>
<td>To what extent are you able to do your job independently of others?</td>
</tr>
<tr>
<td></td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td></td>
<td>Very  Much</td>
</tr>
<tr>
<td>4</td>
<td>The freedom to do pretty much what I want on my job?</td>
</tr>
<tr>
<td></td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td></td>
<td>Very  Much</td>
</tr>
<tr>
<td>5</td>
<td>The opportunity for independent thought and action?</td>
</tr>
<tr>
<td></td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td></td>
<td>Very  Much</td>
</tr>
<tr>
<td>6</td>
<td>The control I have over the pace of my work.</td>
</tr>
<tr>
<td></td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td></td>
<td>Very  Much</td>
</tr>
</tbody>
</table>
Feedback:

1. To what extent do you find out, how well you are doing on the job, as you are working?  
   1 2 3 4 5 6 7  
   Very Little Much

2. To what extent do you receive information from your supervisor on your job performance?  
   1 2 3 4 5 6 7  
   Very Little Much

3. The feedback from my supervisor, on how well I am doing?  
   1 2 3 4 5 6 7  
   Very Little Much

4. The opportunity to find out, how well I am doing on my job?  
   1 2 3 4 5 6 7  
   Very Little Much

5. The feeling that I know weather I am doing my job well or poorly.  
   1 2 3 4 5 6 7  
   Very Little Much

Power Distance:

1. People in higher positions should make most decisions without consulting people in lower position.  
   1 2 3 4 5 6 7  
   Very Little Much

2. People in higher positions should use authority and power when dealing with people in lower positions.  
   1 2 3 4 5 6 7  
   Very Little Much

3. People in higher positions should not ask the opinions of people in lower positions too frequently.  
   1 2 3 4 5 6 7  
   Very Little Much

4. People in higher positions should avoid social interactions with people in lower positions.  
   1 2 3 4 5 6 7  
   Very Little Much

5. People in lower positions should not disagree with decisions made by people in higher positions.  
   1 2 3 4 5 6 7  
   Very Little Much

6. It is difficult for people in lower positions to meet and talk with people in higher positions.  
   1 2 3 4 5 6 7  
   Very Little Much

7. People in lower positions should be cautious about how to express themselves when disagreeing with people in higher positions.  
   1 2 3 4 5 6 7  
   Very Little Much
Impact of Organizational Context on Key Determinant of Customer Satisfaction
In Baking Sector of Pakistan
Muhammad Maalik
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Abstract
Customer satisfaction has become a corporate goal in today’s economy driven world. Hence, understanding its determinants as well as outcome is of critical importance for managers. Most of the shades of opinion emerging out of previous research agree that service quality has a major impact on customer satisfaction. However, there has been some conflicting empirical evidence in the past regarding direction of causal linkage between service quality and customer satisfaction. The literature survey also reveals a gap in the body of knowledge as to what an extent a specific organizational context affects the outcome as well as direction of causal linkage of this inter-relationship. This paper infers its findings from a survey conducted to determine impact of service quality on customers’ satisfaction in different organizational context related to baking sector of Pakistan. A sample of 155 respondents participated in the research process. Findings reflect that both core and relational aspects of service quality have a varying degree of impact, the variance caused by the context impact, on customers post –purchase judgment. The researcher has the discussed results and have also made the suggestions for managers as well as directions for future studies.

Key Words: Service Quality, customer satisfaction, Banking sector, organizational context and Pakistan.

1. Introduction
In spite of non-appearance on balance sheet, customers are deemed to be an economic asset (Kanji and Wallace, 2000). That is why customer-driven quality of service/product is viewed as a success striving factor (Deming, 1986; Oakland & Porter 1994, Spring, Mcquater, Swift, Dalc & Booker 1998; Oakland, 2000; Winser and Corney, 2001 and Nakata, 2002). Most of the scholars engaged in consumer related research have viewed customer satisfaction as a theoretical as well as practical issue (Dabholkar, Thrope and Rentz, and Fournier and Mick, 1999); It is so because customer retention is directly related to customer satisfaction (Kohli and Jaworski, 1980). Resultantly, customer satisfaction has become a “corporate goal” as different companies across the market divide endeavour to gain quality in their products and services (Bittner and Hubbert, 1994). Customer Satisfaction is the most critical factor influencing market share of any business venture. Whatever business strategy it might develop, the end objective remains customer satisfaction (Naeem and Saif, 2010).

Banks serve as an intermediary for funds channeling from money lenders to money borrowers (Luckett, 1994, P.36). Banking service deals with simultaneous convergence and divergence of funds. Because banks deal with “undifferentiated Products” service quality assumes critical importance to gain competitive edge in the market. To this end, banks follow an approach which seeks continuous improvement in services and processes (Pearce and Robinson, 2005), which is determined by satisfaction level of the customers. To measure this level different indexes i.e. Swedish Customer satisfaction Barometer (SCSB)(Fornell, Johnson, Anderson, Cher and Bryant, 1989); and American Customer Satisfaction Index (Fornell et al; 1996); were developed during last decade of last century and current decade of current century.

During first half of the last decade (2000 -2006) Pakistani banks achieved phenomenal growth in consumer banking (Hussain, Hussain, Hussain, Shahid & Sajid 2009)”. Despite “global recession, financial disaster, cash crouch and bankruptcy across globe” Pakistani banks...
produced highest returns (Hussain, et al; 2009). In the lead were the newly privatized banks like UBL, HBL and MCB which have embarked upon consumer financing and extended their network outside major cities (Hussain et al; 2009). This development led to a tough competition which compelled bankers to meaningfully enhance their service quality (determinant of customer satisfaction) to attract and retain new clientele (Naeem and Saif, 2010). Hence, a need was felt to investigate the nature of correlation between service quality and customer satisfaction as applicable to Pakistani Banks with different organizational culture. In the backdrop of above described situation, the researcher intends to study the contextual impact of service quality on customer satisfaction in banking sector of Pakistan.

1.1 Objectives of the Study

- To confirm direction of causal linkage between service quality and customer satisfaction in banking sector of Pakistan.
- To study impact of service quality on customer satisfaction or vice-a-versa.
- To contextualize the interaction between service quality and customer satisfaction in banking sector of Pakistan.

1.2 Significance of the Study

The study contextualizes the impact of service quality on customer satisfaction in banking sector of Pakistan by comparing two independent sets of data. Moreover it makes recommendations for researchers as well as managers.

2. Literature Review

2.1 Dimensions of National Culture

Till late sixties the Convergence approach remained as a widely accepted belief (Hofstede, 2008). The scholars could not find any linkage between national culture and management which was taken as a universal practice. However, with the advent of seventies this notion faded away and most of the organizations including multi-nationals identified it to be the most crucial problem for management in the corporate sector. As of now, the concept of “flat world” (Friedman, 2005) or a “global village” (Ger, 1999) is having a telling effect on business concerns (Dunphy, 1987). However, each nation still maintains the integrity of its respective culture (Aristotle, 330 B.C; Ibne Khnldum, 1380 A.D; Frederic, 1850; Wundt, 1910). The impact of this distinctive element of different cultures can be measured with five dimensions of national cultures (Hofstede, 1983).

2.2 Organizational Context

With the fading away of standardization, the importance of context specific localization has increased manifolds (Hofstede, 1980). Therefore, organizational psychology needs to develop a through understanding of context related implication of culture. It will reveal the nature of their interdependence. The cross cultural organizational psychology should, therefore, incorporate contextual factor (s) into the research design to find their moderating affect (Koztowski and Klicn, 2000). In this backdrop, the organizational context can affect the interrelationship of independent and dependent variables as under:-

- **Amplification Effect**
  It this case organizational context will accelerate and strengthen the variations caused by direct relationship (Tett and Burnett, 2003). For example sense of accountability makes the collectivists more cooperative and individualists more competitive (Gelfand and Realo, 1999).

- **Suppression Effect**
In this case the organizational context weakens the outcome of the interrelationship of independent and dependent variables (Michele, Lisa and Ryan, 2008). It deactivated the salience of norms and values (Tett and Burnett, 2003).

c. **Reversion Effect.**

Here, the organizational context may reverse the causal linkage of culture-outcome relationship. For example if sense of accountability is waived-off, individualists may cooperate and collectivists may compete (Yamagishi, 1988).

### 2.3 Customer Satisfaction

Customer satisfaction has been defined as complete fulfillment of some body’s expectations (Oliver, 1983). Schiff man and kanuf (2005) define customers satisfaction as perception about some product/service in accordance with some ones pre-conceived expectations. Yet another definition reads that feeling or impressions formed after using a product or service (Jamal & Nasir, 2002). Customer’s satisfaction is a post exposure judgment made by customers towards a product or service after it has been used. Hence, it makes a major influence on the consumer buying behavior (Jamal and Nasir 2002). For example a satisfied customer is likely to be engaged in repeat purchase of a particular offering, he/she is satisfied with (East, 1997). Thus, it influences a customer’s future purchase priorities (Taylor and Baker 1994). Satisfied customers were also expected to utter a “positive world of mouth” which serves as advertising (Jamal and Naser, 2002). On the contrary, dissatisfied customer would not only switch loyalties but would also resort to “negative word of mouth advertising” (Richens, 1983). This phenomenon has direct bearing on profitability of a firm (Dabholkar et al; 1996).

### 2.4 Key Determinants of Customer Satisfaction

Satisfaction judgments are global in nature (Taylor and Baker, 1994). Thus potentially there may be a number of antecedents of customer satisfaction (Rust and Oliver, 1994). However, most of the research conducted on this subject has relied upon disconfirmation paradigm, which takes into account two variables: Purchase expectations and disconfirmation(Peter and Olson, 1996; Churchill and Supprenant, 1982). According to Peter and Olson (1996), disconfirmation is difference between Pre-purchase expectations and post purchase perceptions. Hence, if perceived performance is higher than expectations (Positive disconfirmation), the customer gets satisfied and vice-a-versa. Some researchers also believe that satisfaction is caused by expectations which requires cognitive effort by the customers (Cadotte et al, 1987; Bearden and Teel, 1983). Later research also argued that besides cognitive components (expectation and disconfirmation), customer satisfaction also relies upon effective components like equity (Mano and Oliver, 1993). However, almost all the researchers have linked customer satisfaction with the service quality (Abderson and Sullivan, 1993; Cronin and Taylor, 1992; Bittner and Mubbert, 1994; Levesque and McDongall, 1996). That is the reason that this research focuses on impact of service quality on customer satisfaction.

### 2.5 Service Quality

Service quality has been defined as customer’s overall impression of the relative inferiority/superiority of the organization and its services (Bittner and Hubbert, 1994).

### 2.6 Facets of Service Quality

Service quality has two main facts i.e Core aspects and relational aspects (Levesque and McDongall, 1996). Core aspects cater for reliability of the service while the relational aspects deal with responsiveness, tangibles, assurance and empathy (Parasuraman, Zeithaml & Berry,
The reliability refers to outcome of the service, while relational aspects are related to delivery processes. Based on this opinion, it is being suggested that both aspects, core as well as relational, contribute towards achievement of customer satisfaction.

2.7 Criticality of Tangible Dimensions

A service differs from a product on account of being intangible. That makes it difficult for a customer to understand it explicitly (Legg and Baker 1996). In this backdrop a customer tends to draw inference about the service on the basis of tangibles i.e building and physical layout etc (Bitner, 1990). Physical features of the service environments do have substantial impact on satisfaction judgment of the customer (Wakefield and Blodgett, 1999). In the context of banking service, convenient location of the bank constitutes a tangible feature (Levesque and McDougall, 1996). Accessibility is yet another related factor affecting customer behavior (Jamal and Naser, 2002). Substantial return on Investment and reduced transactional cost are the fiscal tangibles having pronounced effect on customer satisfaction (Hussain et al; 2002). And last but not the least are the bank employees themselves, who happen to be the most effective tangibles directly contributing towards customer satisfaction (Naeem and Sajid, 2010). It is in this context that the organizational context matters the most.

2.8 Causal Linkage Between Service Quality and Customer Satisfaction

A number of researchers have considered customer satisfaction judgments as causal determinants of service quality judgments (Bitner, 1990; Parasuraman et al; 1988) Yet many other scholars believe that it is the service quality which happens to be the causal determinant of customer satisfaction (Taler and Baker, 1994; Anderson and Sullivan, 1993; Cronin and Taylor, 1992). Hence, there is contradictory empirical evidence with regard to the direction of causal linkage between these two variables. This anomaly, unless resolved, can have different managerial implications (Jamal and Naser, 2002). However, there has been a dominating view that “service quality generally results into higher level of customer satisfaction” (Naeem & Saif, 2010). It is this causal direction which outlines theoretical frame work and generates Hypothesis of this study.

3. Theoretical Framework
4. Hypotheses

4.1 Hypotheses-1
Service quality has a positive impact on customer satisfaction in Banking sector of Pakistan.

4.2 Hypothesis-2
Organizational context affects the outcome resulting from interaction of service quality and customer satisfaction in banking sector of Pakistan.

5. Methodology

Participants
To leading banks operating in Pakistan with country-wide network were chosen as universe for the current study. One of these is a foreign bank while the other one is a recently privatized local bank. Both of these banks are doing profitable business. This purposeful selection of the universe is meant to bring out the difference in outcome resulting from interaction of predictors and the dependent variable based on the data collected from local and the foreign bank, while national culture of the bank staff and the customers being common in each case (a derivative function of Hofstede’s approach to infer cultural dimensions). With due permission of the banks management, their selected branches were visited during first weeks of the calendar months when maximum customers visit the banks in connection with financial transactions. The individual customers were taken as unit of analysis and were administered with the questionnaire. They were requested to fill and return it before leaving the bank premises.

Sampling Procedure
To gain access to sufficient number of the units of analysis, convenience sampling procedure was followed. Around hundred customers from each bank were contacted in person. In case of foreign bank, 80% customers responded while others declined. Response in case of local bank proved to be 75%. Thus the research has benefitted from a high response rate.

Tool for Data Collection
A six item tool was used to measure the customer satisfaction of above described banks from detailed questionnaire developed by Tailor and Baker (1994). Tangibles were measured with seven items whole Reliability, responsiveness and satisfactions were measured with five items each while empathy and assurance with four items each. A five point likert scale was commonly applied to record the results.

Reliability of Instruments
As the tool with well established reliability values was followed, it showed strong internal consistency during pre-testing.
6. Results

6.1 Local Bank

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

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a. Predictors: (Constant), Assurance, Responsiveness, Tangibility, Reliability, Empthy

## ANOVA

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a. Predictors: (Constant), Assurance, Responsiveness, Tangibility, Reliability, Empthy
b. Dependent Variable: Satisfaction

## Coefficients

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a. Dependent Variable: Satisfaction
7. Result Analysis

Adjusted R Square in case of local bank proved to be 0.75. Being co-efficient of determination, it showed that 75% of variation in dependent variable (customer satisfaction) is predicted by the independent variables considered in this study i.e. Assurance, Responsiveness, Tangibility, Reliability and Empathy. The two-tailed strong co-relation of the variables being considered speaks of the relevance of the Questions asked and their comprehension by the respondents. The value of F is 45.425 and is significant at .000.

7.1 Foreign Bank

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**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).
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\textsuperscript{a} Predictors: (Constant), Assurance, Tangibility, Responsiveness, Reliability, Empathy

### ANOVA\textsuperscript{b}

<table>
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<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
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<tbody>
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<td>Regression</td>
<td>7.428</td>
<td>5</td>
<td>1.486</td>
<td>21.063</td>
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<tr>
<td></td>
<td>Residual</td>
<td>5.219</td>
<td>74</td>
<td>.071</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>12.648</td>
<td>79</td>
<td></td>
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</tbody>
</table>

\textsuperscript{a} Predictors: (Constant), Assurance, Tangibility, Responsiveness, Reliability, Empathy
\textsuperscript{b} Dependent Variable: Satisfaction

### Coefficients\textsuperscript{a}

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
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<th>Sig.</th>
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<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
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<tr>
<td>1</td>
<td>(Constant)</td>
<td>.563</td>
<td>.338</td>
<td>1.665</td>
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<tr>
<td></td>
<td>Tangibility</td>
<td>.230</td>
<td>.080</td>
<td>.275</td>
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<td></td>
<td>Reliability</td>
<td>.207</td>
<td>.079</td>
<td>.262</td>
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<tr>
<td></td>
<td>Responsiveness</td>
<td>.001</td>
<td>.088</td>
<td>.001</td>
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<tr>
<td></td>
<td>Empathy</td>
<td>.172</td>
<td>.090</td>
<td>.203</td>
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<tr>
<td></td>
<td>Assurance</td>
<td>.245</td>
<td>.079</td>
<td>.291</td>
</tr>
</tbody>
</table>

\textsuperscript{a} Dependent Variable: Satisfaction
8. Result Analysis

As expected, the results in case of foreign bank were at some what variance with results of the local bank. The adjusted R Square in this case came to be 0.559 which shows 60% contribution of the predictors towards determination of the dependent variation. The variation has basically been caused by the organizational context which has moderated the overall contribution of the predictors by causing a suppression effect to reduce it by nineteen percent i.e from 75% in case of local bank to 56% in case of the foreign bank. F ratio in this case is 21.063 and is significant at .000.

9. Discussion

The study benefits from two sets of data drawn from two different bank net-works i.e a foreign and a local bank. The clientage of both the banks happens to be the host country nationals. Same is the case with the bank staff. Hence, it makes a logical sense to assume that any variation in the result is caused by the organizational culture. The major difference has been noted in the value of adjusted R square. It is .75 in case of local bank, while it comes to .559 in case of the foreign bank. The nineteen percent suppression has been caused by the organizational culture. The contextual factors which might have played their part could have been:-

i. Convergence approach followed by the foreign bank disregarding norms of the local culture. This standardization approach has suppressed the salience of national culture, rendering some of the predictor variables ineffective.

ii. Relative lack of relevance of some of the items of the questionnaire in the given organizational context, especially so when the organizational culture is at variance with the national culture to which the bank staff as well as the customers belong.

iii. Ethnocentric management style followed by the foreign bank which affects the bank employee’s attitude towards job. They might be facing a dilemma while endeavouring to render quality service to the clients who do not readily get aligned with the bank practices.

iv. The organizational context might have been creating a different perception of the standards followed by the bank in minds of the customers. Thus organizational context inculcates a sense of some what alienship between customers and the bank staff, though both share the same national culture.

v. There is an element of cultural diversity between similar organizations working in the same country. Due to this factor the internal work culture does affect HRM practices differently in different organizations. It affects the employees and the outcome of their interaction with the customers. In this manner, the cultural diversity amongst organizations causes variance in the outcome of the interaction between predictors and dependant variables.

In case of foreign bank, tangibility, Reliability, Empathy and Assurance are significant at .005, .011, .06 and .003 respectively. However, Responsiveness is not significant with t-ratio .015 and significance level of .998. The probable reasons contributing towards this non-significance could be:-

i. Fresh graduates employed at front desk are not properly conditioned to interact with an average local customer.
ii. A tendency in the local customer to get out-of-turn service not entertained by a foreign bank.

iii. A lack of awareness amongst the average customers about modern banking practices.

iv. Reduced inter-action between customer and bank staff due to ATM etc, creating a sort of communication gap between bank staff and customers.

v. Partial convergence approach followed by the foreign bank with a negative impact on interrelation of independent and dependent variables (supression effect).

In case of local bank the T Ratio is ideal at .000 in case of Tangibility and Responsiveness. It is significant in case of assurance and is insignificant in case of reliability and empathy. It could be attributed due to following reasons:-

i. Indifferent attitude of the bank staff towards customer.

ii. A national cultural of non-caring attitude for others.

iii. Stressful nature of the job.

iv. Over-worked bank staff because of prolonged banking hours and shortage of staff.

v. Insufficient vocational training of the staff in the field of customer handling.

10. Conclusion

Following conclusions have been inferred from the study:-

10.1 Both, core as well as relational aspects of service quality have a positive correlation with the customer satisfaction. Hence, Hypotheses-1 is substantiated.

10.2 The diversity of organizational culture affects variance caused by independent variables in the resultant value of dependent variable, thus supporting Hypothesis-2.

10.3 Bank staff’s interaction with customers has been problematic in case of both the banks to a varying degree.

11. Recommendations

11.1 Recommendation for Managers

In light of the above concluded study, it is recommended that managers of both the banks need to arrange training for their front desk staff in the field of customer handling. It is more so in the case of local bank. The foreign bank needs to fill the communication gap between bank staff and customers by adapting local culture.

11.2 Recommendation for Researchers

The future research should focus on other predictors contributing towards determination of customer satisfaction in banking sector of Pakistan, especially foreign banks operating in Pakistan. A confirmatory study encompassing a bigger sample is also recommended. The researchers should also determine the moderating effect of organizational culture derived through comparison of data in respect of similar organizations working in the same country.

12 Limitation

The data could have been analyzed on more up-to-date software.
References


Baidourn, S. (2003), *An empirical study of critical factors of TQM in Palestinian organizations*, Logistics Management information, 16(2) 159--160.


Lower Partial Moments-Proxy of Downside Risk

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Abstract

CAPM with all its controversies is still valid, popular and most used asset pricing model in the world. Three major perspectives run among the researchers. The first rejects CAPM completely and the rest two advocates changes but differently. A scrupulous analysis yields that investors care more for downside risk rather than variance. Overwhelming evidence especially in emerging markets is present world-wide. Stochastic Dominance is a powerful tool to measure downside risk. Lower Partial Moment is developed proxy for Stochastic Dominance. Lower Partial Moment working comes under scrutiny. In last, its algorithm and relation of lower partial moment to downside-beta is discussed.

Key Words: CAPM, Downside risk, Lower partial moment.

I. Introduction

This paper discusses the primary issues of CAPM and finds controversies world-wide around CAPM. The major among them are investor’s preference for downside risk and non-normality in asset returns. This paper, being its own kind, brings the world of CAPM and downside risk together with lower partial moment as a bridge between them. Lower partial moment is a proxy for downside risk. The paper theme lower partial moment and for the first time brings together all the relevant material related to it with discussing in detail. Lower partial moment algorithms are discussed and loopholes are also identified making it very easier to be adopted. In the end, the relationship between lower partial moment and CAPM, and downside beta is established. The paper also claims to strike the balance by addressing the theoretical issues of lower partial moment, making it simpler to comprehend for beginners in financial econometrics and advance

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21 The investigation in CAPM have lead so far to three working papers and This paper is a direct extension of the first paper, which are written while working for PhD dissertation at COMSATS Institute of Information Technology, Islamabad.
The paper is divided into four sections. The first section gives an introduction while second section presents a brief introduction of CAPM. The third section discusses the problems with CAPM and the evidence in favor of downside beta. Lower partial moment is discussed theoretically. Initially, lower partial moment is ascertained as a proxy of downside risk and then its usage in research is discussed in detail. The last section is conclusion with recommendations.

2. Introduction to CAPM
Capital Asset pricing Model (CAPM) has mystified the researchers in the field of finance and economics for the last half a century. Despite the theoretical and empirical onslaught on it, it has survived and on the contrary has gained more popularity and acceptability both among researchers as well as players in stock markets. It is simple, cost-effective and even a beginner in the field of finance easily comprehends it.

Markowitz and Tobin’s contributions to the field of asset pricing have made CAPM its birth-child. With almost all the conditions of CAPM having roots in MV-framework and 2-fund separation theorem, CAPM cannot be independently analyzed. The pillars of CAPM are Capital Market Line (CML) and Security Market Line (SML). CML portrays a linear relationship of risk and return among different portfolios. And its test ground is SML where the performers of financial econometrics show their metal.

With evidence against CAPM from developed markets and mix evidence from emerging markets, it seems that theoretical and empirical framework of CAPM is to be reconsidered, rethought and regenerated. Researchers have paid attention to this and have come up with a solution. They contest that investors do really care about negative returns, do not give equal weights to upside and downside risk and are safety-conscious towards a below target return and they call it the “downside risk”. In life, we do not find what we dream but we tend to come as closer to it. In finance we call it proxy. Lower partial moment based on stochastic dominance, is considered a proxy of downside risk. Though developed in seventies and did not gain due attention until recently when researchers retraced their footsteps back in time to correct the assumptions of investor’s preference of risk and the condition of ‘normality” for CAPM.

3. The Background
During seventies, earlier tests for CAPM indicate that favorability but later on it seems that research on CAPM and controversies around it are highly correlated. These controversies revolve around three major viewpoints. Roll (1977) and Ross (1977) are the forerunners in the first perspective which completely rejects CAPM theoretically as well as empirically. Shanken (1982, 1987), Kandel and Stambaugh (1987), Reisman (1992) and Nawalkha (1997, CAPM is independently developed by Sharpe (1964), Lintner (1965), Mossin (1966) & Treynor(1962). 73.5% of U.S. CFOs (Graham & Harvey (2001)) and 45% in Europe use CAPM (Brounen, Abe de Jong and Koedijk (2004)). Mean-Variance (MV) Approach (Markowitz (1952)). Two-Fund Separation theorem under the conditions of market equilibrium (Tobin (1958)). See Beaver, Kettler and Scholes (1970), Galai and Masulis (1976), Black, Jensen and Scholes (1972), Fama and MacBeth (1973) and Blume and Friend (1973). Ross (1976) applies Arbitrage Pricing Theory (APT) to capital asset pricing and contests that APT substitutes CAPM.
2004) do try to defend CAPM but eventually settle down for modified-CAPM as multi-factor CAPM.


The third perspective is kind of solution provider. In it, the theoretical shortcomings of CAPM are addressed and transformed into modified versions of CAPM. Fischer Black (1972) provides solution to the problem without risk-free borrowing or lending in CAPM and is supported by Stambaugh (1982). Beta’s instability over time is disentangled by Bollerslev (1986, 1988, 1994) and French, Schwert, and Stambaugh (1987) and Jagannathan and Wang (1996) and held up by Lettau and Ludvigson (2001), Zhang (2003) and Petkova and Zhang (2003).

The million dollar question arises as to discard CAPM or not! A meticulous analysis offers a solution. If we go back in time to the very basics as to how an investor defines and assigns value to risk perhaps we can find a solution. CAPM basics imply that an investor care for risk in Markowitz’s (1952) Mean-Variance (MV) framework. However there are two major problems associated to it. Firsty investors care more for downside risk as compared to upside risk. And secondly, to validate CAPM “normality” is assumed which is very much questionable. The irony is that you propose something and belief something works better. This is what happened to Markowitz himself. Initially, he is convinced that downside risk as semivariance is more appropriate as compared to variance as a measure of investor’s risk. However he stays with the variance but does recognize the importance of semivariance (Markowitz (1959)).

3.1 Are Downside Risk and Normality Really Fundamental

Challenging the theoretical MV-framework of CAPM is altogether not simple. The first major premise is that investors are safety cognizant and the second one is the empirical tests are based on condition on normal distribution. However the latter problem can be addressed by using Generalized Method of Moments (GMM) as normal distribution is a sufficient assumption which is assumed for statistical purposes and to make it empirically testable (Campbell, Lo and MacKinlay (1997), chapter 5). But still this condition does affect the empirical results and

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29 He discards it due to lack of resources at that time. Variance is computationally simpler as semivariance optimization model requires twice the number of data inputs than the variance model and with the lack of cost-effective computer power until advent of the microcomputer in 1980s and with the fact that variance model is already mathematically very complex.

30 For detail, please see Abbas (2011)
though one can make CAPM testable but one cannot forget message it is conveying as to the investor’s preference for the downside utility function.

Downside risk is initially discarded by Markowitz (1952, 1959) and lived for three decades under the shadow of CAPM but it slowly makes its way to the arena. Roy (1952) starts the debate of downside risk and argues that investor care for disaster and safety from that disaster is the foremost goal of an investor thus entailing safety-first rule (SF-rule). Taken true means that Markowitz MV-framework and Roy’s SF-rule do not have any common ground to hold except under the condition of “normality” which is hard to find (Fama (1965a&b), Kon (1984), Affleck-Graves and McDonald (1989), Richardson and Smith (1993), Susmel (2001), Hwang and Pedersen (2002), Dufour, Khalaf and Beaulieu (2003)). In addition, Aparicio and Estrada (1997) study Scandinavian markets and assert that fat tails and high peaks is shown by distributions of daily stock returns. Bekaert and Harvey (1995, 1997), Eftekhari and Satchell (1996) and Bekaert, Erb, Harvey, and Viskanta (1998), show that emerging market display non-normality.

Researchers follow a pragmatic approach and prefer normal distribution being not a necessary condition to derive CAPM primarily assumed for statistical purposes. However under large departure from normality particularly when the distribution is severely asymmetric, MV-criterion may fail to correctly approximate the expected utility (see Chunachinda et al. (1997), Athayde and Flôres (2004) and Jondeau and Rockinger (2006)). A large body of literature is available purposing that MV-framework lacks theoretical support and stresses higher moments (skewness and kurtosis) are to be included.


Investors are indifferent to upside and downside risk is not true. They do not give equal weights to both upside and downside risk as assumed in CAPM. Markowitz (1959) himself agrees to it and Kahneman and Tversky (1979), Gul (1991) and Estrada (2000, 2002 and 2007) give reinforcement. Post and Levy (2005) emphasize that if investors show different behavior for bear and bull markets, then they are willing to pay premium for stocks giving downside protection in bear markets and upside potential in bull markets. Under this assumption one wonders how still CAPM survives the blitz directed to it all these decades with variance as the measure of risk.

31 Both Nielsen (1990) and Allingham (1991) provide sufficient conditions but these conditions are hard to interpret. Also see Berk (1997).
32 CAPM rests on MV-framework.
33 Downside risk is different from co-skewness risk. The downside risk is captured non-linearly while co-skewness does not assume it.
34 Especially for skewness and kurtosis.
35 Investors are risk averse for losses and they become seekers for gains.
Quirk and Saposnik (1962), Mao (1970), Klemkosky (1973) and Ang and Chua (1979) all demonstrate that semivariance is superior to variance. Grootveld and Hallerbach (1999) conclude that downside risk approaches tend to favor more as compared to variance. Harvey (2000) suggests the supremacy of downside risk for emerging markets for a sample based on equilibrium as well as non-equilibrium-based risk measures. Estrada (2002) uses methodology of Levy and Markowitz (1979), asserts credibility of semivariance over standard deviation-empirically. Balzer (2001) comes up with the relationship between utility and downside risk measures, and contests that semivariance framework is better than Markowitz’s M-V framework. Ang, Chen and Xing (2002, 2006) conclude that downside beta works better in predicting future than variance-based framework. Estrada (2002) affirms that over 45% of variability for a cross-sectional analysis for a joint sample of developed markets and emerging markets and 55% in emerging market are explained by DCAPM. Post and Vliet (2004) contest that DCAPM surpasses CAPM. Estrada and Serra (2005) find out global downside beta is the best risk measures among the various risk measures studied. This evidence is just the beginning, ahead lays vast frontiers of downside risk in form of its conditional and intertemporal versions. The basic premise of this debate is to establish downside risk the heir of CAPM in field of asset pricing but the question arises as to how downside risk is measured in asset returns.

3.2: Lower Partial Moment-Proxy for Downside Risk

Researchers though advocate supremacy of downside risk over variance as a measure of investors’ risk but face an uphill task of an appropriate proxy for downside risk in asset returns. Markowitz (1952, 1959) and Roy (1952) stress semivariance but the question arises how to measure downside risk! Markowitz has two suggestions for measuring downside risk: SVm- semivariance from mean return or below-mean semivariance and SVt- semivariance from a target return or below-target semivariance. Markowitz names these measures partial or semi-variances. In addition, Hogan and Warren (1974) substitute variance with semivariance but it fails to get due attention until the adoption of stochastic dominance in downside risk.

Stochastic dominance (SD) is a powerful risk analysis tool which does not rely on any certain type of distribution but, rather compares results in pairs using their cumulative distribution functions. In portfolio science, an investor exhibit three type of behavior namely; investor prefers more to less (nonsatiation), investor is risk averse and prefer more wealth but at a decreasing rate (decreasing absolute risk aversion (DARA)). Quadratic utility is assumed for variance in MV-framework using Taylor series to expand the utility function including the first two moments; mean and variance and ignoring the rest. However quadratic concave utility curve turns down after they reach the “bliss point” -certainly against the third assumption of the type of investor i.e. DARA. Under these circumstances SD seems to be the ideal tool as it does not
assumes a specific form of distribution and the different form of SD capture all the three behaviors of an investor\textsuperscript{41}.

SD uses probability distribution functions (pdf) of assets in pairs and asserts the dominance of one over the other. For the first condition SD forms First-order SD (FSD) such as first difference of a utility function is greater than zero i.e. $U'(w) > 0$. For the first two conditions SD assumes Second-order SD (SSD) as second difference be less than zero i.e. $U''(w) < 0$ and to fulfill all the three conditions SD assumes Third-order SD (TSD) as the third difference is positive i.e. $U'''(w) > 0$\textsuperscript{42}.

The procedure seems simple and can be used both in portfolio optimization as well as for downside risk in asset pricing but the problem to quantify SD remains until the breakthrough by Bawa\textsuperscript{43}.

In 1975, Bawa develops proxy for SD. He generalizes semi-variance measure of risk with the development of the Lower Partial Moment (LPM), proxy for stochastic dominance, to reflect less restrictive class of decreasing absolute risk aversion (DARA) utility function. Bawa uses n-order LPMs to cover a wide range of risk measures as:

$$LPM_n(\tau, R_i) = \int_{\tau}^{\infty} (\tau - R_i)^n dF(R_i).$$

where $\tau$ is the target return specified by the investor, $R_i$ is the return of asset $i$, $dF(R_i)$ is probability density function of asset $i$ and $n$ is the order of investor’s risk preference for ex ante. For setting LPM=0 (i.e. n=0) means that the investor is risk neutral. For n=1 means that the investor is risk averse but in a mean-variance framework. For n=2 implies that the investor is risk averse but from the point of semivariance. For n=3 and n=4, represent skewness and kurtosis. For discrete form the equation (1) takes the following form:

$$LPM_{n}(\tau, R_i) = \frac{1}{\tau} \sum_{i=1}^{\tau} [\max(0, (\tau, R_i))]^n.$$

Fishburn (1977) extends the general LPM model into unlimited view of LPM which embraces all classes of investors; risk averse, risk seeking and risk neutral. For value $n<1$ captures risk seeking behavior while setting equal to zero is risk neutral behavior and risk averse behavior is $n > 1$. The higher the n (but above one), the higher the degree of risk aversion for an investor\textsuperscript{44}.

Moreover with fractional degrees like 2.33 or 3.89 for different n in Fishburn classes, LPM simply encompasses unlimited view of risk measures (Nawrocki (1999)).

Bawa and Lindenberg (1977) generalize LPM based on co-semivariance measure into generalized or asymmetric co-LPM or GCLPM for n-degree LPM structures defined as:

$$GCLPM_{ij,n}(\tau, R_i, R_j) = \int_{-\infty}^{\tau} \int_{-\infty}^{\tau} (\tau - R_i)^{n-1}(\tau - R_j) dF(R_i, R_j).$$

where normally the covariance between security $i$ is not equal to $j$ as depicted in Markowitz’s EV-framework and $dF(R_i, R_j)$ is the joint probability density function of returns of asset $i$ and $j$. However if one wishes to equal them then it has the flexibility to do so. In this case it will not be asymmetric co-LPM but symmetric co-LPM as follows:

$$GCLPM_{ij,n}(\tau, R_i, R_j) \neq GCLPM_{n}(\tau, R_i, R_j).$$

\textsuperscript{41} Quadratic utility also assumes IARA and IRRA while evidence is in favor of CRRA (Blume and Friend (1973)) and DARA (Cohn et al. (1975)). For details, see Chavas (2004), chapter 4.

\textsuperscript{42} For details see Levy (2006).

\textsuperscript{43} For details see Elton, Gruber, Brown and Goetzmann (2003).

\textsuperscript{44} For $n \geq 0$ is FSD, $n \geq 1$ is SSD and $n \geq 2$ is TSD-efficient set. For details see Fishburn (1977) and Nawrocki (1991, 1999).
for asymmetric co-LPM,
\[ GCLPM_{ij,n}(\tau, R_i, R_j) = GCLPM_n(\tau, R_i, R_j) \].................................(5)

for symmetric co-LPM, in this the equation(5) will reduce to:
\[ GCLPM_{ij,n}(\tau, R_i, R_j) = LPM_m(\tau, R_i) \].................................(6)

when \( R_i = R_j \).

For ex post or discrete form, equation (4) takes the following form:
\[ GCLPM_{ij,n}(\tau, R_i, R_j) = \frac{1}{\tau} \sum_{i=1}^{n} [\text{Max}(0, (\tau, R_i))]^{n-1} (\tau - R_i) \]............(7)

In all of above cases, Bawa and Lindenberg (1977) propose that \( \tau \) is equal to risk-free interest rate. However later versions became more flexible and \( \tau \) can assume any value according to investor’s choice\(^{45}\).

3.3 Algorithms for Lower Partial Moment

In a Markowitz world, quadratic programming is used to optimize a portfolio with linear constraints\(^{46}\). As the risk of portfolio is defined as:
\[ \sigma_p^2 = \sum_{i=1}^{n} W_i^2 \sigma_i^2 + \sum_{i=1}^{n} \sum_{j=1}^{n} W_i W_j \sigma_{ij} \].................................(8)

where \( \sigma_p^2 \) is the variance of portfolio, \( W_i \) and \( W_j \) are weights of individual securities \( i \) and \( j \) and \( \sigma_{ij} \) is the covariance between securities \( i \) and \( j \). However it is assumed that under efficient diversification all risk is diversified but the covariance risk cannot be diversified (Sharpe (1964) and Elton, Gruber, Brown and Goetzmann (2003)) so all attention is paid to minimize the following expression:
\[ \text{Minimize } F(x) = \sum_{i=1}^{n} \sum_{j=1}^{n} x_i x_j \sigma_{ij} \].................................(9)

Subject to the following constraints:
\[ C1: R_p = \sum_{i=1}^{n} x_i (R_i - R_p) \]
\[ C2: \sum_{i=1}^{n} x_i = 1 \]
\[ C3: x_i \geq 0, \ i = 1, 2, \ldots, \ N. \]

where \( x_i \) is portion of portfolio in security \( i \), \( R_p \) is portfolio return and \( R_i \) is return of security. \( C1 \) entails that the portfolio return is equivalent to weighted returns of individual securities. \( C2 \) implies that all weights should equal to 1 and \( C3 \) says that all weights should be more that 0 for no short sales allowed. However if short sales are allowed then \( C3 \) does not stand.

For downside risk maximization, two approaches can be used; Harlow (1991) applies (9) on LPM using the same constraints as discussed above:

\(^{46}\) For details see Elton, Gruber, Brown and Goetzmann (2003).
Minimize $LPM_{in}(\tau; x) = \sum_{R_{p} < \tau} p_{p}(\tau - R_{p})^{n}$..........................(10)

where $p_{p}$ is the probability return of portfolio $P$.

Harlow (1991), however, uses $n = 1$ or 2 and assumes co-LPM of security $i$ equal to co-LPM of security $j^{47}$. As the data depicts non-normality and asymmetry, so covariance of $i$ and $j$ cannot be equal to $j$ and $i$. Nawrocki (1991) propose another solution to downside risk minimization using LPM. He uses semi-deviation ($SmD$) instead of standard deviation to calculate co-LPM as follows:

$$SmD_{ni} = \left\{ \frac{1}{t} \sum_{i=1}^{t} [Max(0, \tau - R_{ni})]^{\frac{1}{m}} \right\}$$ ........................................(11)

and co-LPM as:

$$GCLPM_{ij} = (SmD_{ni})(SmD_{nj})(\rho_{ij})$$.................................(12)

where $\rho_{ij}$ is the correlation between asset $i$ and $j$. But the problem with it is that it assumes symmetry while the evidence is counter-symmetry. Under these circumstances, to modify (9) seems to be a feasible solution into the following function:

$$Minimize F(x) = \sum_{i=1}^{n} \sum_{j=1}^{n} x_{i}x_{j}GCLPM_{ij,n}(\tau, R_{i}, R_{j})$$..........................(13)

where

$$GCLPM_{ij,n^{-1}}(\tau, R_{i}, R_{j}) = \frac{1}{t} \sum_{i=1}^{t} [Max(0, (\tau, R_{i}))]^{n-1}(\tau - R_{j})$$

### 3.4 Matrices for Lower Partial Moment

The use of matrices has become very common in finance. As more and more computation is being done, matrices have become as essential ingredient for a financial econometrics researcher$^{48}$. To solve the following function, matrices come very handy for a researcher:

$$Minimize F(x) = \sum_{i=1}^{n} \sum_{j=1}^{n} x_{i}x_{j}GCLPM_{ij,n}(\tau, R_{i}, R_{j})$$

Let $W$ be $n \times 1$ vector matrix defined as:

$$Transpose W = \{w_{1}, w_{2}, ..., w_{n}\}$$

where $w_{i}, w_{j}$ and $w_{n}$ are weights for securities $i, j$ to $n$. The co-LPM or GCLPM matrix is defined as $n \times n$ matrix defines as:

$$V = \begin{pmatrix}
GCLPM_{11} & \cdots & GCLPM_{1n} \\
\vdots & \ddots & \vdots \\
GCLPM_{n1} & \cdots & GCLPM_{nn}
\end{pmatrix}$$

To calculate variance of a portfolio, we use the following expression:

$$Minimize F(x) or \sigma_{p}^{2} = [TransposeW] \ [V] \ [W]$$..........................(14)

$^{47}$ This makes Harlow’s LPM quite similar to Markowitz’s EV-framework as both assume covariance and security $i$ and $j$ equal to covariance of $j$ and $i$.

$^{48}$ Portfolio analysis, yield curves, arbitrage with risk-free bonds, binomial option pricing, put-call parity and arbitrage pricing theory use matrices, for a detail discussion consult Teall (1999).
Excel-Solver or any other quadratic programming tool can be used to solve (14) and obtain different for each individual security to minimize the variance of a portfolio for a given portfolio return.

3.5 Lower Partial Moment Relation to Downside Beta

LPM-based risk measures are to be tested and to test it one comes back to square one i.e. CAPM. Tests of CAPM are to be applied if one has to compare results of regular-beta CAPM against downside-beta CAPM. LPM, a proxy of downside risk is not totally unrelated to other proxies of downside risk, namely the downside-beta. Harlow and Rao (1989) establish the relationship but first an understanding of regular-beta as follows is imperative:

\[ \beta = \frac{\text{cov}(R_i, R_m)}{\text{var}(R_m)} \]  (15)

where \( \text{cov}(R_i, R_m) \) is covariance of security \( i \) with market return and \( \text{var}(R_m) \) is variance of market return while downside-beta is defined as:

\[ \beta_D = \frac{\text{cov}(R_i, R_m | R_m < \tau)}{\text{var}(R_m | R_m < \tau)} \]  (16)

Harlow and Rao (1989), using \( \tau \) equal to risk-free rate define downside beta in terms of GCLPM and LPM as follows:

\[ \beta_D = \frac{GCLPM_n(\tau, R : R_m, R_i)}{LPM_n(\tau, R : R_m)} \]  (17)

However, \( \tau \) can be varied as discussed above and can be assigned any value while \( n \) is valued from 1 to 5 and the highest value used by Fishburn is 4.6 for an individual utility function (Fishburn (1977) and Nawrocki (1991)). Using (17) makes it easier to test downside-risk by applying conventional statistical test of CAPM and compare the two models\(^{49}\). Now the beta can be replaced by downside beta to test and compare the results of the two betas as follows\(^{50}\):

\[ E(R_i) = R_f + \beta_{Dk}[E(R_m) - R_f] \]  (18)

4. Conclusion

CAPM has always allured its audience right from its inception. However it is not free from controversies and the primary are that the investor places different weights to upside and downside risk-being more safety conscious and the model revolves around normality but is usually non-normal. On the other hand, CAPM popularity and high usage cannot be denied at all. A complete renovation is necessary only when needed and CAPM does not need it.

Instead of using variance as a measure of risk, downside risk is used. Evidence around the world is collected and is found to be superior to the conventional measure of risk. Next the theoretical framework is explored for downside risk with lower partial moment being a proxy to it. Lower partial moment, a proxy of stochastic dominance, is discussed with its both symmetric and asymmetric versions. Its strong points are that it accommodates investor’s preference of being safety-conscious and flexible to adopt non-normality. Lower partial moment algorithms are viewed and eventually its relation to downside beta is established.

\(^{49}\) Like Black, Jensen and Scholes (1972) and Fama and MacBeth (1973).

\(^{50}\) For details see Harlow and Rao (1989).
Research does not end here but it leads to other worlds of consumption and intertemporal models and discrete and continuous models. With high inception of statistical techniques like GMM, GARCH and Markov Switching Models into field of finance, results can be made better, and enhanced versions of downside risk and lower partial moment can be developed which can be tested with accuracy and commercialized as risk measurement techniques in the field of asset pricing.
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Investigation of the Relation between the Beta, Firm Size, Liquidity and Idiosyncratic Volatility with Stock Return in Tehran Stock Market

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Abstract

Capital asset pricing model is one of the most practical methods for anticipating the stock return. According to this model BETA as a systematic risk criterion, is the only variable capable to anticipating the return. Researches on the ability of this model for anticipating and its use of other variables in Iran and other countries lead to the interesting result indicated variables other than BETA which have better ability to anticipating the stock return. These variables are the firm size, stock liquidity and idiosyncratic volatility. In this research the relation between the BETA and other mentioned variables investigated in a period of five years since 2006 to 2010 in Tehran stock market. Using the Eviews software, the outcome information from the firms tested according to the multi variable regression model and under the (OLS) method, and showed that firm size and idiosyncratic volatility are of variables with the ability to anticipate the stock return in the firms accepted in Iran stock market too. And BETA variable in case of controlling the liquidity effect has the ability to explain the return. And also liquidity variable is shown to be in no significant relation with the average of return.

Key Words: BETA, firm size, liquidity, idiosyncratic volatility, stock return

Introduction

Traditional finance theory as represented by the CAPM (Sharpe 1964, Lintner, 1965) posits that an investor’s required expectation of return on a risky asset in excess of the risk-free rate is determined as the product of that risky asset’s beta (the covariance or its returns with market returns) with the expected return on the market in excess of the risk-free rate. The degree to which beta, capitalization, liquidity and idiosyncratic volatility may be a proxy for one or more of the other variables remains controversial. So also does the extent to which any one of these variables might be capturing an element of investor risk exposure (either diversifiable or non-diversifiable). In effect, no convincing theory has been advanced to explain the contribution of these variables.

The capital asset pricing model (CAPM) of Sharpe (1964), Lintner (1965a) and Black (1972) predicts that only systematic risk is priced in the stock returns. This is because investors are assumed to be able to diversify away idiosyncratic risk by holding well-diversified portfolios. However, in practice investors may fail to hold diversified portfolios for various reasons (e.g. Malkiel & Xu, 2006). This would lead in less diversified investors demanding a risk premium for bearing idiosyncratic risk. Furthermore, Barberis and Huang (2001) show that if investors are loss averse over individual stock fluctuations, expected premiums will depend on prior performance and also total risk will be positively correlated with expected returns.

The role of idiosyncratic risk on asset pricing has been under intense academic debate since an influential study by Campbell, Lettau, Malkiel, and Xu (2001). They explore the volatility of U.S. stocks at the market, industry, and firm levels over the period from 1962 to 1997. Campbell et al. (2001) find that while the market and industry level volatilities have remained quite stable, the average firm-level volatility exhibits a strong positive deterministic trend, more than doubling over the period.
Malkiel and Xu (2006) provide empirical evidence to the under-diversification hypothesis and find a positive relation between idiosyncratic risk and cross-sectional stock returns. Using exponential generalized autoregressive conditional heteroskedasticity (EGARCH) model to estimate conditional idiosyncratic volatility, Spiegel and Wang (2005) and Fu (2009) also find a significantly positive relation between idiosyncratic risk and expected returns.

On the other hand, some authors have found a puzzling negative relation between idiosyncratic risk and cross-sectional stock returns. Using daily data to estimate idiosyncratic risk, Ang et al. (2006, 2009) find that stocks with high idiosyncratic volatility have abysmally low average returns both in US and in other G7 countries. This negative cross-sectional relation contradicts the basic fundamental of finance that higher risk is compensated with higher returns. Guo and Savickas (2006) argue that idiosyncratic risk can be a proxy for dispersion in opinion among investors. Their hypothesis is that an increase in idiosyncratic risk leads the most optimistic investors to hold a particular stock, and thus we should find a negative relation between idiosyncratic risk and return.

Financial distress has also been theorized to impact stock returns. The idea is that stocks of financially distressed companies tend to move together so that their risk cannot be diversified away (Chan, 2003). Fama and French (1996) argue that financial distress is a driving factor behind the size and value effects. The covariation can exist if corporate failures are correlated with a measure not accounted in the standard CAPM, such as deteriorating investment opportunities or declines in unmeasured components of wealth such as human capital or debt securities (Ferguson & Shockley, 2003).

Several papers have studied the impact of financial distress on stock returns with contradictory results. Griffin and Lemmon (2002) find supporting evidence to Fama and French (1996) and show that the value premium is most significant among firms with high probability of financial distress. Vassalou and Xing (2004) also demonstrate that both the size and book-to-market effects are concentrated in high default risk firms.

There is an intuitive reason to believe that these two puzzles are related to each other. According to the Merton’s (1974) model, corporate debt is a risk-free bond less a put option on the value of the firm’s assets, with strike price of the face value of the debt. Thus, a firm with more volatile equity is more likely to reach the boundary condition of default. Based on this argument, Campbell and Taksler (2003) show that idiosyncratic firm-level volatility can explain an ignificant part of cross-sectional variation in corporate bond yields. This suggests a possibility that the idiosyncratic volatility-return relationship may be due to a distress-return relationship or vice versa.

Only two recent working papers explore this interaction. Following Ang et al. (2006), Song (2008) estimate idiosyncratic volatility using daily data from one month period and find that while the volatility spread is -1.68% for the most distressed stocks; it is actually positive and significant at 0.61% per month for the least distressed ones. Similarly, Chen and Chollete (2006) find that after controlling for distress risk, stocks with high idiosyncratic volatility earn significantly low returns only in the highest distress risk quintile. Both conclude that distress risk has a more fundamental asset pricing impact than idiosyncratic volatility.

However, Fu (2009) argues that due to the time varying property of idiosyncratic volatility, lagged one month volatility may not be an appropriate proxy for the expected volatility this month. In order to capture the time varying property of idiosyncratic volatility, Fu suggest the use of GARCH models. Therefore, it is of interest to study the interaction of idiosyncratic volatility and financial distress using these more sophisticated models.

The propose of this study is surveying of Investigation of the relation between the BETA, firm size, liquidity and idiosyncratic volatility with stock return in Tehran stock market since 2006 to 2010.
Methodology

In this study all the statistical information of the companies accepted in Tehran stock market to calculate the distributive variables, we use Tadbir Pardaz Company's information bank and for the information about the companies we used interned cites of Tehran Stock Market Service Company. Also we used SPSS, E-view and excel software to analyze the data's, testing hypothesis and designing the diagrams.

Methodology introducing the model

We used the following model in order to investigate the effect of independent variables (systematic risk, company size, liquidity and price variability) on dependent variable (stock return)

\[ R_{pt} = \alpha + \beta_t \beta_{pt} + \beta_2 (ME_{pt}) + \beta_3 (LIQ_{pt}) + \beta_4 (IV_{pt}) + e_t \]

\[ R_{pt} = P \text{ basket return in T period} \]

\[ \beta_{pt} = \text{Systematic risk of P basket in T period} \]

\[ LIQ_{pt} = P \text{ basket liquidity in T period} \]

\[ e_t = \text{Accidental error relating to regression equation} \]

In this research we used the descriptive statistic of main indexes (mid and average) and distributive indexes (the largest and smallest amount of dates).

For example the following diagram shows the main indexes and distribution of independent and dependent variables of baskets in one dimension sorting according to every independent variable. Company size and liquidity, are rounded according to thousand billion Rials and thousand stocks.

Table 1. Arithmetic return values descriptive statistics based on the sort of independent variables

<table>
<thead>
<tr>
<th>Dependent variable Sorted by</th>
<th>Mean</th>
<th>Standard deviation</th>
<th>Probability</th>
<th>Elongation</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arithmetic return Beta</td>
<td>0.046</td>
<td>0.028</td>
<td>2.958</td>
<td>6.958</td>
<td>0.021</td>
<td>0.132</td>
</tr>
<tr>
<td>Size</td>
<td>0.044</td>
<td>0.012</td>
<td>0.672</td>
<td>0.283</td>
<td>0.027</td>
<td>0.072</td>
</tr>
<tr>
<td>Liqu</td>
<td>0.044</td>
<td>0.011</td>
<td>0.612</td>
<td>-0.266</td>
<td>0.031</td>
<td>0.71</td>
</tr>
<tr>
<td>Idio</td>
<td>0.043</td>
<td>0.037</td>
<td>2.512</td>
<td>7.703</td>
<td>0.011</td>
<td>0.179</td>
</tr>
</tbody>
</table>

The relation between independent variables with average weight return and account return has determined using one dimensioned diagrams. And achieved results have been written just according to investigations and decisive and final results determined after doing regression and necessary tests.
Diagram 1. shows the relation between weight return and account return average liquidity.

In this diagram baskets are sorted according to regressive liquidity average, namely basket number 1 has the most amount of liquidity and basket number 30 has the least amount of liquidity. The most return is in basket 28 and the least return is in basket 30. There is a weak negative relation between return and liquidity, but there is no definite and decisive procedure to study them. Because of the importance that stock liquidity has for the stock holder, and they prefer the stocks with high rate of liquidity to other stocks. It cannot be recommended anything to stock holders, regarding the relation between return and liquidity in diagram 1.

Finally, we used two-dimensional diagram in this research, because two-dimensional sorting of variables provide the possibility of controlling the effect of one variable and examining the other variables effect on stock return. Using the four independent variables (beta, company size, liquidity, price variability) we investigated all six possible pairs. For each variable we formed 30 baskets reggressively. Company basket according to levels first variable categorized to three (high – mid – low) which every level contains 10 baskets. In every level, we investigated second variables 30 baskets and in every case account return average of the baskets in specified period of time was calculated. We formed the correlation matrix for discussed variables and for each of the levels correlation amount and meaningfulness of every variable was calculated. Correlation quotient is a means to determine the linear relation between two variables.

**Diagram 2. Arithmetic different levels of efficiency compared to the beta oscillation sort by Best Price**

For example the above diagram shows the relation between beta and basket price variability with the return. As you can see with decrease in basket price variability, there is a negative procedure in the return.
Table 2 shows that for large amount of beta with reliability degree of 95 percent, beta and price variability has a 78, 79 percent relation with the return and for medium and small amount if beta there is nearly 40 percent relation between price variability with the return with the same degree of reliability. It can be resulted that for large amount of beta positive linear relation between beta and basket result is approved. So there is enough reason to reject Akdeniz and et al (2000) research which say there is no meaningful relation between beta and return. Also with controlling the beta effect stock basket with high price variability shows higher returns. As Schpigel and wang (2005) concluded that price reliability has meaningful relation with stock return, also in this research the important role of price variability was identified and meaningful relation between stock price variability and return with controlling the beta effect was approved.

As the baskets were sorted according to four independent variables and average weight return and average account return were calculated for every medium set, so eight regression test was performed which one of these tests is explained as an example in Table 3.

Table 2- Regression results of tests performed and the model is sorted by firm size (returns Arithmetic)

<table>
<thead>
<tr>
<th>Dependent Variable: Arithmetic return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Method: Least Squares</td>
</tr>
<tr>
<td>Sample: 126</td>
</tr>
<tr>
<td>Included observations: 30</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t- Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>0.345</td>
<td>0.0036</td>
<td>9.59</td>
<td>0</td>
</tr>
<tr>
<td>Liquidity</td>
<td>-7E0.18</td>
<td>-7E1.05</td>
<td>-0.1714</td>
<td>0.8588</td>
</tr>
<tr>
<td>Company size</td>
<td>-13E2.27</td>
<td>-13E1.01</td>
<td>2.2475</td>
<td>0.0341</td>
</tr>
<tr>
<td>Beta</td>
<td>0.0018</td>
<td>0.0049</td>
<td>0.3913</td>
<td>0.6924</td>
</tr>
<tr>
<td>Cost Variability</td>
<td>0.2589</td>
<td>0.1189</td>
<td>2.1818</td>
<td>0.0387</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.3714</td>
<td>F-statistic</td>
<td>2.9649</td>
<td></td>
</tr>
<tr>
<td>Adjusted R- squared</td>
<td>0.2132</td>
<td>Prob (F- statistic)</td>
<td>0.0462</td>
<td></td>
</tr>
</tbody>
</table>

Normality Test

Jarque- Bera: 1.7289
Probability: 0.4212

White Heteroskedasticity Test:
F-statistic: 1.0457
Probability: 0.4410

Obs* R- squared: 8.5463
Probability: 0.382

Ramsey RESET Test:
F- statistic: 4.2863
Probability: 0.262

Log likelihood ratio: 9.5036
Probability: 0.861

Breusch – Godfrey Serial Correlation LM Test:
F- statistic: 1.209
Probability: 0.4123

Obs* R- Squared: 2.8538
Probability: 0.2401

According to above diagram it is necessary to explain that:
1- The Quartile Probability Amount is (0/4212). so the distribution of the remaining sentences is normal and is not rejected.
2- The White Probability amount is (0/4410). So there is no variance heterogeneity
3- Self correlation test possibility amount in remaining sentences is (0/4123), so there is no self correlation in this model.
4- According to the analysis outputs of above diagram, the amount of the above statistics for self correlation test is near 2 which show there is no self correlation in this model.
5- The amount of possibility in F statistics is equal to (0/0462), so this is less than (0/05). This means that zero assumption is rejected in 95 percent level and the model can be accepted in 95 percent reliability level.
6- The amount of determined quotient is equal to (0/37) which shows 37 percent of return changes is expressed.
7- The amount of statistic possibility of T for liquidity beta is bigger than (0/05), so these variables are not meaningful and their relation with basket return as an independent variable are rejected. Only company size and price variability variables which their T statistic amount is less than (0/05) are meaningful and show that in 95 percent level of reliability, these variables are in relation with basket returns as a dependent variable.

Data Analysis
For examining the hypothesis of the research, the stocks of 126 companies in financial period of April 2006 to October 2010 was selected from Tehran stock market. In this research, to investigate the relation among the different data’s, firstly the stocks of selected companies ranked separately according to every variables of beta, company size, liquidity and price variability. The selected companies information was calculated separately in all months and are sorted according to one of the variables for every month regessively. In this stage we formed 30 baskets for every month and average account return, weight return, beta, company size, liquidity and price variability was calculated for every basket. After that every different month’s basket was gathered and for available same baskets the average was taken and then we calculated the averages of account and weight return, beta, company size, liquidity and price variability for every 30 new baskets. In the next stage we sorted the baskets with two-dimensional diagrams, so that all of possible pairs from these four variables were regarded. Doing so and assuming 2 of 4 compositions we gained six pairs of variables. In this stage sorting 30 of 30 of baskets is done and then for optimal resulting from them, the variable which its effect should to be controlled is leveled. So that first 10 baskets in first level (the baskets having the most amount of beta) and second and third 10 baskets in level two and three (baskets having the medium and low amount of beta) in two dimensional sorting of 3 in 30 for all 90 baskets are formed and their average weight and account return, beta, company size, liquidity and price variability calculated. Using diagrams and correlation quotient of independent variables the relation between them and account return was discussed. The Analyzing results are relating to beta, company size, liquidity and price variability with average account return.

1- Analyzing the results from controlling the systematic risk effect.
The amount of $R^2$ Quotient determination became equal to 88 percent, it means that 88 percent of changes in account return are expressed by independent variables, and because the amount of T statistics in independent variables was too little, there was linearity possibility in this model. Using matrix quotient determinant and calculating it, existing of linearity was determined and for solving this problem, beta variable with square quotient was inserted to the model.
next stage beta variable eliminated and investigating different tests, it was considered that if the beta variable effect was controlled, the company size variable became meaningful and in case of removing beta from the model, size would have negative relation with the return, which is the same as Benx and Ringanam (1981) findings.

In addition to this the effect of liquidity variable was controlled, beta and size variables became meaningful. So liquidity variable was removed from the model and we saw that when the effect of systematic risk was controlled basket price variability and account return show positive relation which approves Malkil and Jo (2006) theory which say there is positive relation between the return and price variability.

2- Analyzing the results from controlling the size:
The variable shows that in case of controlling the basket size effect, there is meaningful relation between size and price variability with account return. After investigating the results positive relation between company size and the return was appeared.

3-analyzing the results from controlling the effect of liquidity variable:
In case of controlling this effect there is meaningful relation only between beta and company size. So that company size has direct relation with the return that approves Fama and Franch (1992) theory which say there is negative relation between beta and the return.

4-analyzing the results from controlling the price variability variable:
In case of controlling this variable effect, only company size and price variability have meaningful relation with weight return regarding their quotient mark in the model, company size and return have positive relation. In this research the importance of price variability in explaining the weight return was discovered furthermore. So that basket price variability have positive relation with the return. And also it approves the theory of Malkil and Jo (2006) and Klaito and Demsey (2007).

Conclusion and suggestions
In this research we studied the relation between beta, company size, liquidity, price variability with basket return and using the results of the research it was determined that only company size and stock price variability are of those variables which can explain the stock basket return in Iran and beta variable has a little capability to explain the return. And only in case of controlling the liquidity effect, its effect appears. For liquidity variable, only in two dimensional sorting of liquidity and price variability, the positive relation between the return and liquidity was appeared with controlling its effect for little amounts.

Suggestions resulted from the research
Regarding the findings of this research and approving the meaningful relation between accounting variables with stock return the following suggestions are presented:

1- For better decision making of the investors of stock market we suggest that stock market organization establish committee for ranking the companies from the risk, size and the variables point of view for the usage of investors.

2- We suggest to the investors and financial analyzers that only systematic risk as a variable to explain the return is not enough in analyzing the factors effective to stock return in Tehran stock market. The other variables like company size, liquidity and especially stock price variability should to be noticed.
References


Abstract
The theory of multiple intelligences was developed in 1983 by Howard Gardner. He suggests that the traditional notion of intelligence, based on I.Q. testing, is far too limited. Instead, Dr. Gardner proposes eight different intelligences to account for a broader range of human potential in children and adults. These intelligences are linguistic intelligence, logical intelligence, spatial intelligence, bodily intelligence, musical intelligence, interpersonal intelligence, intrapersonal intelligence and Naturalist intelligence. The purpose of this research is surveying of relationship between multiple intelligences and critical thinking of Islamic Azad University managers in 13th region. The methodology of study is descriptive and analytical study. Data collection instrument was a questionnaire that its reliability was confirmed by Crohn Bach’s alpha and library studies. The results show that, there is a relationship between multiple intelligences and critical thinking of Islamic Azad University managers in 13th region.

Keywords: multiple intelligences, critical thinking, Islamic Azad University managers

Introduction
You’ve been thinking all of your life, of course, for thinking is simply the interaction of ideas. However, thinking is somewhat similar to other skills, like writing, drawing, or fixing cars. Practice and education can improve it. So even though you "know how to think" already, you can improve your thinking by learning about the tools and mental habits that produce the best thinking.

Critical thinking might be defined as an approach to ideas from the standpoint of deliberate consideration. You hold an idea at arm's length and examine it before accepting it into your mental framework. Another way of defining critical thinking might be as a habit of cautious evaluation, an analytic mindset aimed at discovering the component parts of ideas and philosophies, eager to weigh the merits of arguments and reasons in order to become a good judge of them. Analysis is the ability to break arguments or claims down into parts and to discover the relationship between the parts. The arguments can then be evaluated. Critical thinking generally refers to higher order thinking that questions assumptions. Critical thinking is "thinking about thinking." It is a way of deciding if a claim is true, false, or sometimes true and sometimes false, or partly true and partly false. The concept is somewhat contested within the field of education due to the multiple possible meanings.[1]

In one sense, critical thinking has been described as “the correct assessing of statements.”[2] It has also been described popularly as "thinking about thinking."[3] It has been described in a much more comprehensive sense as "the intellectually disciplined process of actively and skillfully conceptualizing, applying, analyzing, synthesizing, and/or evaluating information gathered from, or generated by, observation, experience, reflection, reasoning, or communication, as a guide to belief and action"[4]

1 This paper is based on the final report based on research projects sponsored by Islamic Azad University, Kaleybar Branch
More recently, critical thinking has been described as "the process of purposeful, self-regulatory judgment, which uses reasoned consideration to evidence, context, conceptualizations, methods, and criteria."[5] Within the critical social theory philosophical frame, critical thinking is commonly understood to involve commitment to the social and political practice of participatory democracy, willingness to imagine or remain open to considering alternative perspectives, willingness to integrate new or revised perspectives into our ways of thinking and acting, and willingness to foster criticality in others.[6] Within a critical Africentric philosophical frame, it has been described as a philosophical model for thinking and acting guided by traditional African philosophical assumptions for the purpose of furthering African American interests.[7] The critical thinking philosophical frame traces its roots in analytic philosophy and pragmatist constructivism, as well as the Buddhist Teaching -- kalamasutta and abhidhamma, and the Greek Socratic tradition that dates back over 2,500 years in which probing questions were used to determine whether claims to knowledge based on authority could be rationally justified with clarity and logical consistency. The one sense of the term critical means crucial or related to core criteria and derives from the ancient Greek kriterion, which means standards; a second sense derives etymologically from kriticos, which means discerning judgment.[8] While John Dewey introduced the term critical thinking to American education in the early 1900s, the critical thinking movement gained momentum in America only in the 1980s."[2] The movement represented a pragmatic response to expectations and demands for the kind of thinking required of the modern workforce.”[9] The critical theory philosophical frame has its roots to the Frankfurt School of Critical Social Theory that attempted to amend Marxist theory for applicability in 20th century Germany. Critical thinking within this philosophical frame was introduced by Jurgen Habermas in the 1970s, was brought to American adult education theory by Jack Mezirow and Stephen Brookfield in the 1980s[10]. The Africentric philosophical frame has its roots in historical, cultural and philosophical assumptions of African people. Introduction to American adult education of critical thinking within this philosophical frame is credited to Na'ilm Akbar [11].

The theory of multiple intelligences was developed in 1983 by Dr. Howard Gardner, professor of education at Harvard University. It suggests that the traditional notion of intelligence, based on I.Q. testing, is far too limited. Instead, Dr. Gardner proposes eight different intelligences to account for a broader range of human potential in children and adults. These intelligences are:

- Linguistic intelligence ("word smart")
- Logical-mathematical intelligence ("number/reasoning smart")
- Spatial intelligence ("picture smart")
- Bodily-Kinesthetic intelligence ("body smart")
- Musical intelligence ("music smart")
- Interpersonal intelligence ("people smart")
- Intrapersonal intelligence ("self smart")
- Naturalist intelligence ("nature smart")[12].

Gardner says that our schools and culture focus most of their attention on linguistic and logical-mathematical intelligence [13]. We esteem the highly articulate or logical people of our culture. However, Dr. Gardner says that we should also place equal attention on individuals who show gifts in the other intelligences: the artists, architects, musicians, naturalists, designers, dancers, therapists, entrepreneurs, and others who enrich the world in which we live. Unfortunately, many children who have these gifts don’t receive much reinforcement for them in school. Many of these kids, in fact, end up being labeled "learning disabled," "ADD (attention deficit disorder)," or simply underachievers, when their unique ways of thinking and learning aren’t addressed by a heavily linguistic or logical-mathematical classroom. The theory of multiple intelligences
proposes a major transformation in the way our schools are run. It suggests that teachers be trained to present their lessons in a wide variety of ways using music, cooperative learning, art activities, role play, multimedia, field trips, inner reflection, and much more. The good news is that the theory of multiple intelligences has grabbed the attention of many educators around the country, and hundreds of schools are currently using its philosophy to redesign the way it educates children [14]. The bad news is that there are thousands of schools still out there that teach in the same old dull way, through dry lectures, and boring worksheets and textbooks. The challenge is to get this information out to many more teachers, school administrators, and others who work with children, so that each child has the opportunity to learn in ways harmonious with their unique minds [15].

The theory of multiple intelligences also has strong implications for adult learning and development. Many adults find themselves in jobs that do not make optimal use of their most highly developed intelligences (for example, the highly bodily-kinesthetic individual who is stuck in a linguistic or logical desk-job when he or she would be much happier in a job where they could move around, such as a recreational leader, a forest ranger, or physical therapist) [16]. The theory of multiple intelligences gives adults a whole new way to look at their lives, examining potentials that they left behind in their childhood (such as a love for art or drama) but now have the opportunity to develop through courses, hobbies, or other programs of self-development[17].

METHODOLOGY
The recent research is a field work methodically and applied from the goal point of view. In this research for collecting data we used the library and field resources so that for compiling the literature of the research we used library sources, and field work resources to test the thesis of the research.

The population of this study is all of the Islamic Azad university branches and centers in 13th. We determined the amount of the sample size with the used of p.q sampling method, which obtained 33 with 95 percent confidence level. We also used cluster sampling in order to selecting samples from the statistical community. We used a questionnaire with 48 questions which its stability was equal to 0/894.

In order to analyze the data resulted from collected questionnaires deductive and descriptive statistical methods are used, and to describe the answers to questions, we used abundance chart and percentage of answers to every question. Also to display some statistical data we used column diagram and in deductive level to test the hypothesis of the research we used Pierson correlation test (r) and to determine the meaningfulness level of (r) we used t-test.
ANALYSIS AND CONCLUSION

A) descriptive Analysis

Table 1 shows Std. Error of Mean, Median, mode, Std. Deviation, Variance, Maximum, Range, minimum and sum of all variables.

<table>
<thead>
<tr>
<th>Statistics</th>
<th>Critical thinking</th>
<th>Musical intelligence</th>
<th>Bodily intelligence</th>
<th>Logical-mathematical intelligence</th>
<th>Spatial intelligence</th>
<th>Linguistic intelligence</th>
<th>Interpersonal intelligence</th>
<th>Intrapersonal intelligence</th>
<th>Naturalist intelligence</th>
<th>multiple intelligence</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>33</td>
<td>33</td>
<td>33</td>
<td>33</td>
<td>33</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Std. Error of Mean</td>
<td>.973</td>
<td>.348</td>
<td>.228</td>
<td>.242</td>
<td>.272</td>
<td>.289</td>
<td>.272</td>
<td>.318</td>
<td>.239</td>
<td>1.484</td>
</tr>
<tr>
<td>Median</td>
<td>46.00</td>
<td>13.00</td>
<td>12.00</td>
<td>13.00</td>
<td>12.00</td>
<td>12.00</td>
<td>12.00</td>
<td>12.00</td>
<td>12.00</td>
<td>98.00</td>
</tr>
<tr>
<td>Mode</td>
<td>38*</td>
<td>14</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>88</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>5.589</td>
<td>2.000</td>
<td>1.311</td>
<td>1.388</td>
<td>1.562</td>
<td>1.661</td>
<td>1.560</td>
<td>1.828</td>
<td>1.376</td>
<td>8.522</td>
</tr>
<tr>
<td>Variance</td>
<td>31.239</td>
<td>4.002</td>
<td>1.718</td>
<td>1.926</td>
<td>2.439</td>
<td>2.758</td>
<td>2.434</td>
<td>3.343</td>
<td>1.892</td>
<td>72.633</td>
</tr>
<tr>
<td>Range</td>
<td>19</td>
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<td>5</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>5</td>
<td>6</td>
<td>4</td>
<td>37</td>
</tr>
<tr>
<td>Minimum</td>
<td>38</td>
<td>9</td>
<td>10</td>
<td>10</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>10</td>
<td>9</td>
<td>79</td>
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<tr>
<td>Maximum</td>
<td>57</td>
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<td>15</td>
<td>15</td>
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<td>16</td>
<td>15</td>
<td>15</td>
<td>14</td>
<td>116</td>
</tr>
<tr>
<td>Sum</td>
<td>1506</td>
<td>421</td>
<td>395</td>
<td>408</td>
<td>388</td>
<td>412</td>
<td>394</td>
<td>395</td>
<td>405</td>
<td>3218</td>
</tr>
</tbody>
</table>

a. Multiple modes exist. The smallest value is shown.

Table 1- Statistics

Table 2 shows responders degree. According to table 1, 58 percent of the responders have M.A degree and 42 percent have Ph.D degree.

<table>
<thead>
<tr>
<th>Responders degree</th>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>PHD</td>
<td>13</td>
<td>42</td>
<td>42</td>
<td>42</td>
<td>100.0</td>
</tr>
<tr>
<td>MA</td>
<td>20</td>
<td>58</td>
<td>58</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>33</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 2- Responders degree

Table 3 shows Managing background of the responders. According to table 1, from the precedence point of view about 30 percent of responders have less than 2 years. 31 percent 3-5 years, 20 percent 6-9 years, 14 percent 10-13 years experience in managing and finally 5 percent have more than 14 years of managing experience which is shown in table 3.
Managing background of the responders

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 2</td>
<td>9</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>3-5</td>
<td>10</td>
<td>31</td>
<td>31</td>
<td>61</td>
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<td>6-9</td>
<td>7</td>
<td>20</td>
<td>20</td>
<td>81</td>
</tr>
<tr>
<td>10-13</td>
<td>5</td>
<td>14</td>
<td>14</td>
<td>95</td>
</tr>
<tr>
<td>More than 14</td>
<td>2</td>
<td>5</td>
<td>5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>33</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 3- Managing background of the responders

B) Data Analysis

The results obtained from survey and testing the research hypothesis have come below.

**H1. There is a relationship between multiple intelligences and critical thinking of Islamic Azad University managers in 13th region**

This hypothesis is measured by 32 questions which is blending of 32 first questions (1-32) relating to multi-intelligence and 16 questions relating to critical thinking of IAU managers of 13th region. According to obtained $t$ from testing the main hypothesis which is bigger than the critical point of $t$-table in fault ability level $\alpha=0.01$, so with reliability level of 99 percent we can be said the main hypothesis is approved, and we can say that multiple intelligence of 13th region managers of IAU is affecting in critical thinking and according to obtained determination quotient, multiple intelligence variable of managers explains 31.1 percent of dependent variable variance of critical thinking of IAU 13th region managers. This means that 31.1 percent of variation in critical thinking of 13th region of IAU managers is dependent upon independent variable.

**H1-1. There is a relationship between musical intelligences and critical thinking of Islamic Azad University managers in 13th region**

This hypothesis is measured by four questions which is blending of four first questions (1-4) relating to musical intelligence and 16 questions relating to critical thinking of IAU managers of 13th region. According to obtained $t$ from testing the sub-hypothesis which is bigger than the critical point of $t$-table in fault ability level $\alpha=0.01$, so with reliability level of 99 percent we can be said the sub-hypothesis is approved, and we can say that musical intelligence of 13th region managers of IAU is affecting in critical thinking and according to obtained determination quotient, musical intelligence variable of managers explains 55 percent of dependent variable variance of critical thinking of IAU managers in 13th region managers. This means that 55 percent of variation in critical thinking of 13th region of IAU managers is dependent upon musical intelligence.

**H1-2. There is a relationship between bodily intelligences and critical thinking of Islamic Azad University managers in 13th region**

This hypothesis is measured by four questions which is blending of four second questions (5-8) relating to bodily intelligence and 16 questions relating to critical thinking of IAU managers of 13th region. According to obtained $t$ from testing the sub-hypothesis which is bigger than the
critical point of t-table in fault ability level $\alpha=0.01$, so with reliability level of 99 percent we can be said the sub-hypothesis is approved, and we can say that bodily intelligence of $13^{th}$ region managers of IAU is affecting in critical thinking and according to obtained determination quotient, bodily intelligence variable of managers explains 16 percent of dependent variable variance of critical thinking of IAU managers in $13^{th}$ region managers. This means that 16 percent of variation in critical thinking of $13^{th}$ region of IAU managers is dependent upon bodily intelligence.

$H1-3. There\ is\ a\ relationship\ between\ Logical\ intelligences\ and\ critical\ thinking\ of\ Islamic\ Azad\ University\ managers\ in\ 13^{th}\ region$
This hypothesis is measured by four questions which is blending of four second questions (5-8) relating to Logical intelligence and 16 questions relating to critical thinking of IAU managers of $13^{th}$ region. According to obtained $t$ from testing the sub-hypothesis which is bigger than the critical point of t-table in fault ability level $\alpha=0.01$, so with reliability level of 99 percent we can be said the sub-hypothesis is approved, and we can say that Logical intelligence of $13^{th}$ region managers of IAU is affecting in critical thinking and according to obtained determination quotient, Logical intelligence variable of managers explains 8.5 percent of dependent variable variance of critical thinking of IAU managers in $13^{th}$ region managers. This means that 8.5 percent of variation in critical thinking of $13^{th}$ region of IAU managers is dependent upon Logical intelligence.

$H1-4. There\ is\ a\ relationship\ between\ spatial\ intelligences\ and\ critical\ thinking\ of\ Islamic\ Azad\ University\ managers\ in\ 13^{th}\ region$
This hypothesis is measured by four questions which is blending of four second questions (5-8) relating to Spatial intelligence and 16 questions relating to critical thinking of IAU managers of $13^{th}$ region. According to obtained $t$ from testing the sub-hypothesis which is bigger than the critical point of t-table in fault ability level $\alpha=0.01$, so with reliability level of 99 percent we can be said the sub-hypothesis is approved, and we can say that Spatial intelligence of $13^{th}$ region managers of IAU is affecting in critical thinking and according to obtained determination quotient, Spatial intelligence variable of managers explains 10.6 percent of dependent variable variance of critical thinking of IAU managers in $13^{th}$ region managers. This means that 10.6 percent of variation in critical thinking of $13^{th}$ region of IAU managers is dependent upon Spatial intelligence.

$H1-5. There\ is\ a\ relationship\ between\ Linguistic\ intelligences\ and\ critical\ thinking\ of\ Islamic\ Azad\ University\ managers\ in\ 13^{th}\ region$
This hypothesis is measured by four questions which is blending of four second questions (5-8) relating to Linguistic intelligence and 16 questions relating to critical thinking of IAU managers of $13^{th}$ region. According to obtained $t$ from testing the sub-hypothesis which is bigger than the critical point of t-table in fault ability level $\alpha=0.01$, so with reliability level of 99 percent we can be said the sub-hypothesis is approved, and we can say that Linguistic intelligence of $13^{th}$ region managers of IAU is affecting in critical thinking and according to obtained determination quotient, Linguistic intelligence variable of managers explains 21.8 percent of dependent variable variance of critical thinking of IAU managers in $13^{th}$ region managers. This means that 21.8 percent of variation in critical thinking of $13^{th}$ region of IAU managers is dependent upon Linguistic intelligence.

$H1-6. There\ is\ a\ relationship\ between\ Interpersonal\ intelligences\ and\ critical\ thinking\ of\ Islamic\ Azad\ University\ managers\ in\ 13^{th}\ region$
This hypothesis is measured by four questions which is blending of four second questions (5-8) relating to Interpersonal intelligence and 16 questions relating to critical thinking of IAU
managers of 13th region. According to obtained \( t \) from testing the sub-hypothesis which is bigger than the critical point of t-table in fault ability level \( \alpha=0.01 \), so with reliability level of 99 percent we can be said the sub-hypothesis is approved, and we can say that Interpersonal intelligence of 13th region managers of IAU is affecting in critical thinking and according to obtained determination quotient, Interpersonal intelligence variable of managers explains 5.1 percent of dependent variable variance of critical thinking of IAU managers in 13th region managers. This means that 5.1 percent of variation in critical thinking of 13th region of IAU managers is dependent upon Interpersonal intelligence.

**H1-7. There is a relationship between Intrapersonal intelligences and critical thinking of Islamic Azad University managers in 13th region**

This hypothesis is measured by four questions which is blending of four second questions (5-8) relating to Intrapersonal intelligence and 16 questions relating to critical thinking of IAU managers of 13th region. According to obtained \( t \) from testing the sub-hypothesis which is bigger than the critical point of t-table in fault ability level \( \alpha=0.01 \), so with reliability level of 99 percent we can be said the sub-hypothesis is approved, and we can say that Intrapersonal intelligence of 13th region managers of IAU is affecting in critical thinking and according to obtained determination quotient, Intrapersonal intelligence variable of managers explains 4.1 percent of dependent variable variance of critical thinking of IAU managers in 13th region managers. This means that 4.1 percent of variation in critical thinking of 13th region of IAU managers is dependent upon Intrapersonal intelligence.

**H1-7. There is a relationship between Naturalist intelligences and critical thinking of Islamic Azad University managers in 13th region**

This hypothesis is measured by four questions which is blending of four second questions (5-8) relating to Naturalist intelligence and 16 questions relating to critical thinking of IAU managers of 13th region. According to obtained \( t \) from testing the sub-hypothesis which is bigger than the critical point of t-table in fault ability level \( \alpha=0.01 \), so with reliability level of 99 percent we can be said the sub-hypothesis is approved, and we can say that Naturalist intelligence of 13th region managers of IAU is affecting in critical thinking and according to obtained determination quotient, Naturalist intelligence variable of managers explains 6.2 percent of dependent variable variance of critical thinking of IAU managers in 13th region managers. This means that 6.2 percent of variation in critical thinking of 13th region of IAU managers is dependent upon Naturalist intelligence.
References

Surveying of Social Capital's Effect on Entrepreneurship
Case study: industrial entrepreneurs Ardabil province, Iran

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Abstract
Surveying the degree of social capitals effect and its different aspects over entrepreneurship, surveying the weak and strong points of under study society from social capital and entrepreneurship point of view and providing suggestions for increasing the social capital effect over entrepreneurship are among the most important purposes of this study. The Hypotheses were tested through Freedman and Regression tests. The research has shown a positive and meaningful relation between social capital with its aspects and entrepreneurship. Moreover in this study is shown that the social capitals quality aspect in the under study society is more important and its correlation index is higher. In entrepreneurship its risk indicator has the highest priority, too. In addition the research results show that the relationship structure indicator has the highest effect over the entrepreneurship and connection indicator has the lowest effect and creativity and independence indicators (from entrepreneurship) are affected by none of the social capitals indicators.

Keywords: Social capital, entrepreneurship, social capital quality and structural aspect.

INTRODUCTION
The entrepreneur or top-level manager develops values, strategies, and structures that fit with his/her knowledge structure of what makes the business (Martin, & Minnillo, 2009). Entrepreneurship is the mark and symbol of effort and success in business and entrepreneurs are the pioneers of successful businesses in the society. Their ability to take the opportunities, their strength in innovation and their capacity in succeeding are the standards which modern entrepreneurship is measured by (Brochaus & Horwitz, 1986). Entrepreneurs in leading, management, innovation, competency, job production, competition, efficiency and establishing new companies have an important role in economic growth. According to a kind of belief, entrepreneurship as a revolution is necessary for the societies. The importance of this revolution in current century is increasingly more than industrial revolution (Kuratko & Hodgetts, 1993 quoted by AhmadPour, 2007). Viewing the entrepreneurship in the frame work of social structures pave the way for a broad perspective for it, so that it shifts the attention toward the vague and less considered points, that is social aspect of entrepreneurship phenomenon. Recently social capital has established hypothesis which has been a foundation for other management studies. In the absence of social capital other capitals lose their efficiency and taking the path of cultural and economical development and evolution would be ragged and tough (Adler, 2002). Social capital increasingly is based on social and cultural factors and its recognition as a kind of capital in the macro management level or institutions and services management can give a new kind of
understanding about socio-economical systems and help the managers in better leading of systems. Since entrepreneurship is a socio-economical process which is based on the status and context of society in two ways this kind of capital has an important role in the activities of entrepreneurs and as a result the existence or lack of social connections and communications effects the nature of business (Bolino, 2002). This research is accomplished in answering this question that what relations are there between social capital aspects and entrepreneurship aspects? And its main purpose is to find frameworks for optimum social capital implementation in the process of entrepreneurship.

This research in purpose is developmental and in nature is descriptive-measurable and correlative. The sample volume of industrial entrepreneurs is chosen from the industrial complexes in Ardabil province.

SOCIAL CAPITAL
Social capital is a somewhat broad term that has assumed a variety of different meanings and definitions (Woolcock, 1998). Cohen and Prusak (2001) state that social capital consists of the stock of active connections amongst people: the trust, mutual understanding and shared values and behavioral aspects that bind the members of human networks and communities and make cooperative action possible. Hence, viewed broadly, social capital encompasses many aspects of a social context such as the social ties, trusting relations and value systems that facilitate the actions of individuals located within that context. Drawing on a comprehensive review of previous studies on social capital, Coleman (1988) refers to social capital as a variety of entities with two elements in common: they all consist of some aspect of a social structure and they facilitate certain actions of the actors – whether individuals or corporate actors – within that structure. Nahapiet and Ghoshal (1998) refer to these different aspects of social context as the structural, relational and cognitive dimensions of social capital. Lin (2001) proposes that social capital encompasses three intersecting aspects of structure and action: structural (embedded), opportunity (accessibility) and action oriented (use) aspects.

Robert Putnam, from the other side in his assessments suggests that social capital is a collection of concepts such as confidence, norms and networks which cause an optimum connection and contribution between the members of a society and at the end provides their mutual benefits (Putnam, 2002).

Structural aspects of social capital: This aspect in terms of management structures and processes like responsiveness of managers and leaders according to their functions, transparency in decision making considers the degree of making decision and taking action according to group work and general pattern of dominant relationship in the society. This means that this aspect takes into account the degree of relations between the people in the society (Bolino, 2002).

The quality aspect of social capital: This aspect is in terms of phenomena such as values, attitudes, commitments, partnership, and trust and includes the nature of social relations. In another words since the structural aspect focuses on this question that weather the people have any relation, the quality aspect focuses on the quality of this relation.

ENTREPRENEURSHIP
Entrepreneurial opportunity can be defined as “a situation in which new goods, services, raw materials, markets and organizing methods can be introduced through the formation of new means” (Eckhardt & Shane, 2003). This definition is maybe a bit unclear and opportunity recognition is perhaps better defined by Christensen, Madsen and Petersen. They defined opportunity recognition as ‘perceiving a possibility for new profit through (a) the founding and formation of a new venture, or (b) the significant improvement of an existing venture (Dellabarca, 2002).
Entrepreneurship is the process of benefiting from the new, individual and valuable compound of resources in a vague and indecisive environment. Entrepreneurship means the beginning of growth in a newly established company through a kind of innovative and risk taking management (Ahmadpour, 2002). In the process of entrepreneurship an entrepreneur starts a small and new business with its own capital (Drucker, 1985); and without considering the available resources for the people, they follow the opportunities. Entrepreneurship is the process of innovative destruction. (More recent products and facilities destruct the present market and create a new market). Entrepreneurship is the engine of economic development.

Types of entrepreneurship: Company entrepreneurship which is a process that a company takes in order for all its members to become encouraged in entrepreneurship and all the individual and group entrepreneurial activities are independently accomplished fast and easily in the company. Independent entrepreneurship is a process that forms the early idea of production until the presenting its product to the society takes all the entrepreneur activities with the establishment of a new independent business. Although Organizational entrepreneurship word has been accepted recently in the management vocabulary, it is a conception which is related to the entrepreneurial approach of an organization and it is rooted in the entrepreneurship literature. (Antonic & Hisrich, 2003).

THE IMPORTANCE OF SOCIAL CAPITAL

In the recent two decades the concept of social capital in its different grounds and forms, as one of the most focal concepts, has been appeared and expressed. Even though it has developed a great deal of enthusiasm and passion among the researches and authorities, it has caused different attitudes, views, and expectations. The notable increase of research in this field expresses the importance and unique status of social capital in different social context. Generally speaking the amount of social capital in each group or society represents the amount of trust that people have to each other (Phezy & Faghihi, 2007). The existence of acceptable amount of social capital facilitates the social actions, so that in critical situations, social capital can be used as the main source for solving the problems and reforming current procedures. Hence, identifying the effective factors in boosting or weakening the social capital is of utmost importance (Ranani. 2007).Some of the main elements which can be used to measure social capital are:

- Understanding public political, social affairs and the presence of motivation among people who are seeking to obtain this sort of knowledge.
- Public mutual trust
- Informal cooperative sharing in voluntary activities

In general we can say one of the main factors for social capital recognition for target society is the form and the way of people relations and the state of coexistence among the people (Adler, 2002).

Value of social capital for the personnel, specially for the knowledge personnel is drawn from this fact that social capital is the original source of power for the person and it is non transitional, that is personal social capital can not be directly transformed to some other people (Timmons, 2003). It is not possible for an individual to sell or transform his developed network of relations to some one else, for it is possible the other people reject these relations. Individuals could help in developing personal network of relations but direct transforming of personal relations is impossible. Although this kind of transition is possible for the physical, financial and knowledge capital and this means that power and success of people in knowledge and service organizations somehow are dependent on the depth, width and transitional feature of their social capital. Knowledge personnel have understood that establishing variable and expanded networks of
relations has an important role in their ability and capability to help the organization to be successful.

Social capital is developed through the establishment of personal connections which leads to a communication (Fukuyama, 1999) without any form of compulsion, so this social capital is more uncontrollable than other types of capitals. It depends on the person himself that be able to develop a kind of personal relation which would have mutual interest. An organization can not betake social capital to its personnel and in fact developing and expanding network of relations needs interpersonal skills and personal interests.

Both the social capital and human capital have a high entropic, that is for the creation and keeping and enhancing their value both of them need a significant investment. In the case of social capital if the energy is not frequently injected into the relations, it is possible that relations or even the persons themselves be forgotten (Entropy).

When the social capital grows it is difficult to keep it in place. The critical element which here plays the role of glue and cement is trust that should be developed and expanded, because when the trust is developed, communications are more expanded and stabilized. In fact people with high mutual trust need not spend a lot of time to keep their relations and their relations remains powerful for good.

The last feature of social capital is a high level of synergy. Social capital among the different types of capitals has a high level of capability in producing synergy with the other types of capitals. meeting a problem in the organization, personnel who have a higher level of social capital with the help of a large information and relation network which have already developed in the organization and enjoy it access to critical and more important information and enjoy different views and attitudes, because each one of the persons in the network see the peripheral world and issues with a distinctive view and these different views and attitudes establish a new view for the person himself. Of course here to get help from the communication instruments and technologies can enrich more the social capital (Timmons, 2003).Destructive effect of social capital: Social capital has some costs and it can be destructive in some situations. A lot of studies have been performed on the advantages of using social capital but a less attention has been paid to the risks and threats of social capital. The first objection is related to the actors who have the original and central role in social capital. Developing and keeping the social capital in an organization needs a large amount of financial investment to keep in place and maintain the relationships between the members. In some situations the advantages derived from social capital are so lower than the capital which is allocated to it. In another word the following inequality should always be kept in place (Alvany & Taghavy 2008).

The second threat derived from using social capital is related to the powerful connections in the organization. So that social capital has an inclination toward enhancing the relations between the members and stabilizing these relations but performed studies in this area has shown that the organizations and teams which have powerful connections with other units are slower than the teams which have weaker relations. In another word powerful connections and relations which is derived from social capital is less effective than weak connections and the teams which have weaker connections with other units work better and faster.

The other objection for the social capital is related to its integration advantage. This advantage in some situations could have a reverse result for its actors. Too much unity and integrity with the members of a group possibly involve the actors with relations and communications and divert the attention from the major purposes and missions of the organization and in some situations even replaces the purpose so that keeping in place the relations between the members replaces the purposes and missions of the organization. In addition to the possibility of purpose replacement, boosting the spirit of integrity results in reducing new thinking, laziness and prudery, and developing the phenomenon of when in Rome do as Romans do, in the organization (Adler, 1999 quoted by Alvani and Taghavi, 2007).
THE NECESSITY AND IMPORTANCE OF ENTREPRENEURSHIP

From the beginning of the 1980s and simultaneously with the focus on innovation for survival and competition with the entrepreneurs who increasingly appeared in the market, the inclination toward entrepreneurship and entrepreneurs results in directing entrepreneurial activities into the companies. Beside the penetration of bureaucracy in the culture of companies during 1960s and 1970s, entrepreneurship in the major organizations was taking in to the account increasingly by the senior managers so that they could also follow the process of invention and innovation and make their new products and services marketable. In terms of competition it can also be suggested that this factor with its recent years' velocity has been a challenge for all of the companies and even the companies which are working with advanced high tech are encountered with numerous competitors.

The speed of innovation and presenting the new products is so fast that with these changes the initiatives and improvement in types and quality of productions has been a normal case so the companies should be innovative, otherwise they are condemned to destruction (Daf, quoted by Parsaeyan and Eraby, 2000).

General features of entrepreneurs: In the 20th century some psychologies such as McClelland, the psychology professor of Harvard studied the role of entrepreneurs and business masters and their major differences has been discussed from philosop hic point of view and perspective. In their view for entrepreneurs who has foresight and innovative thoughts the situational factors effect their decisions in the beginning of risky activities (Collins et all, 1964). Carland and his workmates collected different features which had been studied from the outset of the case until 1984 and some of the most prominent of them are pointed out here in the following cases: Oversight and perspective, Determination, Concentration, Motivation, Time and self-sacrifice, internal control, Independence, creativity and innovation, Risk taking and ambiguity bearing.

RELATION OF SOCIAL CAPITAL WITH ENTREPRENEURSHIP

Viclen believes that in addition to the economic elements such as market and capital advantages which affect the entrepreneur, noneconomic factors such as social relation networks can also affect the phenomenon of entrepreneurship, too. Social capital as a social phenomenon can lead to creativity, ideology, and it can facilitate the innovative behaviors and risk taking that could be one of the entrepreneurship indexes (Coleman, 1998). Those with higher amount of social capital have more access to the sources and information that can affect the development and formation process of business and access to the new market. Hence, social capital is of utmost importance to the entrepreneurs and those in social groups who have more social capital more likely are placed in profitable situations inside the networks, so it is more likely that they can discern business opportunities more effectively and can use them.

To be involved in entrepreneurial activities, people should be able to monitor environmental changes and evaluate the effects of these changes over their newborn business. Failing of entrepreneur on forecasting his achievement in the business produces environmental hesitancy which in turn would stop his participation in entrepreneurial activities. Even though, social networks provide the skill and knowledge which reduces the existence of natural ambiguity in the process of entrepreneurship.

SOCIAL INTERACTIONS IMPORTANCE IN ENTREPRENEURIAL ACTIVITIES

Empirical studies show that social interactions play a major role in facilitating innovations and creativity which are among the indexes of entrepreneurship. Theorists have examined the relationship between social networks, the development of new ideas, and creativity. Also
empirical and hypothetical studies have been carried out about the relation between social interaction and risk taking which are among other aspects of entrepreneurship (Nahapiet & Ghoshal, 1996).

Social relations through identification and exploration of threats and environmental opportunities and with implementing measures for neutralizing environmental hesitancy can lead to pioneering. Social relations also results in facilitating the knowledge transference and implementation of social interaction not only benefits participants in these relations, but also people themselves with reducing the expenses and time in responding to the needs and environmental threats achieve some advantages.

Recent researches suggest a connection between the network size and innovation, self renewal and entrepreneurship. The role of networks in boosting innovation and development of new ideas has been the subject of studies in recent years and their findings supports this hypothesis (Burt, 2000).

THE EXAMINATION OF RESEARCH FINDINGS

1- FREEDMAN'S VARIANCE ANALYSIS TESTS

This test is used for the examination of meaningfulness of variables ranking and because the suggested responses are based on Richard's spectrum for examining the degree of effectiveness and the way of variable's ranking here Freedman's variance analysis is used.

According to this test, the following ranking is drawn from the factors related to the social capital:

<table>
<thead>
<tr>
<th>Priority</th>
<th>variable</th>
<th>Average rankings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cohesion</td>
<td>4.98</td>
</tr>
<tr>
<td>2</td>
<td>structure of relations</td>
<td>3.85</td>
</tr>
<tr>
<td>3</td>
<td>size of network</td>
<td>3.78</td>
</tr>
<tr>
<td>4</td>
<td>trust</td>
<td>3.61</td>
</tr>
<tr>
<td>5</td>
<td>relational</td>
<td>2.42</td>
</tr>
<tr>
<td>6</td>
<td>mutual relations</td>
<td>2.01</td>
</tr>
</tbody>
</table>

Table 1- Prioritizing the social capital variables in terms of average rankings

This ranking suggests that among the social capital related variables in statistical society, relational item and mutual relations are weaker than other factors and should be empowered and in another side trust and size of network should be empowered in the later stages.

2- RANKING THE ENTREPRENEURSHIP VARIABLES

TEST OF HYPOTHESIS: there is meaning difference between the states of average ranks of entrepreneurship variables.

According to this test, the following ranking is drawn from the factors related to the entrepreneurship:

<table>
<thead>
<tr>
<th>Priority</th>
<th>variable</th>
<th>Average rankings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>risk</td>
<td>5.32</td>
</tr>
<tr>
<td>2</td>
<td>foresightedness</td>
<td>5.05</td>
</tr>
<tr>
<td>3</td>
<td>inside control</td>
<td>4.70</td>
</tr>
<tr>
<td>4</td>
<td>motivation</td>
<td>4.49</td>
</tr>
<tr>
<td>5</td>
<td>independence</td>
<td>3.34</td>
</tr>
<tr>
<td>6</td>
<td>concentration</td>
<td>2.89</td>
</tr>
<tr>
<td>7</td>
<td>determination</td>
<td>2.39</td>
</tr>
</tbody>
</table>

Table 2- Prioritizing the entrepreneurship variables in terms of average rankings

This ranking suggests that among the entrepreneurship related variables in statistical society which is target related factors of entrepreneurship, concentration and determination are weaker
than other factors and should be empowered and in another side independence and motivation should be empowered in the later stages.

TEST OF REGRESSION
For the sake of surveying the effect of social capital and its aspects on the entrepreneurship Regression test has been used so that firstly to test the hypothesis in terms of weather they are right or wrong and secondly to identify which aspects of social capital has the most effects on the entrepreneurship. For this purpose each effect of social capital as an independent variable was tested and the results of the tests suggests that from factors which are related to the social capital, relations structure index has the most effects and communication index has the less effect on the entrepreneurship and independence and creativity index from entrepreneurship are affected by non of the indexes of social capital. From the other side it can be said that nearly all aspects of entrepreneurship is affected by the social capital and only independence and creativity variables are affected by none of the aspects of social capital.

It seems that for entrepreneurship features are innate and they are not transformable and acquirable it can be said that the perimeter environment has the least effect on Entrepreneurship. Creative person is seeking opportunities, even though the environmental conditions impose different limitations on him. These environmental limitations can be weakness and shortage of social capital. As this test shows, creativity and independence variable are not affected by none of the social capital aspects, although none of the entrepreneurship aspects were affected by one of the social capital aspects.

DISCUSSION, CONCLUSION AND SUGGESTIONS
The results of present research suggest the existence of a positive and meaningful relation between social capital and its aspects with entrepreneurship. This means that with the increase and decrease of social capital, entrepreneurship will be increased and decreased. The founding of the research in the target society shows that nearly all the aspects of entrepreneurship (according to Carland et all's model) are affected by the social capital`s aspects (according to Aston model) and only the independence and creativity variables directly are not affected by social capital. Social capital in terms of entrepreneurship plays the role of leverage and we can not name it as the entrepreneurship producer, however to make the potential creativity of entrepreneur practical and results in entrepreneurship, there are so many environmental factors which affect it and one of them would be social capital.

Considering the results of data analysis the target society in terms of entrepreneurship has a favorite average, but to keep the features in place needs some efforts. In addition, when a creative person by taking advantage of entrepreneurship features runs an independent business, considering current dynamic environment, for keeping it in place and staying in the relevant industry he must have company type of entrepreneurship and avoids setting back and decline. For this purpose and for keeping entrepreneurship in a business the following suggestions are put forward:

1- Developing the unit of research and development in terms of productions or services and identifying the customers can provide environmental opportunities and flexibility. In another side, the establishers of the companies personally should involve in the activities, because in this way their commitment to the findings and their executions would be increased and the initial idea for establishing a business is the corner stone of its future position and an entrepreneur with taking advantage of entrepreneurial features has a broader perspective to the objectives and future of the company.
2- Human resources are the most valuable resources of each company and they can help the company to get to its objectives. Taking advantages of original and creative ideas even at the lowest level of the company, encouraging people to put forward their ideas and holding discussion sessions with the persons who participate directly in the process of production or delivering service can be effective in the reform and improvement processes.

3- The findings of this research show a high level of risk taking between the people of understudy society. Taking this advantage, managers could direct their strategy from defensive and passive form toward analytic and prospective ones and take steps in understanding opportunities, taking new technologies in production and entering the new markets. In another word there should be some efforts to surpass competitors by developing production and market.

4- Gaining entrepreneurship characteristics needs determination and focus on the objectives, which the understudy society is prevalent in. however in some situations social and economic circumstances dominate these features and limit the new established companies from boosting and flourishing and the company establishers with all necessary determination and conviction for following their job have to leave the industry.

The research findings showed that the related factors with social capital are at an acceptable and satisfactory state and the only factor which has not a satisfactory condition is social integrity. For empowering the social capital in the understudy society the following recommendations are suggested.

1: for empowering the aspect of relations in social capital the horizontal relations should be increased and for these purpose the following initiatives are suggested:
   - The more vesting of authority to the members.
   - Establishing working committees for improving the relations.
   - Holding frequent sessions and meetings with the personnel to get more information and exchange of ideas.

2: The aspect of trust is one the most important parts of social capital which is so sensitive that permanently is under a destructive situation and it is a factor which forms social relations and provides a ground for personnel partnership in a working group. For boosting the trust between the members of a society the following recommendations can be suggested.
   - Making teams which their members are consisted of company managers in the same industry and holding monthly meetings to exchange ideas and experiences and also developing integrity and enhancing trust between the members. These face to face meetings not only increase the familiarity between the members, but also they would obviate the vague points and misunderstandings which would possibly exist between the members. These meetings would increase the trust and stability of the relations based on it.
     - Developing group programs for boosting the spirit of group work.
     - Enhancing the professional and secular morale: the managers who take into account the moral principals form a kind of relations which initiate trust.
     - Feeling of social responsibility: in any business when the personnel believe in to be responsive to the society and they have responsibility against it, they would get to a positive understanding to their job and under the light of this space trust would replace distrust.
     - Strengthening of the guild and labor unions and being bound over their united decisions.
     - Forming guild and professional intermediate groups to decrease the tensions and develop the space of cooperation with the participation of company representatives with more working relations.
3. Forming and keeping the spirit of interrelation or intercourse among the companies. Reciprocal action is the process of interaction in social relations and this matter itself is the function of special norms which needs different relational networks. For increasing this kind of spirit the following cases can be taken into account:

- Developing the spirit of generosity as the people with social popularity, that is White Beards, in their guild or industry step forward.
- Encouraging and appreciating the pioneer individuals in such actions and promote such spirit.

4. Integrity was one of the cases, which was not in a good condition in the target society. For strengthening this important index of social capital the following cases are pointed out.

- Encouraging and forming professional and expert groups and associations among companies: this case is one of the structural ways for increasing the social capital. People in the shape of social institutions enjoy common identity and a kind of cooperative ground is developed among them. Forming these institutes with the volunteered participation of experts and professionals of the companies can encourage others and increase the social integrity. Especially in the membership of these associations or groups the differences of size and financial power of the companies are no taken into account and the right of presence and freedom of expression is being respected.
- Forming funds for financial support with membership of the original personnel of all the companies and using its capital to help the members in solving their financial needs on a regular base of justice and candid. If the companies with more financial power support such funds the integrity would be increased.
- Establishing groups in the form of expert teams for companies which are active in an industry to solve the common problems in the field of their activity, such as providing primary materials, goods transformation and gaining governmental and bank support.
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The dilemma of Knowledge Management, innovation and entrepreneurship in SME’s: an empirical study

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Abstract

This study investigates the perceived importance of knowledge management and innovation, demographics, entrepreneurship, firm size, and turnover in SME’s. This particular paper contributes to the body of literature by analysing the different elements that directly affect the sustainable growth of SME’s in Pakistan. To achieve success in identifying the best value of their knowledge asset, the SME’s need to give equal attention towards the implementation of knowledge management strategies. Findings reflect that, the awareness of knowledge management, innovation, firm size, demographics is positively related to the sustainable growth of a firm. The small and medium size industry, which is the backbone of Pakistan’s economy, is needed to be addressed in order to have more understanding about the factors that are contributing towards its growth.

Key Words: Knowledge management, Small and medium size industries, Innovation, entrepreneurship, demographics

1. Introduction

1.1 Objectives of the research

There are many factors that affect the growth of SME’s in Pakistan. However, the objective of this paper is to find out if Knowledge management awareness, turnover, demographics, entrepreneurship, innovation and firm size has any affect towards the sustainable growth of the SME’s of Pakistan.

1.2 Problem statement / Literature gap and research questions: -

The objective of this current study is to analyze the regularity, role and nature of knowledge management activity, entrepreneurship, innovation, demographics, and firm size and turn over in the context of Small and medium sized enterprise (SME). More or less, these all factors have never adopted to investigate their impact on the performance of the small and medium size industries especially in Pakistan. The understanding of the factors that are responsible for sustainable growth in the SME sector in Pakistan is the need of the time as SME sector is one of the major sectors in the Pakistan in terms of employment and their contribution towards GDP. In Pakistan, a very limited research has been carried out in order to know which are responsible for the sustainable growth in SME’s.
2. Literature Review

2.1 SME’s of Pakistan: -
Small and medium size firms in Pakistan are contributing a significant proportion towards the GDP. There are approximately 3.3 million business enterprises operating in Pakistan. The share of SME’s in industrial employment is estimated at 78%, in value addition about 35%. The contribution in manufacturing export earnings is about 25%. The contribution of SME’s towards GDP is 30%. (economic survey, 2009) SME sector is the important sector of the Pakistan economy. These are scattered all over the Pakistan. In Pakistan SME’s are dealing with textile, leather, marble, steel, handicrafts, gems and precious stones. The strongest arguments favouring SME’s are that they provide higher resource distribution from societal point of view, because they are the open source of more employment at smaller capital cost as compared to large enterprises. According to Pakistan Ministry of Labour, there will be an addition of approximately 17 million persons in labour force at the end of 2009. To deploy these new entrants it needs Rs. 5.2 trillion in large scale sector while on the other hand only Rs. 8 billion needed in small/micro scale sector (Government of Pakistan Ministry of Industries & Production, 2010). According to the definition of SMEDA (small and medium size enterprise development authority) of Pakistan, those firms will fall under the category of SME who have up to 250 employees, or 250 million of paid up capital and or sale of 250 million rupees annually (Small and Medium Enterprise development authority, 2010).

2.2 Small and Medium size enterprises and Sustainable growth: -
The key indicator of performance for any firm is growth i.e. like in case of stock market valuation, growth is an important measure and failure to meet the growth expectation may lead to shatter market valuation. Similarly in the case of SME’s, here too the performance of the firm is judged on the basis of growth. Most importantly sustainable growth in sales is considered to a deciding and reliable success criteria (Laurence, 2001).

The sustainability in the growth of SME does finally contribute towards the prosperity of the modern society. To maintain sustainable growth for a longer duration is difficult (Goold, 1999). Therefore long term growth, sustainable growth, is considered to be the important factor of success (Gorman, 2001). For many organizations for many reasons growth is very important and essential in order to retain the knowledge workers, to enhance competitive advantage, to increase market share and finally to successfully meet the customer’s needs and demand (Daft, 1998). Therefore, here we propose that knowledge management possibly have positive effect on the growth of a company in a long run, sustainable growth.

2.3 Knowledge management awareness and sustainable growth: -
The management of capitals (intangible assets i.e. social capital, human capital, external capital, organizational capital, technological capital is known to be knowledge management. Knowledge management awareness is all about how to accomplish knowledge management (Sveiby, 1997). The awareness of knowledge management can be materialize within and across the organization by imparting a group of knowledgeable workers who have skills in knowledge management techniques and practices, which in turn establish a framework to attain knowledge management (Macintosh, 1999). Intellectual capital refers to all available resources that determine the competitiveness and value of a firm. The value of any firm comprises of both physical and financial assets and intangible assets also called as intellectual capital. The term intellectual capital means a capital which is not easily transferable in any form. On the other hand all other resources like real estate, machinery can be converted into monetary form. As far as intellectual capital is concerned, it is made up of elements which are hard to imitate like quality of
employees, reputation of brand. Intangible assets are considered as one of the vital factors for the wealth creation and for the firms it has become an important task to manage the intellectual resources (Sarrocco, 2003).

Intangible assets consists of many factors but we have selected human capital (competencies of employees, commitment, education, experience), social capital (cultural values, relations among employees, communication), external capital (relations with the customers, brand image), organizational capital (management and internal activities of the firm), technological capital (modern machinery and new processes) (Edvinsson and Malone, 1997). In Pakistan knowledge management is probably the new phenomena for the SME’s. Knowledge management is persists in SME’s but they are not aware of the term knowledge management. So in this research paper we will try to perceive the possible effect of knowledge management awareness on the sustainable growth in the context of SME’s.

2.4 Human capital: -

According to (Zakariya, 2011) human capital is all about the knowledgeable workers and that knowledge resides in the minds of the employees and in tangible form. Human capital refers to the combination of the talents of the employees, their education, experience they have, and their attitude towards the organization (Hudson, 1993). Human capital can be enhanced by training and education. There is a causal connection between knowledge resources and management of human capital. Human capital can effectively enhance the performance and growth for longer period in SME’s (Salojarvi. 2005).

Development and sustainable growth of SME’s can effectively be explained by the effective use of human capital and production processes. Human capital is the ability to manage and maintain the business resources by the managers. In this paper we will analyze the impact of human capital on knowledge management and sustainable growth.

2.5 Organizational capital: -

Organizational capital is considered to be the productive resource for any firm and it is the most important contributor to the growth and performance. This kind of a capital is hard to imitate and difficult to transfer. This particular capital also reflects the managerial decisions and activities (Baruch, 2004). Organizational capital cannot be completely codified and cannot easily transferable because tacit knowledge is hard to transfer. According to (Bruton, 2007) organizational capital is a kind of resource that is collectively held and help in interactions across the organization. Organizational capital is also responsible for the sustained growth of the SME’s (Evenson and Westphal 1995, p. 2213). In this paper we will try to analyze the possible impact of organizational capital towards knowledge management.

2.6 External capital: -

External capital here denotes relations with the customer’s ad brand image (Edvinsson & Malone, 1997). SME’s can effectively explore new ideas by making healthy relations with their customers. In UK, France and Portugal SME’s are the major drivers of innovation by working very close with their customers and meeting their needs and demands (Chanaron, 1998). It was that internal technological capital is important for the SME’s but at the same time external capital that is information from suppliers and customers are also important. SME’s in Portugal, besides internal sources also depend on the external capital for sustainable growth and innovation. External capital is also vital for the growth of SME’s in UK (Hoffman et al, 1998). Therefore in this study we will analyze the impact of external capital on the knowledge management and sustainable growth.
2.7 Social capital: -

Nahapiet and Ghoshal, 1998 defined social capital as interactive resources that are rooted in the networks of social relations. Social capital here means ‘Who you know’. It also refers to the civic relations in the organization and serves as a source of competitiveness, growth and cooperation. The SME’s are the creator and at the same time users of social capital as it enhance the flow of information and facilitates the exchange of knowledge, that is important for the SME’s (Boschma, 2005). Intellectual capital is indeed social capital. Social capital consists of relationship among the team members, trust, values and network ties. Intellectual capital is the ability of a firm to exploit its networks, social capital and connectivity for achieving sustainable growth in SME’s (Nahapiet and Ghoshal, 1998). Here we can say that knowledge is always created in the context of social capital. Therefore in this paper we will analyze the impact of social capital on the knowledge management awareness and sustainable growth in SME’s of Pakistan.

2.8 Technology capital: -

According to (Aggrwal, 2007), there is a growing need to enhance the sustainable growth and competitive advantage through capital or technological capacity building. In SME’s the technological capacity building is easy because of limited organizational structure and flexibility. SME’s in some countries have been reported to achieve sustainable growth and improved performance by adopting new technological practice. The technology facilitates to perform practices pertaining to knowledge management and helps in sustainable competence for the firms.(Jiatao Li, 2008). Technology provides infrastructure for economic development which also helps in creating new knowledge combined with innovation. The most important aspect is that it brought the world closer together by continuously improving dissemination of the knowledge and facilitates collaboration (Diem Ho, 2007). Therefore technological capital has the ability to enhance the growth of individual firm and for economy at macro level. In this paper we will analyse the importance of technological capital and its contribution towards the sustainable growth.

2.9 Turnover and sustainable growth: -

(Abassi and Hollman, 2000), has defined turnover as the rotation of workers among the firms, jobs, between the state of employment and unemployment, and around the labour market. The workforce activities can be divided into two parts: involuntary and voluntary. Involuntary turnover refers to the dismal of employees while voluntary turnover means when employees resign. Whereas function turnover means when knowledge workers are left with the firm as the bad performers leave the firm. Similarly Dysfunctional turnover refers to the situation when good knowledgeable workers leave the firm while bad performers stay in the firm. So turnover affects the productivity and growth of the firm. Turnover has an impact on the growth of the firms (Johnson et al., 2000). Therefore it is necessary to analyze the impact of turnover on the SME’s of Pakistan.

2.10 Firm Size and sustainable growth: -

Firm size refers to the number of employees that a firm has and the area of its product influence. Firm size has an impact on the growth of a firm and there is a positive association between firm size and growth and the rate of growth of the economy too (Beck, 2005). The results of the study conducted by (Cohen et al, 1987) concluded that investment in firm size has greater impact on the growth of the firm as compared to the investment in R&D. the size of the firm has an effect on the growth and survival of the firm (Renáta Kosová, 2005). Similarly it was argued by
Shumpeter (1934) that firm size is prerequisite for activities pertaining to innovation and firm size. For the above literature it is obvious that firm size has an impact on the growth of the firm. We will try to analyze the impact of firm size on the sustainable growth of the firms in the context of SME’s of Pakistan.

2.11 Innovation and sustainable growth: -

Innovation is regarded as the most important phenomena in economic and business spheres of our times for the growth of firms (G.M Peter 2010). Innovation refers to practice, ideas or any object which is perceived as new. Here it should be mentioned that the novelty does not always involve new knowledge, it may also concern with the advancement or the upgradation of the existing knowledge (Rogers, 2003). Adoring the SME’s with the innovation particularly in the knowledge economy will surely effect their working and for the overall economy. The study conducted by (Bessant, 1999) concluded that SME’s need innovation for attaining competitiveness. Studies have also emphasized on the introduction of innovation for increasing market share and growth. There is a higher rate of innovation and skill intensive in small firms. As far as innovation is concerned it provides a straight path for sustainable growth. There is positive impact of innovation on the competitiveness and sustainable growth in SME’s. According to Lee, 1998 SME need innovation in order to have technological advantage and sustainable growth. In this paper we will try to analyze whether the innovation in SME’s of Pakistan have any impact on their sustainable growth.

2.12 Entrepreneurship and sustainable growth in SME’s: -

In literature, a continuous discussion is going on over the difference between the owner manger of small firms and entrepreneur. But in the theories of Schumpeter (1934) and Knight (1921), a distinction has been made between decision making of entrepreneur and the owner of small firm. They argued that it is not always true that all the owners of small business are entrepreneur. Vecianna in 2000 defined entrepreneurship as creator of new business, identify new opportunities and it is the ability of the entrepreneur to create novel combinations of factors production. According to Ahrens 2000, firms have to bring changes within itself because it is not possible to achieve long term sustainability and it is the entrepreneurship that impelement the changes. In this paper we will analyze the impact of entrepreneurship on the sustainable growth of SME’s.

2.13 Demographics and sustainable growth: -

Demographics refer to the general characteristics of the human population. It commonly refers to the gender, income, mobility etc (Power, 2006). Here in the context of small firm’s demographics refers to the location of the firm and experience of the employees. Demographics effect the growth and sales (Boschma 2005). The location of the firm has an important affect on the productivity and growth of the firm. If the firm is located near the big cities, the firm has an easy access to the raw material and it will be easily available to the firm. If the firm is located in rural the raw material will not be timely available and hence growth rate will be retarded. Similarly experience of the worker too contributes towards the sustainable growth, innovation and competitiveness of the firm. As supported by the literature that demographics do effect the sustainable growth therefore in this paper we will analyze the impact of demographics on the sustainable growth of SME’s in Pakistan.
3. Conceptual Framework of the Research

The conceptual framework for this study is to analyze the relationship between small and medium enterprises, innovation and knowledge management. Variables that will be helpful for this study are knowledge management maturity/awareness, sustainable growth, human capital, organizational capital, external capital, technological capital, turnover, innovation, entrepreneurship, demographics and firm size. Among these variables there exists some relation according to the previous studies. Sustainable growth is the dependant variable while KM maturity/awareness, organizational capital, external capital and human capital, are independent variables. This is described with the help of a model which is given below.

### Figure 1

![Conceptual Framework Model]

#### CONCEPTUAL FRAMEWORK MODEL

- **KM awareness**
  - Human Capital
  - Org. Capital
  - External Capital
  - Social Capital
  - Tech. Capital

- **Sustainable Growth**
  - Turnover
  - Firm Size
  - Innovation
  - Entrepreneurship
  - Demographics

**Research hypotheses**

- **Ha1**: KM awareness is significantly associated with human capital.
- **Ha2**: KM awareness is significantly associated with organizational capital.
- **Ha3**: KM awareness is significantly associated with external capital.
- **Ha4**: KM awareness is significantly associated with social capital.
- **Ha5**: KM awareness is significantly associated with technological capital.
- **Ha6**: Turnover is significantly associated with KM awareness.
- **Ha7**: Sustainable growth is significantly associated with turnover.
- **Ha8**: Sustainable growth is significantly associated with KM awareness.
- **Ha9**: Sustainable growth is significantly associated with firm size.
- **Ha10**: Sustainable growth is significantly associated with entrepreneurship.
- **Ha11**: Sustainable growth is significantly associated with innovation.
- **Ha12**: Sustainable growth is significantly associated with Demographic i.e. experience and location.

Sustainable Growth =function (Knowledge Management awareness, innovation, turnover, firm size, entrepreneurship, demographics)

(1)
Sustainable Growth = $\beta_0 + \beta_1 \times \text{Knowledge Management awareness} + \beta_2 \times \text{innovation} + \beta_3 \times \text{turnover} + \beta_4 \times \text{firm size} + \beta_5 \times \text{entrepreneurship} + \beta \times \text{demographics}$.................(2)

4. Study Design and Methodology

The study is descriptive in nature based on quantitative data and previous studies.

4.1 Population

Our target population was the employees of SME, working in different departments.

4.2 Sample

The sample was taken on a convenient basis from SME’s from Pakistan. As the SME’s are scattered all over Pakistan so we have selected those SME’s that were easily accessible. The respondents were both males and females of different ages and belonging to any race, socio-economic status and background.

4.3 Data collection

As the research is quantitative in nature therefore primary data was collected with the help of self-administrated questionnaire. Total n= 350 questionnaires were floated out of which n= 250 respondents filled the questionnaire properly; the response rate was 71%. These were selected from different areas of Pakistan. SMEDA also provided laudable work and helped in data collection.

4.4 Survey Instrument

The questionnaire was designed with the help of extensive literature review. The questionnaire consisted of 9 parts, each variable consist of 5 constructs. The respondent were asked to reply on Likert scale from strongly agree to strongly disagree. The reason for using Likert scale is that because it is psychometric analysis of respondent’s behaviour (Likert, 1932). All the items were close ended because close ended questions allow the respondent to show their degree of agreement or disagreement.

4.5 Validity

The initial draft of the questionnaire was floated for the purpose of content validity, for which views were collected from the scholars as well as potential respondents. Based on their view various items were ommitted, modified and even few more questions specially in organizational culture variable were added. After the changes questionnaire was floated to different organizations for pilot testing. The sample size for pilot testing was 15 and on the basis of results generated internal consistency of data was measured. It was found that all the variables met the cut of value (0.65) (Leech, et al., 2005).

4.6 Reliability

Reliability test was used to measure the internal consistency based on computed values of Cronbach alpha ($\alpha$). Reliability of the sample was measured which shows that all the variables met the cut off value (0.65) that is acceptable for retaining the variables (Leech, et al., 2005).
Reliability Statistics

<table>
<thead>
<tr>
<th>Sr No</th>
<th>Variable Name</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Human Capital (HC)</td>
<td>0.65</td>
</tr>
<tr>
<td>2</td>
<td>Organizational Capital (OC)</td>
<td>0.65</td>
</tr>
<tr>
<td>3</td>
<td>External Capital (EC)</td>
<td>0.81</td>
</tr>
<tr>
<td>4</td>
<td>Social Capital (SC)</td>
<td>0.75</td>
</tr>
<tr>
<td>5</td>
<td>Technological Capital (TC)</td>
<td>0.86</td>
</tr>
<tr>
<td>6</td>
<td>Innovation</td>
<td>0.71</td>
</tr>
<tr>
<td>7</td>
<td>Entrepreneur</td>
<td>0.75</td>
</tr>
<tr>
<td>8</td>
<td>Location</td>
<td>0.77</td>
</tr>
<tr>
<td>9</td>
<td>Experience</td>
<td>0.80</td>
</tr>
</tbody>
</table>

4.7 Classical Linear Regression Assumptions

The data fulfill all the five classical linear regression assumptions i.e. strict exogeneity, No multicollinearity, no hetroscadesticity, no autocorrelation. So the data is good enough to test for further analysis (Leech, et al., 2005).

5.3 Factor Analysis

The purpose of using factor analysis is to investigate the large number of relationships among inter-level variables. For factor loading principle component analysis method was used. Less than 0.40 of items values were omitted and did not use for further analysis (Leech, et al., 2005). Table below shows the retained items that met the cut off values i.e. > .40

<table>
<thead>
<tr>
<th>Variable item</th>
<th>HC</th>
<th>OC</th>
<th>EC</th>
<th>SC</th>
<th>TC</th>
<th>INNO</th>
<th>ENTRE</th>
<th>LOC</th>
<th>EXP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.74</td>
<td>0.6</td>
<td>0.79</td>
<td>0.70</td>
<td>0.76</td>
<td>0.73</td>
<td>0.49</td>
<td>0.84</td>
<td>0.70</td>
</tr>
<tr>
<td>2</td>
<td>0.34</td>
<td>0.67</td>
<td>0.69</td>
<td>0.29</td>
<td>0.82</td>
<td>0.73</td>
<td>0.42</td>
<td>0.60</td>
<td>0.50</td>
</tr>
<tr>
<td>3</td>
<td>0.73</td>
<td>0.71</td>
<td>0.74</td>
<td>0.70</td>
<td>0.84</td>
<td>0.71</td>
<td>0.38</td>
<td>0.60</td>
<td>0.60</td>
</tr>
<tr>
<td>4</td>
<td>0.68</td>
<td>0.74</td>
<td>0.78</td>
<td>0.70</td>
<td>0.82</td>
<td>0.79</td>
<td>0.45</td>
<td>0.70</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

KMO stands for Kaiser-Meyer-Olkin Measure of Sampling Adequacy (small value of KMO indicates factor analysis is inappropriate and). KMO indicates sufficient items for each factor. All the values are found greater than 0.5 (SPSS user’s guide). If the value of Bartlett Test of Sphericity (to test the null hypothesis that the correlation matrix is an identity matrix which would indicate that the factor model is inappropriate) is less than .05 then it should be significant and indicates that the correlation matrix is significantly different from an identity matrix, in which correlations between variables are all zero (Leech, et al., 2005). Table 5 shows the values of KMO and Bartlett's Test of Spheric.
Table: 3

KMO and Bartlett's Test

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Kaiser-Meyer-Olkin Measure of Sampling Adequacy</th>
<th>Bartlett's Test of Sphericity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Human Capital (HC)</td>
<td>0.69</td>
</tr>
<tr>
<td>2</td>
<td>Organizational Capital (OC)</td>
<td>0.79</td>
</tr>
<tr>
<td>3</td>
<td>External Capital (EC)</td>
<td>0.86</td>
</tr>
<tr>
<td>4</td>
<td>Social Capital (SC)</td>
<td>0.84</td>
</tr>
<tr>
<td>5</td>
<td>Technological Capital (TC)</td>
<td>0.71</td>
</tr>
<tr>
<td>6</td>
<td>Innovation</td>
<td>0.69</td>
</tr>
<tr>
<td>7</td>
<td>Entrepreneur</td>
<td>0.72</td>
</tr>
<tr>
<td>8</td>
<td>Location</td>
<td>0.78</td>
</tr>
<tr>
<td>9</td>
<td>Experience</td>
<td>0.80</td>
</tr>
</tbody>
</table>

5. Data Analysis

5.1 Correlation

Pearson Correlation was used to check the correlation among the variables. Table 6 shows that all variables are associated with each other and have significant correlations (Leech, et al., 2005).

Table: 4

<table>
<thead>
<tr>
<th>HC</th>
<th>OC</th>
<th>EC</th>
<th>SC</th>
<th>TC</th>
<th>INNO</th>
<th>ENTRE</th>
<th>LOC</th>
<th>EXP</th>
</tr>
</thead>
<tbody>
<tr>
<td>HC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OC</td>
<td>0.41**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EC</td>
<td>0.23**</td>
<td>0.17*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SC</td>
<td>0.23**</td>
<td>0.09</td>
<td>0.04</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TC</td>
<td>0.17*</td>
<td>0.04*</td>
<td>0.15*</td>
<td>0.35**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INNO</td>
<td>0.11*</td>
<td>0.08*</td>
<td>0.09*</td>
<td>0.35**</td>
<td>0.34**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ENTRE</td>
<td>0.2*</td>
<td>0.05</td>
<td>0.01</td>
<td>0.16</td>
<td>0.34**</td>
<td>0.04</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LOC</td>
<td>0.15*</td>
<td>0.1</td>
<td>0.34**</td>
<td>0.33**</td>
<td>0.31**</td>
<td>0.24*</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td>EXP</td>
<td>0.25**</td>
<td>0.04</td>
<td>0</td>
<td>0.22*</td>
<td>0.44**</td>
<td>0.15</td>
<td>0.44**</td>
<td>0.16</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed)
*Correlation is significant at the 0.05 level (2-tailed)

The above correlation table suggests us that almost a significant and positive correlation exists among the variables like human capital with organizational capital, external capital, social capital, technological capital, innovation, entrepreneurship, location and experience.

5.2 Descriptive Analysis

The entire 250 respondent have responded through emails and by visiting the respondents personally. Demographic data indicate that 77.2% were male and 22.8% were female. 46% were having Diploma/Higher Graduate diploma level qualification, 23% were having Bachelor degree, 25% were having Master degree, 4% were having M.Phil/MS, 0.8% was having PhD and
remaining 1.2% was having other degrees. The Table 5 shows the rest of the details. Data collected from private organizations. Majority of the respondents were in 20-30 age groups (40%). Then come 31-40 age groups (35.2%) and 41-50 age groups (24.8%). The least represented one is 60 above age group with 1 respondent.

5.3 Hypothesis Testing and testing the model

A structural equation modeling technique was utilized to analyze the model. We have used SEM because it is used for testing relationships using different combinations of statistical data and casual assumptions. The LISREL 8.80 program was used for this purpose (Usluel et al., 2008; Jackson et al., 2005). The observed variables used to predict the latent variables in structural equation modeling were obtained by processing the data in the instrument (Jackson et al., 2005). The variable human capital, organizational capital, external capital, social capital, technological capital, firm size, innovation, entrepreneur, location and experience predict the latent variable knowledge management awareness, sustainable growth, demographic, turnover that was calculated using the relevant items as a result of the factor analysis carried out on the items, in the data collection tool, which tend to explain the purposes of sustainable growth on knowledge management awareness, demographic, innovation, firm size and turnover. The value of chi-square is 21.93 and the degree of freedom is 14 according to Usluel et al (2008) the chi-square will be divide by degree of freedom then the results generated will be less than 3 i.e. 1.99 which shows model is significant. The value of p is also significant because it is less than 0.05. Figure 3 shows the recommended model. Fit indexes (7) which are commonly used in the literature (x²/d.f, GFI, AGFI, NNFI, CFI, RMSR, RMSEA) were employed to test model fit. According to Usluel et al., (2008) the best fit were acquired when all the seven fit indexes meet the cutoff values that were acknowledged in the literature. The commonly used measures of model fit, based on results from an analysis of the structural model, are summarized in table. In practice, Chi-square / degrees of freedom less than 3, GFI, NNFI, CFI greater than 0.9, an AGFI greater than 0.8, RMSR less than 0.1, and RMSEA less than 0.06 or 0.08 are considered indicators of good fit. As seen in table, all goodness-of-fit statistics are in the acceptable range (Usluel et al., 2008; Jackson et al., 2005).

<table>
<thead>
<tr>
<th>Fit Index</th>
<th>Recommended Value</th>
<th>Observed Value</th>
<th>Observed values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square/ degrees of freedom</td>
<td>≤3.00</td>
<td>&lt; 2.72</td>
<td></td>
</tr>
<tr>
<td>GFI</td>
<td>≥0.90</td>
<td>&gt;0.96</td>
<td></td>
</tr>
<tr>
<td>AGFI</td>
<td>≥0.80</td>
<td>&gt;0.86</td>
<td></td>
</tr>
<tr>
<td>NNFI</td>
<td>≥0.90</td>
<td>&gt; 0.90</td>
<td></td>
</tr>
<tr>
<td>CFI</td>
<td>≥0.90 or ≥0.95</td>
<td>&gt;0.96</td>
<td></td>
</tr>
<tr>
<td>RMSR</td>
<td>≤0.10</td>
<td>&lt;0.068</td>
<td></td>
</tr>
<tr>
<td>RMSEA</td>
<td>≤0.06 or ≤0.08</td>
<td>&lt;0.076</td>
<td></td>
</tr>
</tbody>
</table>

GFI = goodness-of-fit index; AGFI = adjusted goodness-of-fit index; NNFI = non-normed fit index; CFI = comparative fit index; RMSR = root mean square residual; RMSEA = root mean square error of approximation.
The observed variable (human capital, organizational capital, external capital, social capital, technological capital, firm size, innovation, entrepreneur, location and experience) used to predict the latent variables (knowledge management awareness, sustainable growth, demographic, turnover) in structural equation modeling. Table shows the coefficients, standard error, error variance, t value and p value and describes the acceptance and rejection of hypothesis.

5.4 Structural Paths
\[
Z_2 = \beta_{11} Z_1 + \beta_{12} Z_3 + \beta_{13} Z_4 + \varepsilon_5 \quad \text{.................... (1)}
\]

5.5 Findings:-
The results show that hypothesis 1, 2,3,4,5,7,8,9,11,12,13 are accepted whereas hypothesis 6 and 10 are rejected. Therefore we can say that turnover and entrepreneur have no impact on sustainable growth that’s why the recommended model is different from that of our model. In the recommended model turnover and entrepreneur were taken out from the model.
Table 6

<table>
<thead>
<tr>
<th>Variables</th>
<th>Hypothesis</th>
<th>Estimate</th>
<th>Standard error</th>
<th>Error Variance</th>
<th>t</th>
<th>p</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Capital (HC)- KM Awareness</td>
<td>H1</td>
<td>0.66</td>
<td>0.12</td>
<td>0.7</td>
<td>5.81</td>
<td>0.00</td>
<td>Accept</td>
</tr>
<tr>
<td>Organizational Capital (OC)- KM Awareness</td>
<td>H2</td>
<td>0.69</td>
<td>0.26</td>
<td>0.67</td>
<td>2.63</td>
<td>0.009</td>
<td>Accept</td>
</tr>
<tr>
<td>External Capital (EC)- KM Awareness</td>
<td>H3</td>
<td>0.54</td>
<td>0.11</td>
<td>0.77</td>
<td>5.03</td>
<td>0.00</td>
<td>Accept</td>
</tr>
<tr>
<td>Social Capital (SC)- KM Awareness</td>
<td>H4</td>
<td>0.57</td>
<td>0.076</td>
<td>0.18</td>
<td>7.46</td>
<td>0.00</td>
<td>Accept</td>
</tr>
<tr>
<td>Technological Capital (TC)- KM Awareness</td>
<td>H5</td>
<td>0.75</td>
<td>0.062</td>
<td>0.44</td>
<td>7.1</td>
<td>0.00</td>
<td>Accept</td>
</tr>
<tr>
<td>Sustainable growth-Turnover</td>
<td>H6</td>
<td>0.15</td>
<td>0.29</td>
<td>1.57</td>
<td>0.52</td>
<td>0.604</td>
<td>Reject</td>
</tr>
<tr>
<td>Sustainable growth - KM Awareness</td>
<td>H7</td>
<td>0.56</td>
<td>0.073</td>
<td>0.34</td>
<td>4.68</td>
<td>0.00</td>
<td>Accept</td>
</tr>
<tr>
<td>Firm Size- Sustainable growth</td>
<td>H8</td>
<td>0.34</td>
<td>0.87</td>
<td>0.39</td>
<td>3.9</td>
<td>0.00</td>
<td>Accept</td>
</tr>
<tr>
<td>Innovation - Sustainable growth</td>
<td>H9</td>
<td>0.75</td>
<td>0.062</td>
<td>0.44</td>
<td>7.1</td>
<td>0.00</td>
<td>Accept</td>
</tr>
<tr>
<td>Entrepreneur - Sustainable growth</td>
<td>H10</td>
<td>2.25</td>
<td>0.19</td>
<td>12.61</td>
<td>0.01</td>
<td>0.97</td>
<td>Reject</td>
</tr>
<tr>
<td>Demographic - Sustainable growth</td>
<td>H11</td>
<td>0.85</td>
<td>0.11</td>
<td>0.47</td>
<td>4.15</td>
<td>0.00</td>
<td>Accept</td>
</tr>
<tr>
<td>Location Sustainable growth</td>
<td>H12</td>
<td>0.56</td>
<td>0.073</td>
<td>0.34</td>
<td>4.68</td>
<td>0.00</td>
<td>Accept</td>
</tr>
<tr>
<td>Experience - Sustainable growth</td>
<td>H13</td>
<td>0.66</td>
<td>0.12</td>
<td>0.7</td>
<td>5.81</td>
<td>0.00</td>
<td>Accept</td>
</tr>
</tbody>
</table>

**DISCUSSION AND CONCLUSION**

From the above interpretation of the results it is clear that all the variables are affecting the sustainable growth of the SME’s in Pakistan except entrepreneurship and turnover. So we can conclude that human capital, external capital, technological capital, organizational capital, social capital are significantly contributing towards knowledge management awareness which ultimately contributing towards sustainable growth of the firm (Salojärvi, 2005). Hence our results validated the previous studies. It means in SME’s of social capital, human capital, external capital, technological capital and organizational capital have a positive impact on the knowledge management awareness which ultimately impact the sustainable growth of the SME’s. From the above results it can be concluded that innovation has an impact on the sustainable growth of SME’s in Pakistan. Here our findings support the previous study (Acs and Audretsch 1987). The results shows that firm size do have an impact on the sustainable growth of SME’s in Pakistan. Similarly according to (Beck, 2005) there is a strong and positive association among the firm size and growth and rate of economic growth. Here in case of Pakistan, firm size is effecting growth as confirmed by the above mentioned results.

**SME’s, Turnover and Entrepreneurship**

From the above mentioned results it is clear that turnover is not affecting the sustainable growth because in Pakistan low or medium skilled labour which is necessary for the SME’s is available because of high unemployment rate in Pakistan. So if the worker leaves, its vacuum can easily be filled as the employers have a vast pool of human resource. From the above results it is clear that entrepreneurship has no impact on the sustainable growth of the SME’s in Pakistan. Here our findings do not support the previous research. The failure of financial market and other institutions impede the growth of SMEs. i.e. some financial institutions lend money to well established firms and to those with whom they have longstanding relationships, rather than lending money to new comers with better outlook and efficient projects. This trend discourages
entrepreneurship. Schumpeter argued that the bank plays an important role in entrepreneurship and innovation in the society. As these financial institutions tend to mobilize the savings, this is a very crucial and important decision to which firm the credit should be given. If the financial institutions give credit to their relatives or cronies or near one means they are discouraging entrepreneurship, innovation and overall prosperity of the economy (Schumpeter, 1912). Same is the case with SMEs in Pakistan. Due to irregular and wrong credit financing entrepreneurship is being discouraged as it is validated by the above mentioned results. According to the results entrepreneurship is not contributing significantly towards sustainability and growth in the SMEs. The demographics (location and experience) in case of Pakistan are also significantly associated with the growth of the firm and it is justified by the above mentioned results. The location of the firm has an important effect on the productivity and growth of the firm. If the firm is located near the big cities, the firm has an easy access to the raw material and it will be easily available to the firm. If the firm is located in rural the raw material will not be timely available and hence growth rate will be retarded (Beck, 2005). Similarly experience of the worker too contributes towards the sustainable growth, innovation and competitiveness of the firm (Salojärvi, 2005). So from the above results we can conclude that human capital, social capital, external capital, organizational capital, technological capital, knowledge management awareness, firm size, innovation, demographics are positively associated with the sustainable growth of the SME’s of Pakistan. It means that if these variables are given space and implement in true letter and spirit, it can enhance the sustainability and can create competitive advantage for the SME’s.

Managerial and academic Implications

Several interesting implications arise by the investigation of this study for academia, business, and research. This study is valuable from managerial or business point of view because practitioners can consider all these variables helpful not only for small industries but for the multinational organizations. Above all this study can be helpful for the management decision-making because this will play a significant role to enhance the sustainability and productivity of organization. This study besides its managerial worth has its academic implications too. For business education, case studies can be added up in the curriculum that raises the students’ ability to investigate and learn more and more about the small and medium size enterprises. To enhance the aptitude of students, case studies can be given. To create awareness about knowledge management, the students should be given different tasks. On the other side there is some responsibility of institutions also that they must revise their academic programs and must add up some moral awareness courses like, knowledge management, social capital, human capital etc. This research study helps in knowing the factors that have some impact on sustainable growth and creating mutually beneficial decisions.

Practical Limitations

The study has several limitations as the research was limited to the small industries located in different cities all over Pakistan but the major issue was of the time and cost constraint. Hence the findings can be generalized. However this field requires further research to have a clear and broader picture of the relationship and factors that affect the knowledge management, innovation and sustainable growth in SME’s of Pakistan. The sample size was limited due to time and financial constraint however the response rate was good enough. It is believed that the non-response bias has not unsubstantiated the results of this study. However, generalizing the results to other Asian Countries may be not a wise idea as the economic and political situations are very much different among the third world countries.
Future Research projection and Conclusion

This study can be expanded to other Asian countries, Gulf and Turkey. Time constraint and cost of surveying were the biggest limitations in conducting the study. Unfortunately in our country Pakistan we don’t have research environment that is the biggest hindrance in producing quality of results. The study still has many gaps which are required to be filled as many other variables were not analyzed. The model can be further improved by the addition relevant variables in future and then finding out the effect on sustainable growth of SME’s. New instrument was developed to check the relations and impact of several variables on sustainable growth. The instrument helped us a lot to quantify the results and finding of the research. Therefore, this study helped in filling the knowledge gap existed in knowledge management and sustainable growth in SME’s of Pakistan.
References


Investigation of the Corporate Social Responsibility (CSR) Dimensions in Private Financial Institutes (Case Study: Two Iranian Private Banks)

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Abstract
The main objective of this study is to recognize and prioritize the dimensions and criteria of the Corporate Social Responsibility from the viewpoint of top managers of private financial institutes. The statistical population of the present study includes managers of the central branches of Iranian targeted private banks. After interviewing a number of bankers and experts, a questionnaire was prepared and distributed among nine managers of the two targeted financial institutes in person. The hierarchical analytical approach of the data has been carried out using Super Decision software. The findings show that leadership (vision) has occupied the first place and Marketplace occupying the bottom position. Also, Workplace, accountability, and Community relations have taken second, third, and forth positions respectively. In addition, in a general comparison of all categories from the viewpoint of the interviewees, organizational missions, codes of ethics, formulating the organization’s strategies were among the most important ones.

Keywords: Corporate Social Responsibility, Bank, Leadership, Workplace, Accountability, Marketplace

1. Introduction
Corporate social responsibility (CSR) is becoming an important and mainstream issue for many organizations. A large number of companies appear increasingly engaged in a serious effort to define and integrate CSR into all aspects of their businesses (Zu & Song, 2008:3). The banking sector has been quite slow in considering the consequences of the issue of sustainability, despite of the fact of their exposure to risk having an intermediary role in the economy (Viganò & Nicolai, 2008:5)

In addition to their undeniable influence on the society through management of the performance evaluation, financial institutes, in fact, have a pivotal role in encouraging and motivating customers to act responsibly and decrease the negative impacts of their social and environmental activities. Banking, in this regard, has a remarkable role in instilling social responsibility thought nationally and internationally, and it is anticipated that banking surpasses other rival industries in achieving social responsibility (CSR development center, 2008). As an indication of the customer service and satisfaction, CSR has turned into one of the most important issues in the Iranian banking system. In spite of this fact and based on the results of several studies done in
this field, financial institutes—it is sad to say—are losing larger and larger numbers of their customers due to their failure in areas and activities including CSR, but the majority of them are not aware of this even worsening situation (Ekhtiari Bidhendi, 2008). According to the interviews with related officials of banks and CSR development center on the topic of CSR, we are confronting limitation of resources and, therefore; it is undoubtedly important to identify and prioritize the categories, components, and principles of CSR in the field of banking, since it greatly assists bank managers with the best possible programming and allocation of resources in this field, hence, the main objective of the present study is to answer this basic question: What are the priority of the most important dimensions and criteria of CSR in the Iranian private banks from the viewpoint of their top managers?

2. Review of Literature

2.1 Corporate Social Responsibility (CSR)

The general meaning of the CSR paradigm in academic literature, which can be traced back to the 1920s (Perrini, 2006:306; Sheth, 2006:3), when business tycoons such as Carnegie and Ford began donating funds to improve social conditions (Sheth, 2006:3; Clark, 2000:364), What is referred to as the modern contribution to this topic developed when both academic and managerial literature began to assign social duties to companies (Perrini, 2006:306). Finally, the developmental history of the CSR construct is commonly divided into three phases: (1) rise and extension (1950s), (2) further expansion (1960s), and (3) full-fledged proliferation (1980-1990s) (Jamali, 2007:3; Kang & et al, 2010:73).

The evolution of CSR in 1950s is mainly known as the social responsibility (SR) more than as CSR because the corporate had not yet occurred (Chutkaew, 2006:18). In the 1950s and 1960s focused on the behaviour of businessmen rather than on the company (Jamali, 2007:3; Carina & Sofia, 2008:16). Bowen (1953) firstly points out the emergence of social responsibility to CSR into the seminal book ‘Social Responsibilities of the Businessmen. Carroll claims that it is the modern period literature on this subject and named Bowen as ‘The Father of Corporate Social Responsibilities (Nemeth, 2008:10; Chutkaew, 2006:18). According to the Bowen’s literature, the action of large corporations impact on the lives of citizens. After the early works related to CSR the 1960s see a fair development in the literature, especially those concentrating on the definition of the construct, (Nemeth, 2008:10) and names as Davis, Frederick, McGuire, and Walton dominated this period (Chutkaew , 2006; Matthew, 2007). In the 1970’s there were great achievements in the fields of society and environment. In 1980s, this period is named as ‘few definitions, more research, and alternative themes (Chutkaew, 2006:21). In 1990, CSR shifts to alternative approaches and themes including stakeholder theory, business ethics theory, CSP, and corporate citizenship (Nemeth, 2008:11; Chutkaew, 2006:21).

There is no agreement in the literature on the meaning of Corporate Social responsibility (CSR). Without doubt organizations and institutes have a major impact on the social system; hence, they must minimize the negative consequences of their activities and simultaneously maximize the positive ones. They also have to worry about the long-run requirements of the society as the most effective component and try to alleviate them. As a result, appropriate actions in proper times in relation with CSR are of utmost importance.
2.2 Dimensions of Corporate Social Responsibility


2.3 Previous studies

The first study on the aspects of CSR was done by Aupperle et al (1996) based on Carroll’s model. The results showed that the economic aspect places first followed by the legal-ethical and discretionary aspects in the second and third places. Pinkston and Carroll replicated Aupperle’s study in 1996 to see if orientations would differ in an international sample and to assess if they had changed over time. Using Carroll’s 1979 definition, they found the order to be the same, with the gap between economic and legal responsibilities decreasing, ethical responsibilities increasing, and discretionary responsibilities decreasing (Sastararuji, 2007:11; Sheth, 2006:4). Another important study carried out in the field of CSR is "a Quantitative Approach to Corporate Social Responsibility Programmer Formulation "by (Brice &Wegner, 1989). The objective this study is to investigate a qualitative approach to prioritize CSR programs via using a hierarchal analytical approach to support managers’ decision making in allocating limited resources to competitive requirements in the field of CSR. The study was carried out in two South African joint-stock insurance and oil companies. The findings of the study showed that South African organizations have gradually started allocating more and more strategic roles to CSR programs and its regulations. The hierarchical analytical approach of the study analyzes value judgements of decision makers and provides a base to concentrate on more important fields. The present approach is also considered a supportive means for CSR procedures and programs as well as a controlling means of CSR budget. Two other researches "Corporate social responsibility programs choice and costs assessment in the airline industry—A hybrid model " by (Tsai and Hsu, 2008) and "An integrated approach for selecting corporate social responsibility programs and costs evaluation in the international tourist hotel" by (Tsai and et al, 2009), have been done in the field of CSR. The objective of these two studies is to present a technique to decide on CSR programs and estimating the costs. The two studies have applied an eclectic model to select and estimate CSR programs. In the first place, the categories and characteristics of CSR have been analyzed using network and hierarchical analytical techniques.

3. Theoretical Framework

As mentioned earlier, the theoretical framework of the present study is Vilanova and other’s model of CSR. The improved dimensions and criteria of the model are presented in Table 1. Each of these dimensions consists of criteria extracted from two sources: Global reporting Initiative (2011) and Business in the community (2011). After taking the viewpoints of experts into account as well as the geographical and native conditions of or country, they were applied in the standard questionnaire of hierarchical analytical procedure.
4. Methodology

The main objective of the present study is to identify and rank CSR dimensions and criteria from the viewpoint of private banks’ highest executives. Therefore, having decided on the theoretical premises, a questionnaire was provided and passed out and interviews were carried out with private bank managers in person to collect Field data. The researchers made appointments with the targeted bank executives and passed the questionnaires out among them in person. The managers were also asked of the reasons of CSR importance, the answer to which has been utilized in analyzing the research findings.

The statistical population of the study includes managers of the central branches of targeted private banks located in Tehran based on the classification of the Iranian Central Bank. In order to have an acceptable sample, two conditions were stipulated to select the samples (Table 2) and thus the targeted private banks were limited to Eghtesad-e-Novin and Parsian banks.

Based on experimental research (Sheth, 2006; Lantos, 2001) as well as the emphasis on the undeniable role of directing managers, public relation officers, and organizational marketing in developing CSR activities, the research questionnaires were merely passed out among directing managers, head of the managing board, public relation managers, marketing deputies, and the managers of organizational promotion or members of the managing boards who were sufficiently aware of CSR situations. Since the questionnaire was corrected and improved according to the ideas of several experts form and content, the validity of the questionnaire (Bazargan, et al., 2008) was ascertained. Also, due to the fact that the ranking disagreement rate of all the categories showed less than 0.1 (equal 0.07), the Reliability of the research was ensured either. Twelve questionnaires were then distributed among the targeted managers of which nine were approved of as acceptable after the final reconsideration and edition. The findings were evaluated the priority results of categories and characteristics are presented.

4.1 Analysis Tools

The AHP is a mathematical method for analyzing complex decision problems with multiple criteria. It is developed by Saaty (Saaty, 2002). The AHP can assist in identifying and weighting selection of criteria and expediting the process of decision making (Sener, 2010). AHP is used in many fields, such as planning; selecting the best alternative; resolving conflicts; and optimization problems with other techniques, such as linear programming, fuzzy logic, and quality function deployment (Vaidya and Kumar, 2006). The problems are then structured in a hierarchical form to allow for weighting of the preferences by pairwise comparisons (Phua and Minowa, 2005). Brad used AHP in 1986 as a multi-objective methodology for selecting sub-system automation options (Brad, 1986). Braglia used AHP for analyzing multi-attribute failure mode analysis (Braglia, 2000), and Ceha and Ohta used AHP for evaluating of air transportation network (Ceha and Ohta, 1994) and Ghodsypour and Brien applied AHP with linear programming for supplier selection problem (Ghodsypour and Brien, 1998).

4.2 Super Decisions

The Super Decisions software is used for decision-making with dependence and feedback (it implements the Analytic Network Process, ANP, with many additions). Program was developed by Dr. Thomas Saaty (2001) and was written by the ANP Team, working for the Creative Decisions Foundation. Such problems often occur in real life. Super Decisions extends the Analytic Hierarchy Process (AHP) that uses the same fundamental prioritization process based on deriving priorities through judgments on pairs of elements or from direct measurements. In the AHP the elements are arranged in a hierarchic decision structure while the ANP uses one or more flat networks of clusters that contain the elements. Most decision-making methods assume
independence between the criteria of a decision and the alternatives of that decision, or simply among the criteria or among the alternatives themselves (Saaty, 2002).

5. Results

5.1 The results of CSR dimensions ranking in private banks

Table 3 shows the weight (W) and ranking (R) of each CSR dimension from the viewpoint of the private bank managers. “Leadership” occupied the first position (0.525) and “Marketplace” became the lowest priority (of the five CSR dimensions). CSR in the Workplace, accountability, and Community relations earned second, third, and fourth positions respectively. The disagreement rate was 0.0761.

5.2 Ranking results of CSR criteria in private banks

5.2.1 Ranking criteria of “leadership”
Table 4 shows the weight (W) and ranking (R) of each criteria of leadership from the viewpoint of private bank managers. Of the six criteria of leadership in private banks, organizational missions (0.32) and codes of ethics (0.262) occupied first and second positions, formulating organizational strategies (0.008) and applying structural modifications (0.076) were the lowest criteria. Working principles and codes and intra-organizational procedures ranked as third and fourth positions. The disagreement rate was 0.0833.

5.2.2 Ranking criteria of "Workplace"
Table 5 shows the weight (W) and ranking (R) of each criteria of Workplace from the viewpoint of the managers of private banks. Of the seven criteria of Workplace in private banks, staff health and safety (0.184) and education and Empowerment (0.176) were the most important criteria. Encouragement Staff to report violation of the organization principles and values (0.094) and encouragement staff to participate in volunteering social activities (0.096) ranked as the lowest criteria with a very slight difference. Balancing of life and work for the staff, equal job opportunity policy, and practicing non-discriminatory policy, earned third, fourth, and fifth positions. The disagreement rate was 0.0734.

5.2.3 Ranking criteria of "accountability"
Table 6 shows the weight (W) and ranking (R) of each criteria of accountability from the viewpoint of private bank managers. Of the five criteria of accountability in private banks, information and evaluation anti-bribery policy (0.344) was the most important criteria and receiving certificates and standards (0.055) was the least important one. Dialog and interaction with the stakeholder, reporting the social and environmental impacts, disclosing the organization’s information and performance ranked as second, third, and fourth positions. The disagreement rate was 0.0735.

5.2.4 Ranking criteria of Marketplace
Table 7 shows the weight (W) and ranking (R) of each criteria of Marketplace from the viewpoint of private bank managers. Of the five criteria of Marketplace in private banks, encouraging customers to use products and services responsibly (0.361) was the most important criteria and considering environmental conditions while giving loans and other services to clients (0.158) was the least important one.
5.2.5 Ranking criteria of Community relations

Table 8 shows the weight (W) and ranking (R) of each criteria of Community relations from the viewpoint of private bank managers.

Of the five criteria of Community relations in private banks, Educating and informing people of the services and financial affairs of banks (0.289) was the most important criteria and measuring society’s overall view of its performance (0.128) was the least important one. Giving loans and other services according to non-discriminatory nationwide, decision-making in order to support local communities and less prosperous areas, and taking actions in favour of poor people to have an easier access to financial resources, ranked as second, third, and fourth positions. The disagreement rate was 0.0740.

5.3 Ranking of all CSR criteria in comparison with each other

Here, all the CSR criteria were compared with each other. Organizational missions (0.103), codes of ethics (0.097), and formulating organizational strategies (0.082) were ranked as the most important CSR criteria. On the other hand, evaluating business partners based on CSR criteria, equal opportunities for partners to support social programs, considering CSR criteria in contracts, and considering environmental conditions while giving loans and other services earned the lowest score of just 0.011. The disagreement rate was less than 0.1 (in fact it was 0.072) that corroborates the comparison.

6. Conclusion and Recommendation

The present study embarked on prioritizing the CSR dimensions and criteria using hierarchical analytical approach and from the viewpoint of private bank managers. Brice and Wegner(1989), argue that applying hierarchical analytical approach in the field of CSR not only facilitates the procedure of decision making for the managers, but it is also a supportive means that prioritizes CSR categories which, in turn, provides the possibility of changing human judgement into measurable criteria to formalize and standardize decisions to allocate social responsibility resources.

Generally speaking, the findings of the present study corroborate the considerable importance of leadership in the Iranian private banks. Many other studies have approved the same supposition, for instance Brice and Wegner (1989), Maignan and Ferrell (2004), sheth(2006) and carina and sofia (2008) all emphasize on the importance of leadership in CSR. They also believe that an active, knowledgeable manager competent of the internal and external CSR values and regulations is of utmost necessity.

The results of interviews with the targeted managers of the study brought up some reasons with regard to the importance of leadership. “Generally, it is the idea and insight of the highest executive of the organization that determines its social responsibility in different fields; the leadership determines organizational missions and policies of CSR; if the leadership is carried out properly in the organization, even in the static, undesirable conditions, the organization can successfully carry out its own responsibilities; the most important barrier on the way of social responsibility is a lack of motivation and stimulant; no progress is achieved until the organization leadership manifests awareness, accountability, and affirms social responsibility”.

Another remarkable result of the study is the importance of "workplace". Based on the Review of Literature, paying the staff due attention is one of the most important duties of every organization. Since the staffs are the backbone of each organization, it is undoubtedly essential that their requirements are met in the best possible manner. Carina and sofia (2008) argue that it
is the staff that implements organization strategies and, hence, it is absolutely vital to give the employees motivation and encouragement to enforce policies. Without their full cooperation and enthusiasm, every way, every solution, every action is unquestionably doomed to failure. Satisfied employees equals satisfied clients, satisfied clients equal more and more interest which benefits both the employees and the organization. Employees naturally prefer to work for an organization that is famous for the well-treatment of its staff.

Managers of private banks believe that in order to gain more interest and satisfy the shareholders as the main beneficiaries, paying due attention to the employees goes without question, since promoting their job security and alleviating their preoccupations results naturally in the organization’s progress and development. Other sections and fields will also benefit if the employees share social responsibility attitude. If the employees feel satisfied and social responsibility dominates the working atmosphere, beneficiaries outside the organization will also benefit. An active, dynamic working environment yields employees more and more responsible.

Another argument with regard to CSR is “accountability”. Beck, Giddens and Lash (1994) argue that the most effective achievement of a trade organization is increasing its shareholders’ profit through applying serious and rigid CSR regulations and a feeling of responsibility and accountability towards the beneficiaries. Accountability is a concept closely tied to responsibility. Each organization has specific responsibilities and has to be accountable toward its clients. It ought to report on the organization’s performance regularly (Unerman& O’Dwyer, 2007:338).

Carina and sofia (2008) believe that the success or failure of an organization is strongly related to the way in which an organization meets the needs of and satisfies its beneficiaries.

Some suggestions are recommended to targeted financial institutes and organizations as follows:

1- Cooperating with NGOs especially the Iranian Center for Developing CSR to hold training courses for the managers of different levels in the organization

2- Coordinating CSR programs with the strategic ones of the organization, in other words, considering CSR programs as a sub-category of the strategic programs because it leads to a sustainable competition and is the pathway for the organization to obtain its objectives. In their Review of Literature, Werther and Chandler (2006) explain in full detail strategy formulation and merging.

3- Communicating and holding regular meetings with the beneficiaries to determine and prioritize responsible policies, paying due attention to the beneficiaries and employees and asking for their opinions on different issues in order to inform them of the responsible banking principles and instructions. Prioritizing these enterprises and actions largely helps identifying and materializing important objectives.

4- Preserving the environment: banks are one of the most important social institutions and can participate actively and responsibly in providing and implementing environmental policies.

5- Assigning more important roles to NGOs and non-profit organizations. Having access to the required knowledge and expertise in the field of financial management, banks can improve greatly the conditions of less prosperous areas as well as non-profit organizations.
References


Table 1: dimensions and criteria of CSR

<table>
<thead>
<tr>
<th>Dimensions (vision)</th>
<th>Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>1- codes of ethics</td>
<td></td>
</tr>
<tr>
<td>2- Organizational missions</td>
<td></td>
</tr>
<tr>
<td>3- Intra-organizational procedures</td>
<td></td>
</tr>
<tr>
<td>4- Applying structural modifications</td>
<td></td>
</tr>
<tr>
<td>5- Formulating organizational strategies</td>
<td></td>
</tr>
<tr>
<td>6- Working codes and principles</td>
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<table>
<thead>
<tr>
<th>Leadership (vision)</th>
<th>Workplace</th>
</tr>
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<tbody>
<tr>
<td>1- Practicing non-discriminatory policy</td>
<td>1- Disclosing organization’s information and performance</td>
</tr>
<tr>
<td>2- Education and Empowerment of the staff</td>
<td>3- Information and evaluation of anti-bribery regulations</td>
</tr>
<tr>
<td>3- Balancing life and work for the staff</td>
<td>4- Reporting social and environmental impacts of the organization</td>
</tr>
<tr>
<td>4- Encouraging staff to report violation of principles and values</td>
<td>5- Receiving certificates and standards</td>
</tr>
<tr>
<td>5- Staff Safety and health</td>
<td></td>
</tr>
<tr>
<td>6- Equal job opportunity policy</td>
<td></td>
</tr>
<tr>
<td>7- Encouraging staff to volunteering social activities</td>
<td></td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Accountability</th>
<th>Workplace</th>
</tr>
</thead>
<tbody>
<tr>
<td>1- Dialog and interaction with the beneficiaries</td>
<td>1- Encouraging clients to use services and products responsibly</td>
</tr>
<tr>
<td>2- Disclosing organization’s information and performance</td>
<td>2- Evaluating business partners based on CSR criteria</td>
</tr>
<tr>
<td>3- Information and evaluation of anti-bribery regulations</td>
<td>3- Equal opportunities for partners to support social programs</td>
</tr>
<tr>
<td>4- Reporting social and environmental impacts of the organization</td>
<td>4- Considering CSR criteria in contracts</td>
</tr>
<tr>
<td>5- Receiving certificates and standards</td>
<td>5- Considering environmental conditions while giving loans and financial services</td>
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</table>

<table>
<thead>
<tr>
<th>Community relations</th>
<th>Workplace</th>
</tr>
</thead>
<tbody>
<tr>
<td>1- People’s knowledge and education the services and financial affairs of banks</td>
<td>1- Encouraging clients to use services and products responsibly</td>
</tr>
<tr>
<td>2- Giving financial services and loans on non-discriminatory basis nationwide</td>
<td>2- Evaluating business partners based on CSR criteria</td>
</tr>
<tr>
<td>3- Taking actions in favour of poor people to have easier access to financial services</td>
<td>3- Equal opportunities for partners to support social programs</td>
</tr>
<tr>
<td>4- Making decisions in order to support local communities and less prosperous areas</td>
<td>4- Considering CSR criteria in contracts</td>
</tr>
<tr>
<td>5- Measuring society’s overall view of the organization’s performance</td>
<td>5- Considering environmental conditions while giving loans and financial services</td>
</tr>
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</table>

Table 2- Names and characteristic features of the targeted private banks

<table>
<thead>
<tr>
<th>banking section</th>
<th>Targeted sample banks</th>
<th>Characteristic feature</th>
</tr>
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<tbody>
<tr>
<td>Private banks</td>
<td>Parsian</td>
<td>The best private bank</td>
</tr>
<tr>
<td></td>
<td>Eghtesad-e- Novin</td>
<td>The first private bank</td>
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Table 3- Ranking of CSR dimensions

<table>
<thead>
<tr>
<th>dimensions</th>
<th>W</th>
<th>R</th>
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<tr>
<td>leadership</td>
<td>0.525</td>
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</tr>
<tr>
<td>Workplace</td>
<td>0.175</td>
<td>2</td>
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<tr>
<td>accountability</td>
<td>0.168</td>
<td>3</td>
</tr>
<tr>
<td>Community relations</td>
<td>0.069</td>
<td>4</td>
</tr>
<tr>
<td>Marketplace</td>
<td>0.06</td>
<td>5</td>
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### Table 4- ranking of leadership criteria

<table>
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<tr>
<th>criteria</th>
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<th>R</th>
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</thead>
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<tr>
<td>Organizational missions</td>
<td>0.32</td>
<td>1</td>
</tr>
<tr>
<td>codes of ethics</td>
<td>0.262</td>
<td>2</td>
</tr>
<tr>
<td>Working codes and principles</td>
<td>0.112</td>
<td>3</td>
</tr>
<tr>
<td>Intra-organizational procedures</td>
<td>0.107</td>
<td>4</td>
</tr>
<tr>
<td>Applying structural modifications</td>
<td>0.076</td>
<td>5</td>
</tr>
<tr>
<td>Formulating organizational strategies</td>
<td>0.008</td>
<td>6</td>
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### Table 5- Ranking of Workplace criteria

<table>
<thead>
<tr>
<th>criteria</th>
<th>W</th>
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<tbody>
<tr>
<td>staff health and safety</td>
<td>0.184</td>
<td>1</td>
</tr>
<tr>
<td>Education and Empowerment</td>
<td>0.176</td>
<td>2</td>
</tr>
<tr>
<td>Balancing of life and work for the staff</td>
<td>0.168</td>
<td>3</td>
</tr>
<tr>
<td>Equal job opportunity policy</td>
<td>0.154</td>
<td>4</td>
</tr>
<tr>
<td>Practicing non-discriminatory policy</td>
<td>0.123</td>
<td>5</td>
</tr>
<tr>
<td>Encouraging staff to participate in volunteering social activities</td>
<td>0.096</td>
<td>6</td>
</tr>
<tr>
<td>Encouraging staff to report violation of the organization’s principles and codes</td>
<td>0.94</td>
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### Table 6- ranking of accountability criteria

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<th>R</th>
</tr>
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<tbody>
<tr>
<td>Anti-bribery policy and regulations</td>
<td>0.344</td>
<td>1</td>
</tr>
<tr>
<td>Dialog and interaction with the stakeholder</td>
<td>0.294</td>
<td>2</td>
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<tr>
<td>reporting the Social and environmental impacts</td>
<td>0.163</td>
<td>3</td>
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<tr>
<td>Disclosing organization’s information and performance</td>
<td>0.142</td>
<td>4</td>
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<tr>
<td>Receiving certificates and standards</td>
<td>0.055</td>
<td>5</td>
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Table 7- Ranking of Marketplace criteria

<table>
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<tr>
<th>criteria</th>
<th>W</th>
<th>R</th>
</tr>
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<tbody>
<tr>
<td>Encouraging staff to use services and products responsibly</td>
<td>0.361</td>
<td>1</td>
</tr>
<tr>
<td>Evaluating business partners based on CSR criteria</td>
<td>0.171</td>
<td>2</td>
</tr>
<tr>
<td>Considering CSR criteria in contracts</td>
<td>0.171</td>
<td>3</td>
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<tr>
<td>Equal opportunities for partners to support social programs</td>
<td>0.165</td>
<td>4</td>
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<tr>
<td>Considering environmental conditions while giving loans and other services</td>
<td>0.158</td>
<td>5</td>
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Table 8- Ranking of Community relations criteria

<table>
<thead>
<tr>
<th>criteria</th>
<th>W</th>
<th>R</th>
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<tbody>
<tr>
<td>Educating and informing people of the financial affairs</td>
<td>0.289</td>
<td>1</td>
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<tr>
<td>Giving loans and services non-discriminatorily nationwide</td>
<td>0.269</td>
<td>2</td>
</tr>
<tr>
<td>making decisions to support local communities</td>
<td>0.173</td>
<td>3</td>
</tr>
<tr>
<td>Making decisions in favour of poor people to have easier access to services</td>
<td>0.138</td>
<td>4</td>
</tr>
<tr>
<td>Measuring society’s overall view of the organization’s performance</td>
<td>0.128</td>
<td>5</td>
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WOMEN EMPOWERMENT AND CHILD DEVELOPMENT IN 
JAMMU AND KASHMIR : WHERE WE STAND?

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Abstract
Children are considered as the assets of the future. Their protection, welfare and development is essential for the growth of future economy. Women are vital and productive workers in National economy. “Concept of Bharat Nirman”, “Feel Good”, “Socio Economic Development” and “Good Governance” is not possible without participation and empowerment of women. Women’s protection, welfare, participation and empowerment are, thus, important for human development and growth in economy. Women constitute about 47% of the total population of the State. This paper provides a complete look about present status of women in J&K, Occupational Status of Women, Unemployment rate for J&K State, vis-a-vis All India, and Funds received under Integrated Child Development Scheme (ICDS), Supplementary Nutrition under ICDS, Non-nutritional Assistance under ICDS, Number of beneficiaries under ICDS. And suggest suitable measures to overcome the problems.

Keywords : Child Development, Demography, Education, Integrated Child Development Scheme, Nutrition, Rural, Women Empowerment.

Introduction
Development of children is undoubtedly at the centre of the 11th Five Year Plan. The Plan strives to create a productive environment which will ensure every child’s rights to survival, participation and development. The education is the crucial input for empowering children with skills and knowledge and giving them access to productive employment in future. Improvements in education are not only expected to enhance efficiency but also augment the overall quality of life. Women development, no doubt, has been part of the development planning since the inception of five years plans but the shift in approach from welfare to the development of women took place in the 6th Plan. 7th Plan laid emphasis on identification and implementation of various beneficiary oriented schemes. 8th Plan promised to ensure that benefits of development do not by-pass women. The 9th Plan changed the strategy for women from development to empowerment and adopted a system of preparation of Women Component Plan (WCP) through which not less than 30% of the funds / benefits were to flow to the women from all the women related development sectors. The 10th Plan further strengthened the implementation of Women Component Plan.

Objectives of the study:
The focus of the study is on the following objectives:
1. To review the present status of women in Jammu and Kashmir.
2. To review the occupational status of women in Jammu and Kashmir.
3. To review the unemployment rates for J&K state vis-a-vis all India.
4. To review the funds received under Integrated Child Development Schemes.
5. To review supplementary nutrition under Integrated Child Development Schemes.
6. To review the number of beneficiaries under Integrated Child Development Schemes.
7. To identify the problems and suggest suitable measures to overcome the problems.
Methodology Adopted:

Significant part of the study depends on secondary sources. But information has also been obtained from primary sources which include interviews, comments, observations, opinion, notes, etc. of the persons concerned. The primary information was also gathered through discussion with persons in Social Welfare Department, Directorate of Economics and Statistics, J&K. Materials for the present study were collected from the published records available in the library of BGSB University, Rajouri, Jammu and Kashmir, various Economic Survey, Planning Commission, Govt. of India, Digest of Statistics 2007-08, Govt. of India, India 2010, Statistical Abstract 2007, magazines, journals and periodicals, have also been gone through to derive information pertaining to the present study.

Limitations of the Study:

Nothing is perfect so is this study. The present study suffers from certain limitations. The study is based on the information from secondary source which reduce the degree of reliability. However, attempt has been made to collect maximum information from the official record of Women Development Department in general and J&K in particular on the various aspects of the study. Most of the departments neither publish the information nor do they allow the outsiders an access to their records, internal working etc. On the pretext of maintaining secrecy. This restricts the data availability. It was difficult to collect all the necessary data from grass root level.

Moreover, the Women Development Department was emphasized to monitor closely on continuing basis the flow of benefits to the women. These initiatives have helped in improving the status of women in various spheres to a great extend, yet the imbalance exists. The present status of women in terms of demographic features, access to social services and employment is enunciated below:

Demographic Profile

Female population of J&K State rose very marginally from 47.1% of the total population in 1981 to 47.2% of the total population in 2001, with an increase of 19.60 lakhs. At 69.44%, the growth rate of female population for the two decades (1981-2001) was slightly higher than the male population growth rate of 69.40% over the period. This is because the life expectancy for women (64.5 years) is higher than male life expectancy of 63 years. Demographic imbalance between men and women, however, continue to exist.

Sex Ratio

Sex ratio is an important indicator of the social condition particularly with respect to women’s status of any society. Low sex ratio shows indulgence of artificial interventions, distorting the biological trend and natural balance in terms of number of females per thousand males. An important concern in the present state of Jammu and Kashmir’s demographic transition relates to adverse sex ratio. The sex-ratio as per census 2001 is 892 (females per thousand males) which is very unfavourable to the women of the State. Although the recent survey conducted by the Directorate of Economics and Statistics in the year 2006 has shown the sex ratio as 925 and the result of NSS Survey 61st round has also revealed a sex ratio of 923, the sex ratio in the State is still below the National average of 933. The position is worse in the urban areas where the sex ratio is only 819 as against 917 in rural areas as per the Census 2001. However, the position has improved as per NSS 60th round results which exhibit sex ratio in urban areas at 919 and rural areas at 925.

Women education in J&K

Education of the women is very effective tool for women’s empowerment not only from the point of view of literacy, but has inter-linking with other social parameters viz. population growth, health care, education of children etc. It enables rural women to acquire new knowledge and technology, required for improving and developing their tasks in all fields. Female education is essential for higher standards of health and improved “maternal competence” which leads to
lower infant mortality. It also raises women’s economic productivity. Despite its linkage to so many positive outcomes and the progress made over the past 50 years, female literacy remains very low in Jammu and Kashmir State as compared to men.

As per census 2001, the literacy rate in the state was 55.52% and for females it stood at 43% with a corresponding dispersion at Rural and Urban level as 36.74% and 61.98% respectively. While as for males the indicator stood at 66.60% with a corresponding dispersion as 61.65% and 80% at Rural and Urban level. The female literacy in the State is only 43%. The gender gap in literacy is 23.6%. Gender differential exist both in Rural and Urban areas but it is high in Rural areas. This can be attributed to a number of factors viz. lack of access to schools, parents feeling insecure about sending girl children to school, their engagement in agricultural and other domestic activities etc.

**Employment Status of Women in J &K**

UN Commission on status of women says that women constitute half of the world population, accomplish about two thirds of the work hours and receive one tenth of the world income. There is need to strengthen selfemployment of women, which will generate additional income, leading to their economic independence.

Women are significant contributors to the growing economy. The total work force in 2001 was 37.54 lakh workers consisting of 26.80 lakh males and 10.74 lakh females. This work force consisted of 26.09 lakh main workers and 11.45 lakh marginal workers. Work participation rate amongst females was 22.45% in 2001.

The sectoral breakdown of women workers reveals that 56% women are cultivators, 5% are agricultural labourers and 10% workers in the household industry. The Census 2001 figures with regard to status of working women are as follows:

<table>
<thead>
<tr>
<th>Table No. 1</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupational Status of women.</td>
<td></td>
</tr>
<tr>
<td>J&amp;K</td>
<td>All India</td>
</tr>
<tr>
<td>1 Total Population</td>
<td>101.44 lakhs</td>
</tr>
<tr>
<td>2 Total Women</td>
<td>47.83 lakhs</td>
</tr>
<tr>
<td>3 Rate of Participation of women in workforce out of total women</td>
<td>22.45%</td>
</tr>
<tr>
<td>4 Rate of Participation of man in workforce out of total man</td>
<td>50%</td>
</tr>
<tr>
<td>5 Total Cultivators</td>
<td>15.91 lakhs</td>
</tr>
<tr>
<td>6 Female Cultivators</td>
<td>6.05 lakhs</td>
</tr>
<tr>
<td>7 Total Agricultural Labourers</td>
<td>2.46 lakhs</td>
</tr>
<tr>
<td>8 Female Agricultural Labourers</td>
<td>0.57 lakhs</td>
</tr>
</tbody>
</table>

*Source: Census, 2001, Government of India.*

The work participation rate of women revealed by 62nd round of NSS constitutes an important source of information on unemployment. The unemployment indicators have been worked out at three basic principles are as follows:

1. Usual Principal Status (UPS) – indicator of chronically unemployed.
3. Current Daily Status (CDS) -- indicator of unemployment on the day of the conduct of survey.
The unemployment rates revealed by 62nd round of NSS for the State in comparison to Nation are given in the following table:

**Table No. 2**

Unemployment Rate for J&K State, vis-à-vis All India

<table>
<thead>
<tr>
<th>S. No</th>
<th>Area</th>
<th>Rural</th>
<th>Urban</th>
<th>Combined (R+U)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Jammu and Kashmir</td>
<td>All India</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Male</td>
</tr>
<tr>
<td>1</td>
<td>Rural</td>
<td>UPS</td>
<td>5.1</td>
<td>0.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CWS</td>
<td>6.5</td>
<td>0.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CDS</td>
<td>7.9</td>
<td>0.5</td>
</tr>
<tr>
<td>2</td>
<td>Urban</td>
<td>UPS</td>
<td>6.7</td>
<td>11.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CWS</td>
<td>7.0</td>
<td>8.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CDS</td>
<td>7.6</td>
<td>8.7</td>
</tr>
<tr>
<td>3</td>
<td>Combined</td>
<td>UPS</td>
<td>5.4</td>
<td>3.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CWS</td>
<td>6.6</td>
<td>1.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CDS</td>
<td>7.9</td>
<td>1.8</td>
</tr>
</tbody>
</table>

**Source:** Govt. of J&K, Economic Survey 2009-10, Directorate of Economics and Statistics, J&K.

The analysis of the above information reveals that in rural areas the indicator in respect of females is better than that of males where as at National level the indicator is better for males than females.

In case of females at urban level, their position of employment is worse than that of males in the State, as well as at National level.

**Economic Empowerment of Women**

Women have suffered the most during the last two decades because of the militancy related events, economic empowerment is the only way to help the women in distress. Government has been implementing various programmes which support women to take up new ventures and start self employment, which has been categorized under following heads:

**Diagram No.1**

Economic Empowerment of women

A) State Women Development Corporation (SWDC)

The State Women Development Corporation has been declared the channelizing agency for implementation of the schemes for welfare of women. The State Government is implementing a number of development schemes for social economic upliftment of the females of the families, living below the poverty line, through J&K State Women’s Development
Corporation established in the year 1991. The main objective of the Corporation is to render financial assistance to the activities like Food Processing units, Videography, Agricultural activities and other viable units. The following schemes are in operation through SWDC:

Schemes financed by National Minorities Development and Finance Corporation (NMDFC)

- J&K’s Women Development Corporation is raising loan from NMDFC and releasing the term loans to female beneficiaries for starting income generating units. Rs. 17.33 crores have been obtained from NMDFC and 3300 beneficiaries have been covered during 10th Plan. During the year 2007-08, 811 beneficiaries have been benefited with an input of Rs. 3.87 crores. During 2008-09, 546 beneficiaries were covered with a financial assistance of Rs 3.20 crores.
- NMDFC also sanctions loan for education of women belonging to minority communities at nominal rate of interest.

Schemes Financed by National Backward Classes and Finance Development Corporation (NBCFDC).

Under this scheme loans are advanced to females of backward classes for setting up of their income generating units financed by NBCFDC. 158 beneficiaries have been benefited during 2007-08 and 163 beneficiaries were covered during 2008-09 by incurring an expenditure of Rs. 0.79 crore.

Swayam Sidha

Swayam Sidha is the modified version of Indira Mahila Yojana as Integrated Programme for women’s empowerment. Swayam Sidha envisages execution of composite and integrated projects for women’s empowerment for duration of 4-5 years at the block level by Project Implementing Agencies.

The scheme is meant for economic empowerment of women by framing Self Help Group. 13 blocks have been identified by Govt. of India in 13 districts of J&K State, 06 in Jammu, 06 in Kashmir and 01 in Ladakh.

B) Social Welfare Department

Social Welfare Department is also implementing various schemes for development of the women. These are as follows:

- Development of Vocational Skills

Females in the age group of 15 to 35 years are imparted training in various crafts through Social Welfare Training Centre run by the Social Welfare Department so that they can become self dependent and can become able to earn their livelihood. At present, there are 150 Social Welfare Centers engaged in imparting training to the women folk. The number of inmates in each centre is 25. The inmates are being provided training for 11 months and are being provided stipend @ Rs 100/- per month.

- Lady Vocational Training Centers

Apart from this, there are four ladies vocational training centers in the State one each at Jammu, Srinagar, kargil and Leh. In these centers, besides imparting advanced trainings in various crafts, training in stenography is also imported.

C) Rural Development

- Under antipoverty programmes like SGSY, Which have the objective of bringing the beneficiaries above the poverty line by helping them in setting up income generating ventures through a mix of bank credit and Government subsidy, at least 4% of the swarozgaries have to be women.
Under Indira Awas Yojana the houses are allotted in the name of female members of the beneficiary household or in the joint names of husband and wife. Among females, priority is given to widows and unmarried women.

DEVELOPMENT OF CHILDREN IN THE STATE OF JAMMU AND KASHMIR

Children are considered as the assets of the future. Their protection, welfare and development is essential for the growth of future economy.

Education:
The education is the most crucial input for empowering children with skills and knowledge and giving them access to productive employment in future. Improvement in education are not only expected to enhance efficiency but also augment the overall quality of life. The strategy in primary and secondary schooling is the most important intervention for giving children their due rights. Efforts have been made under SSA during 10th Plan to bring all out of school children to school. SSA envisioned to bring all children to school by 2005. Due to the late start of Sarva Shiksha Abhiyan in the State, the target could not be achieved in time. However, the 11th Five Year Plan envisages to bring all out of school children to school.

Goals of 11th Plan:
Successful integration of survival, development protection and participation is closely linked to all aspects of a child’s well being. 11th Plan envisages strategies to ensure that every child enjoys the childhood and all rights without any fear and without the need to work. Some specific goals of 11th Plan are as follows:

(A) Integrated Child Development Scheme (ICDS)
Currently ICDS is the only programme that reaches out to lakhs of woman and children living in remote villages. It is and will continue to be the flagship programme with a holistic package of six basic services for children up to six years of age and for pregnant and nursing mothers. These services are: health check-up, immunization, referral services, supplementary feeding, pre school education and health and nutrition education through one platform i.e. Anganwadi Centre. At present there are 141 ICDS projects with 25,483 Sanctioned Anganwadi Centres against which 23029 centres are presently functional for providing services to approximately 7.93 lakhs beneficiaries comprising of 5.30 lakhs children and 1.32 lakhs pregnant and lactating mothers and 1.30 lacs adolescent girls.

During the past four years, the position of funds received both from State Government as well as Central Government is as follows:

| Table No. 3 |

Funds Received under Integrated Child Development Scheme

<table>
<thead>
<tr>
<th>Years</th>
<th>State Share</th>
<th>Central Share</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>966.00</td>
<td>6880.98</td>
<td>7846.98</td>
</tr>
<tr>
<td>2007-08</td>
<td>1065.00</td>
<td>8001.40</td>
<td>9066.40</td>
</tr>
<tr>
<td>2008-09</td>
<td>-</td>
<td>4557.80</td>
<td>4557.80</td>
</tr>
<tr>
<td>2009-10 (12/2009)</td>
<td>-</td>
<td>6351.10</td>
<td>6351.10</td>
</tr>
</tbody>
</table>

Table No. 4

Supplementary Nutrition under Integrated Child Development Scheme

<table>
<thead>
<tr>
<th>Years</th>
<th>State Share</th>
<th>Central Share</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>2275.40</td>
<td>996.76</td>
<td>3272.16</td>
</tr>
<tr>
<td>2007-08</td>
<td>3631.00</td>
<td>917.69</td>
<td>4548.69</td>
</tr>
<tr>
<td>2008-09</td>
<td>3995.00</td>
<td>697.98</td>
<td>4692.98</td>
</tr>
<tr>
<td>2009-10 (12/2009)</td>
<td>7364.00</td>
<td>1671.09</td>
<td>9035.09</td>
</tr>
</tbody>
</table>


Under nomenclature of Non-nutrition, a number of items figure in the scheme which are essential for providing nutrition by way of cooked food to the beneficiaries. These items include Kerosene stoves, Pressure Cookers, utensils etc. Play way material for the children, medicine kits, weighing machines are also provided. The total expenditure for Non-nutrition is as follows:

Table No. 5

Non-nutritional Assistance under Integrated Child Development Scheme

<table>
<thead>
<tr>
<th>Years</th>
<th>State Share</th>
<th>Central Share</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>0.00</td>
<td>323.38</td>
<td>323.38</td>
</tr>
<tr>
<td>2007-08</td>
<td>0.00</td>
<td>133.76</td>
<td>133.76</td>
</tr>
<tr>
<td>2008-09</td>
<td>0.00</td>
<td>8529.91</td>
<td>8529.91</td>
</tr>
<tr>
<td>2009-10 (12/2009)</td>
<td>141.54</td>
<td>18.40</td>
<td>159.94</td>
</tr>
</tbody>
</table>

Total number of beneficiaries covered category wise during 2006-07 and 2007-08 under the Supplementary Nutrition Scheme in the State is as under:

**Table No. 6**

**Number of Beneficiaries under Integrated Child Development Scheme**

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006-07</td>
</tr>
<tr>
<td>0-3 years</td>
<td>237048</td>
</tr>
<tr>
<td>3-6 years</td>
<td>187720</td>
</tr>
<tr>
<td>Pregnant &amp; Lactating Mothers</td>
<td>98190</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>522958</td>
</tr>
</tbody>
</table>


The sharing pattern of the ICDS (Non-nutrition) has been changed by the Government of India w.e.f. 01-04-2009 from 100% to 90:10%.

**(B) Sarva Shiksha Abhiyan**

Sarva Shiksha Abhiyan, the flagship programme for universalisation of elementary education and universal retention, shall be continued with the mission to achieve the following objectives:

- Universal enrolment of 06-14 age group children including the hard to reach segment.
- Substantial improvement in quality and standards as per NCERT quality tools.
- All gender, social gaps in enrolment to be eliminated by 2007-12.
- Universalisation of Mid-Day-Meals scheme at Primary and Upper Primary level.

**(C) The National Commission for Protection of Child Rights (NCPCR)**

NCPCR was set up in March, 2007 for effective implementation of child rights in the country. Rajiv Gandhi National Creche Scheme for children of working mothers has been launched to provide its services to the children of age group 0-6 years. It includes supplementary nutrition, emergency medicines and contingencies. At present about 28000 creches are functioning under the scheme benefiting about 7 lac children.

An autonomous organization of Ministry of Women and Child Development Central Adoption Resource Agency is functioning with the goal to promote domestic adoption and intercountry adoption under the guidelines of the Government of India. CARA is also implementing the Shishu Greh Scheme for providing institutional care to children up to the age of 6 years.

**(D) Residential Institutions**

Residential Institutions have also been set up for Blinds, Orphans and destitute women. Free boarding, lodging, medical care and educational facilities are provided at Bal Ashrams. 24 Bal Ashrams have been set up sofar, having capacity of 1105 inmates.
Suggestions

The State of Jammu and Kashmir is situated in the extreme north of India and is bounded by China in the north and east, by Afghanistan in the north-west by Pakistan in the west and by the States of Punjab and Himachal Pradesh in the south. The State of J&K can be divided into three regions i.e Kashmir valley, Jammu and Ladakh. The J&K State has suffered badly from disturbed condition prevailing in the state for almost more than two decades.

The State of J&K should follow the national policy for empowerment of women. It should set certain clear-cut goals and objectives and create and environment through positive economic and social policies for full development of women to enable them to realize their full potential. The de-jure and de-facto enjoyment of all human rights and fundamental freedom by women on equal basis with men in all spheres - political, economic, social, cultural and civil.

Equal access of women to health care, quality education at all levels, career and vocational guidance, employment, equal remuneration, occupational health and safety, social security and public office etc. Strengthening legal systems aimed at elimination of all forms of discrimination against women.

Education of the women is very effective tool for women’s empowerment not only from the point of view of literacy, but has inter-linkage with other social parameters viz. population growth, health care, education of children etc. Women should to acquire new knowledge and technology for improving and developing their tasks in all fields.

In order to uplift the employment status of women, the State Government should come forward to provide training programme in traditional sector viz. Agriculture, Animal Husbandary, Dairying, Fisheries, Handlooms, Handicrafts, Khadi and Village Industries, Sericulture Social Forestry and Waste Land development etc.

Need of the hour to facilitate employment of women and to support the working women away from their homes/towns, who come in the cities and towns for undergoing short term training courses. Working Women Hostels with day care centers and crèches should be open in the State of Jammu and Kashmir.

Care and protection of women in distress should be focussed area for attention. To ensure security, development and well being of women in every sphere of life and ensure implementation of steps against gender discrimination should be launched at the state level.

Provision of Law, regarding prohibition of use of child labour for domestic purpose should implemented more vigorously so that children are not misused and the children are able to develop to their full potential.

A monitoring system with regards to the implementation of the schemes relating to Women Empowerment and Child Development should introduce and monitor on a regular basis.

All the beneficiary oriented schemes should be monitored to ensure that proportion of female beneficiaries to total beneficiaries, is not less than that fixed under the guidelines of the scheme.

Conclusion

Children are the assets of the future. Their protection, welfare and development is essential for the growth of future economy. The education is the most crucial input for empowering children with skills and knowledge and giving them access to productive employment in future. Improvements in education are not only expected to enhance efficiency but also augment the overall quality of life. “When women move forward, the family moves, the village moves and the nations moves” these were the words of Pandit Jawaharlal Nehru which is fact. Women are vital and productive workers in National economy. “Concept of Bharat Nirman”, “Feel Good”, “ Socio Economic Development” and “Good Governance” is not possible without participation and empowerment of women. Women’s protection, welfare,
participation and empowerment are, thus, important for human development and growth in economy. Education of the women is very effective tool for women’s empowerment not only from the point of view of literacy, but has inter-linkage with other social parameters viz., population growth, health care, education of children etc. Women are significant contributors to the growing economy.

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Abbreviations and Acronyms
WCP : Women Component Plan
UPS : Usual Principal Status
CWS : Current Weekly Status
CDS : Current Daily Status.
SWDC : State Women Development Corporation.
NBCFDC : National Backward Classes and Finance Development Corporation.
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Abstract

Evaluation of instruction effectiveness among academic staff of university of Maiduguri Nigeria is a theoretical study in an attempt to find out whether or not the effectiveness of teaching and learning is worthwhile. The study examines the stages of teaching effectiveness based on the criterion of annual performance evaluation measurement reporting system, which include: qualification, teaching experience, time in rank, teaching load/quality, professional practice/activities, research publication, academic/admin leadership and community/public service. The authors also argue that, for effective evaluation of instruction, there is daring need for blending both formative and summative evaluation together for the optimum realization of the objective of the teaching and researching activities in the tertiary level of Nigerian educational system. Moreover, the authors iterated that, for synthetic approach to teacher evaluation to function effectively, it should involves not only employers (school administration) but also students who are at the centre of learning, as such students’ online feedback survey on the effectiveness of teachers’ instruction should be created and used in the evaluation and assessment of teachers’ effectiveness.

Keywords: Evaluation; Instruction and effectiveness

Introduction

The University of Maiduguri alongside other second generation federal universities (situated in Kano, Ilorin, Sokoto, Jos, Port-harcourt and Calabar) were established in 1975 and went operational in 1976/78 academic session with students in various faculties (Arts and Education, Social Science, Law and Science). It is the mission and vision of University of Maiduguri to achieve excellence in the area of teaching and research and to promote moral and civic character of all persons who pass through her portals (The University of Maiduguri bulletin August-September, 2007 vol. v. No 3). The process of accomplishing this mission begins with the recruitment, development and retention of world-class teachers. To achieve excellence in teaching and research we must provide these teachers with the fair compensation and opportunities they deserve; this includes a thorough and meaningful evaluation process. Education is the key to a lasting economic development; building a professional and well-rewarded and appreciated teaching workforce is in the best interest of the students, the university mission and vision and the nation’s economic future.
The aim of this study is to find out after nearly three (3) decades of the existence of University of Maiduguri if it has put in place a fairly and accurate evaluation system that identify effective instructors’ who are pillars in achieving its mission and vision.

THE CONCEPT OF INSTRUCTION EFFECTIVENESS

The concept of instruction effectiveness in the evaluation and assessment of academic staff teaching performance is an area of considerable concern and debate. The question revolves around what should be assessed. First of all, we need to know what we are trying to assess, that is, what are the dimensions of teaching effectiveness. This is because it is difficult to establish a teacher evaluation system without a widely agreed-upon benchmark for “good teaching”. Once defined, evaluation mechanisms need to promote the benchmark and ensure teachers are attaining it. The most accepted criterion for measuring good teaching is the amount of students’ learning that occurs. Consistent high correlations between student rating of the “amount learned” in the course and their overall ratings of the teachers and the course have been reported by Cohen, 1981, Theall and Franklin, 2001. Angelo (1993) also asserted that “teaching in the absence of learning is just talking”. The teacher effectiveness is about the students’ learning. While others like Medley (1982) and Medley and Shannon (1994) affirmed that teacher effectiveness is a matter of degree to which a teacher achieves desired effect upon students. Elis (1984) opined that effective teachers are those whose students show statistically significant gains on achievement tests.

Thus, the aforementioned definitions consistently show that teachers’ instructional effectiveness are related to students’ achievement and that effective teachers have the greatest potentials to influence students’ education.

EVALUATION STRATEGIES

The primary objective of evaluating teacher effectiveness is to improve the quality of instruction and thus improve the overall quality of education and by extension encouraging the professional growth and development of the teachers. This type of evaluation is called formative evaluation. Research into a variety of strategies/procedures of measuring effective teaching has indicated that their effectiveness is a matter of degree (Benneth 1978). There is no clear consensus and much disagreement regarding how teacher effectiveness assessment models are to be constructed and what variables are to be included within the evaluation model (Peterson and Walberg, 1979; Borich, 1977 and Dickerson and Wiersman 1980). Furthermore, if assessment is to have a purpose, there is a very real need to identify salient characteristics upon which quantitative and qualitative aspect of measuring teacher effectiveness would be based. Professionals in the field of teacher evaluation suggested that data collected from the following method, should be used in evaluating teaching effectiveness: students rating, peer review, teaching portfolios and self evaluation (Doyle, 1983, Gentra, 1993, Ory, 1994, Seldin, 1999 and Ory, 2001). Others identified teachers experience having positive effect on teacher effectiveness, specifically the “leaning by doing” effect is most obvious in the early years of teaching. (Rice, 2002 and Hanushek and Kain 1998). Another research findings suggest that Teacher preparation programs and degrees in form of prestige of the institution a teacher attended has a positive effect on teacher effectiveness. This may partially be a reflection of the cognitive ability of the teacher (Theall and Franklin; 2001). Teachers coursework in pedagogy seems to contribute to teacher effectiveness, particularly when coupled with content knowledge Rice, 2003). Also tests that assess the literary levels or verbal abilities of teachers have been shown to be associated with higher levels of student achievement (Hess, 2002).
Given that many dimension of teachers characteristics matters in evaluating teacher effectiveness- *students rating, peer review, teaching portfolios, self evaluation, teacher experience, teacher preparation programme and test scores*- the findings from the literature implies that student ratings tend to be statistically reliable, valid and relatively free from bias or need for control, probably more so than any other data used for evaluation. The use of students rating for evaluating teacher effectiveness is the single most researched research in all higher education. Over 2000 articles and books have been written on this topic over the past 70 years (Ory, 2001).

Research findings indicates that teachers benefits most from formative evaluation when they have helped to shape the questions posed, when they understand the feedback that is provided, and when assistance and resources for making improvements are available (Gaubatz, 2000). Therefore students’ rating is a form of formative evaluation because it is meant to improve teaching and learning. Research findings indicate that students are the most qualified source to report on the extent to which the learning experience was productive, informative, satisfying, or worthwhile. While opinions on these matters are not direct measures of teachers’ effectiveness, they are legitimate indicators of student satisfaction, and there is substantial research linking student satisfaction to effective teaching (Theall and Franklin, 2001).

March, 1982 and Gaubatz, 2000 found out that there are consistently high correlations between students rating of the “amount learned” in the course and their overall ratings of the teacher and course. The studies provided the strongest evidence for the validity of student ratings since their studies investigated 41 research studies on the relationship between students rating and students learning. Murray 1994 and Felder 2001 also reported that research on student evaluation of teaching effectiveness generally concludes that students’ rating tends to be reliable, valid, relatively unbiased and useful.

**ASSESSMENT OF INSTRUCTION EFFECTIVENESS**

In the University of Maiduguri, based on the findings of this study assessed the quality and effectiveness of instruction of its academic staff using annual performance evaluation form (APER FORM) and the assessment exercise revolve around the use of performance indicators which include: Qualification, Teaching experience, Time in rank, Teaching load/quality, Professional practice/activities, Research publication, Academic/administrative leadership and Community/public service.

Based on the performance evaluative indicators above a table of minimum eligibility showing scores that have been allocated to each of the indicators is presented in table I below.
Table 1: Table of minimum eligibility scores showing weights of the scoring areas.

Source: University of Maiduguri criteria for appointment, appraisal and promotion of academic staff, 2006.

The University of Maiduguri assesses the instruction quality and effectiveness of its academic staff using the performance indicators listed above. Based on the academic staff attainment of minimum eligibility scores as indicated in table 1 above an academic staff is eligible to be promoted to the next level, deficiency in the minimum eligibility scores means there is no going to be change in status of the academic staff.

A cursory look at the table will reveal that the assessment exercise has the following strength, based on the cross-sectional examination of the above mentioned evaluative indicators.

**Teaching Experience:** To become a professor, reader, senior lecturer, lecturer I and lecturer II you must based on your teaching experience have scored 10%, 10.6%, 10.9%, 9.6%, and 10.5% respectively out total minimum eligibility serve for the above mentioned levels that you are aspiring to; although the empirical basis for allocating these percentages is not established however these percentages are not too much for teaching experience. This is because in the review research findings like that of Rice, 2003, and Hanushek and Kani, 1998 identified teacher experience having positive effect on teacher effectiveness, specifically the “learning by doing effect” which is most obvious in the early years of teaching.

**Research and Publications:** Academic staff is employed to teach and carry out research in the university. Looking at the percentage of the minimum eligibility score that has been allocated to research and publication which ranges from 60% to 21% from professorship to lecturer II indicates that the assessment exercise encourages research and publication outputs among the lecturers.

Notwithstanding the above mentioned strength of the assessment exercise has its own weaknesses in the sense that and more especially in the area under mention:

**Teaching Quality:** Since academic staff is employed to teach and conduct research, it is expected that both should be allocated about the same score of minimum eligibility for promotion. While research and publication is allocated between 60% to 20% of the total minimum eligibility score from professorship to lecturer II, teaching quality is allocated 4%, 5%, 8%, 12%, and 21% of the total minimum eligibility serve for professorship, readership, senior lecturer, lecturer I and lecturer II respectively. This shows that teaching quality and ability of academic staff is not considered as important as their research and publication ability. Even these scores that have been allocated to teaching quality are expected to be shared among the following quality of teaching performance indicators as contained in p. 10 of 2006 criteria for appointment, appraisal and promotion of academic staff.

- Number of courses taught, and extent of syllables coverage.
- Effectiveness of communication.
- Teaching methodology- Use of teaching aids like visual aids.
- Up to date content of teaching.
- Devotion to academic duties in the form of willingness to help students
- Promptness in setting examination questions and marking examination scripts.
- Assessment by external examination reports and sample answer script of students and
- Student evaluation.
A careful look at the quality of instruction evaluative performance indicators above, the assumption is that inferences about the quality of teaching can be made from these performance indicators. Looking at these performance indicators:

This is about number of courses taught in other words teaching load of an individual academic staff. Surely ones workload does not and can never indicate the quality of one’s teaching!

The second one “effectiveness of communication”. The annual performance evaluation form and the criteria for appointment, appraisal and promotion of academic staff of the university has neither provision for gathering data on effectiveness of communication of an individual academic staff nor any provision for evaluating such data.

The third requires individual academic staff to use visual aids etc, however, the evaluation exercise has totally ignored ways of generating information on individual staff teaching methodology (use of teaching aids). Class room observation or periodic checking of individual staff lecture plan or notes would have been ways of assessing individual staff ability to deploy appropriate teaching methodology. The same process could be applied in ascertaining staff use of up to date content of teaching and devotion to academic duties which is in performance indicators IV and V. Promptness in setting question papers and marking can adequately be determined by head of departments based on an individual staff response to datelines. However, student evaluation which is the seventh Performance Indicator is totally ignored because for the past fifteen (15) years based on the findings of this study student evaluation of teacher is not in use, students who are at the centre of the educational process are totally ignored. Their views will be very useful in determining the quality of teaching and learning.

**The Learning Quality:** The assessment process totally ignored the quality of learning i.e. the educational process itself. It has no provision for measuring what students are actually taught? How are they taught? What do they learn? Etc. The exercise also has no attempt to use value-added measure i.e. relating the number of graduates to the quality of students on admission. A reasonable assessment of the effectiveness of an individual academic staff ought to include the number of students he graduated and their performance on the job which should be reported by the employers.

**The Weighing of the Performance Indicator:** The relative weight of the performance indicators is somewhat arbitrary. On what basis are the various indicators scored and why? The logical, rational and/or empirical justification for allocation of scores to each of the performance indicators should be explicitly stated and made known to the academic staff. For example, why 60% of the minimum eligibility scores of becoming a professor should be allocated to research and publication while only 4% is allocated to quality of teaching!

**EVALUATION STRATEGIES: A SYNTHETIC APPROACH**

The assessment of teaching effectiveness in University of Maiduguri is dominated by summative evaluation. It totally ignored formative evaluation which encouraged professional growth and development of teachers. Scriven (1967) drew attention to the distinction between formative and summative evaluation of teachers. He asserted that if a school system institutes a system of assessment in order to encourage the professional growth and development of its teachers, it is engaged in formative evaluation. On the other hand, if the school system established an accountability system of evaluation in order to select teachers to license, hire, give tenure to promote/demote or dismiss staff it is engaged in summative evaluation.

The evaluation procedure in place in the University is the one that seek to promote or demote an academic staff (summative), it has no provision for formative evaluation that encourages the professional growth and development of its academic staff. Therefore, the university needs an approach that incorporates both formative and summative evaluation. Such an approach is the synthetic approach to evaluating teaching effectiveness. Stiggins (1980) commented on the value of these types of evaluation from the point of view of them contribution to overall school quality. The survey of teacher evaluation that was conducted by Stiggins and Duke (1990) led them to
suggest that there were several necessary conditions for the teacher growth model of teacher evaluation to succeed. They were not dismissive of summative evaluation. Rather they argued that highly developed accountability-based evaluation protects teachers’ property and rights to due process and protect the public from incompetent teachers.

Since the primary objective of formative teacher evaluation model is to improve the quality of instruction and thus improve the overall quality of education and encourage the professional growth and development of teachers. Then it suggests that teachers benefit most from formative evaluation. Students ratings/evaluation of teachers which is a form of formative evaluation became it improve teaching and learning should also be incorporated in the evaluation of teachers in University of Maiduguri. Incorporating it does not mean just mentioning it as a performance indicator but developing scales that students would use to evaluate their teachers and allocate meaningful percentage of the minimum eligibility scores to it. This is because they are substantial research findings that are linking students satisfaction to effective teaching (Theall and Franklin, 2001) and it has also been established that students ratings/evaluation of teaching effectiveness tend to be reliable valid and relatively unbiased (Murray 1994, Felder, 2001).

RECOMMENDATION

The quality and best practices of instruction and research engagement in higher institutions of learning, particularly universities cannot be compromised at this era of immense advocacy of international standard organization (ISO,2009) on the quality assurance for effective instruction delivery and intake of knowledge. As such, for effective instructional assessment and evaluation of instructors particularly universities lecturers, there should be an integrative approach to encompasses both formative and summative evaluation on the process of either promotion or otherwise of university’s instructors. The yard-stick for the evaluative indicators scores should be inferentially justified in order to check-mate victimization and favoritism.

The institutions of higher learning particularly universities should provide a viable means to students participation on the assessment and evaluation of instruction and instructors effectiveness. For example this can achieved through creating online students’ feedback survey on the decision of the quality and effectiveness of both instruction and instructors ability in conveyance the contents of the subject-matter diligently efficiently and effectively and this should constitutes part of the formative evaluation of the university’s instructors.

CONCLUSION

Evaluation of instruction effectiveness among academic Staff University of Maiduguri, Nigeria is a study aims at investigating the effectiveness of the processes employed in measuring the teachers’ instructional content delivery. It should be noted that for progressive change to prevail in the area of evaluation and assessment of effective instruction, there is need for of both employers (school administration) and students who are at the centre of learning in the evaluation of instructors’ instruction. The approach also has an implicit faith in the professional development and competence of academic staffs which are pillars in producing quality students because the approach respects students’ views and consider it useful in determining the quality of teaching and learning. Finally deploying both formative and summative evaluation in evaluating teachers will contribute in overall school quality.
References

ISLAMIC CONCEPT OF SOCIAL WELFARE

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Abstract

Early roots of the concept of welfare can be traced in almost all the societies and primarily all the religions have asked its followers for the welfare of human beings. However, Islam has envisaged a system of mutual help and social assistance that provides basis for the modern concept of Social Welfare. This paper addresses the concept of welfare in Islamic perspective and discussion is supported by Holy Quraan and Hadiths. It has been tried to highlight the different provisions and services which Islam seeks to provide for the disadvantaged, underprivileged, destitute, needy and vulnerable segments of the society. To ensure the protection of these vulnerable population, Islam has determined the roles & responsibilities of all the elements of the society i.e. Individual, Family, community and state as recipients and contributors. It was a desk-based exercise; researchers have made an effort to take on a systematic overview and analysis of existing literature. The secondary data was collected from libraries, government & Non-Governmental organizations, civil society organizations, internet and other available sources.

Keywords: ISLAMIC CONCEPT ; SOCIAL WELFARE

1. INTRODUCTION

The concept of welfare has been existing in almost all the societies. “The feeling of belongingness, provision of mutual assistance and protection is as old as human beings” (Lander, 1961). It commonly manifested in every religion of the world. Judeo-Christian and Muslim practices and beliefs underlie many of the early attempts to provide help to the poor, the sick, widows, orphans, the "insane" (Leighninger, 2008). Generally the word “welfare” means the well-being of individuals or a group to ensure their health, happiness, safety, prosperity, and fortune. The term “welfare” is also referred as “statutory procedure or social effort designed to promote the basic physical and material well-being of people in need: "rights to education, housing, and welfare" (Welfare, 2011).

Encyclopedia Britannica defines it as "a system of laws and institutions through which a government attempts to protect and promote the economic and social welfare of its citizens usually based on various forms of social insurance against unemployment, accident, illness and old age" (Welfare State, 2011).

The historical perspective of Social Welfare in Europe, USA and Sub-continent reflects that almsgiving and charity for poor, orphans, widows, blinds and lames were appreciable and source of salvation. This tradition remained in practice for thousands years. Provision of protection to
helpless, needy and vulnerable segments of the society was the obligation and liability of tribal and the religious leadership. “Two thousand years before the birth of Christ, a ruler of Babylonia, Hammurabi made the protection of widows and orphans an essential part of his code (Leighninger, 2008). Further the presence of the Xenodochia (guest houses) in Greece and Egyptian temples has been a part of this ancient tradition.

The records also confirm the existence of welfare system of Jews that included the education of orphans, burial of the dead, consolation of the bereaved, visitation of the ill and infirm, and the care of widows, divorcees, and the aged. Provision for the poor was made primarily through various agricultural practices, which included “gleanings,” or the practice of leaving grain dropped during the harvest which could be picked up by the hungry” (Leighninger, 2008).

In Christianity, the church has also responded to the matter of human illness both by caring for and healing the sick and by expressing concern for them. The practice of healing has retreated into the background in modern times, but healing played a decisive role in the success of the early church and was important in missionary apologetics. In the Gospels, Jesus appears as a healer of body and soul (Christianity, 2011).

The concept of welfare and mutual assistance was the most prominent feature of this religion as the early Christians used to help each other. As Christianity in medieval period became state religion, the church had the authority to administer welfare services. The administration of welfare services and charity was entrusted to the bishop, the local priest and the deacons. Beggary was a tool of welfare during this period and considered socially accepted and respected.

In this period, Institutions for the poor were established for the monasteries, serving as orphanages, as home for the old, the sick and the handicapped and as refuge for the homeless (Lander, 1961).

In 6th century, Islam also contributed to charitable traditions which emphasizes on social reforms. Islam promotes the welfare of disadvantaged through its compulsory contribution in the form of Zakat. In addition to this, other contributions were also made, called Sadqa, Khiraat and Usher (Syed, 1975; Shaghil, 1989; Sardar, 1979).

The religion of Islam seeks to maximize human welfare based on justice, benevolence and Ehsann55. Islamic ethics and values inculcate the thoughts of sacrifice and social assistance. It also endorses virtues in the individual that make it achievable for him to lower his own interest and giving priority to the collective good of the community. Thus it makes the attitude of an individual operative.

The Holy Quraan has given broad principles of values governing the socio-economic aspects of man’s life. These basic principles deal with the general conduct and obligatory precepts of an individual. Collectively they determine social behavior of the Muslims. The process of socialization in Islam becomes unique and singular when it aims to develop a religious principle in which Muslims live and move and have their being. As guiding and directive way of life this idea gives the mankind the concept of organic whole where each dimension is interrelated and coextensively diffused with the other, and where each unit is integrated with the other in harmony.

Islam therefore, envisages a system where individual becomes as much important as the society and the family as much meaningful as the community. It gives full recognition to the proclivities of man. It considers the family and the community as the important institutions for perpetuating life and goodness.

55 Ehsan (or Ihsan or Ahsan) is an Arabic term meaning goodness or excellence, which is related to the word "goodness" (Arabic Husn). It is a matter of taking one's inner faith (Iman) and showing it in both deed and action, a sense of social responsibility borne from religious conviction. Ehsan is one step ahead of Adl (Justice) when someone is prepared not only to gives other's rights but he is also prepared to sacrifice his own rights to make others happy (Ehsandotcom, 2011).
Islam has to transform individual, family, community and state as the constituents of a Muslim society and social justice which promotes the ultimate goal of social wellbeing. Contributors and recipients for welfare in a Muslim society can be perceived as individual, family, community and state. Islam creates a sense of social responsibility in human beings and organizes them in a society and a state.

**INDIVIDUAL**

An individual in Islamic terminology is interpreted as the vicegerent of its creator and bearer of this trust is conceived in terms of his accomplishment on earth. God created man of the best stature announcing him the best of many of His creations.

“And recall when your Lord said to the Angels, I am about to place a vice-generate in the earth”. (Quraan 2:30)

He is the best creation of God, who created him in his own image. Being God’s best creation he is endowed with inherent worth and dignity and is therefore worthy of respect as a human being, irrespective of considerations of color, creed, race, religion or social class. Within his appointed term of earthly bondage he must distinguish himself from other beings in his efforts of servitude as he is free to make options and choices in relation to other entities. Man is also viewed with reference to the social conditions. Virtue does not mean abandoning the value of life or seeking spiritual elevation of the self by isolating from the social milieu.

Every idea externalized by him as an action is either moral or immoral. The patterns of interrelationships so formed must also transfer ethical implications to succeeding generations. They essentially commence from an individual and then extend to the family, eventually taking into their folds the future Muslim communities. Islam in this way emulates an individual as dynamic cosmos of integrity, capable of retaining its individuality as well as becoming a part of a greater corporate personality. An individual enjoys complete liberty of holding an opinion and that of action even adopting any religion and following way of life.

In Qur’an, it is said:

(say, “the truth is from your lord”. Let him who will believe and let him who will reject (it)
(Quraan 18:29)

The religion of Islam recognizes the worth and dignity of individual. Though it doesn’t believe in the individualism emphasizing collectivism. The five pillars of Islam are in conformity to this fact. However, it supports socialized individuals and it protects the rights of individuals as human beings. Yet, it values the significant role of individual in the process of development. It is believed that the individuals whose rights are protected and welfare is ensured are expected to contribute their full potential in the development and stability of the society. On the other hand, the deprivation from protection and welfare may result in the societal collapse and disintegration. In Islam, the first and foremost right of the citizen is the protection of their life, property and honor, together with the assurance that this right would not be interfered with, except on valid legal ground. The rights of the protection of personal freedom, liberty of opinion and beliefs and the provision of basic necessities of life are also emphasized in Islam.

Islam also recognizes the individual’s right to private property and maintains the economic freedom. However it does not favour accumulation of wealth in a few hands. “In order that it may not (merely) make a circuit between the wealthy among you” (Quraan 59:7). Islam seeks to create a just and peaceful society based on moral principles. It strives that economic inequalities do not grow wider by discouraging the concentration of wealth in fewer hands. It takes necessary steps to stop this antisocial practice. The Holy Qur’an provides guidance in this regard:

O you who believe! Verily, there are many of the (Jewish) rabbis and the (Christian) monks who devour the wealth of mankind in falsehood, and hinder (them) from the Way of Allah (i.e. Allah's Religion of Islamic Monotheism). (Quraan 9:34).
“In Islam the concept of social welfare is not opposed to the attitude of economic development. It is squarely contributory to it. Islam exhort every citizen to acquire knowledge, enlightenment and skills, to develop himself fully and to work hard and produce to the best of his capacity and contribute his share to the development of his family, community and nation” (Ansari)

The measures which operate at individual, communal as well as state level are integral parts of socio-economic system of Islam. They are not merely being derived on capacities of production and arithmetical calculations of wealth produced and its distribution from an individual to state level. It is drawn and conceived in the light of a comprehensive system of morals and principles, where each institution is related to the other.

Islam has introduced a socio-economic system for the welfare of human beings, *Zakat, Sadaqat, Khairat and Fitra* are instituted which translate the spirit of Islam. “This tradition is operationalized through the requirement that all Muslims who are financially able shall contribute 2.5% of their net wealth each year for support of the needy. This practice, called Zakah, is not considered to be charity but rather an act of social justice through the redistribution of wealth”. (Leighninger, 2008). Almighty Allah says:

[And who] establishes prayer and gives zakah (Quran 2:177)
They are obligatory on those “who have” and socio-economic security for those “who don’t have” the Holy Quraan has given a rationale. Almighty Allah says that:

And what Allah restored to His Messenger from the people of the towns - it is for Allah and for the Messenger and for [his] near relatives and orphans and the [stranded] traveler - so that it will not be a perpetual distribution among the rich from among you. And whatever the Messenger has given you - take; and what he has forbidden you - refrain from (Quraan 59:7).

In Islam, Haququal-Ibad is as important as Haquaquallh. The Holy Quraan guides us that:

“It is not righteousness that you turn your faces towards the east and the west but righteous is the one who believes in Allah, and the Last Day, and the angels and the Book and the Prophets, and gives away wealth out of life for him to the near of kin and the orphans and the needy and the wayfarer and to those who ask” (Quraan 2:177).

The Holy Quraan has given a wide range of people deserving and to be looked after financially:

Alms for the poor, and for the needy, and those employed to administer the funds, for those whose hearts have been (recently) reconciled to truth, for those in bondage, and in debt, in the causes of God and for the wayfarer. (Thus is it) ordained by God, and God is full of knowledge and wisdom (Quraan 9:60).

**THE FAMILY**

Family is a universal social institution and an inevitable part of human society. It is defined as a primary group and a basic unit of social structure and plays a significant role to ensure that children are satisfactorily socialized according to the norms and values of society. It also provides economic support for other family members and satisfies their emotional needs of love and affection as well as security.

Nimkoff (Nimkoff, 1977) says that family is a more or less durable association of husband and wife with or without child or of a man or woman alone with children. Kingsley Davis (2011) describes family as a group of persons whose relations to one another are based upon consanguinity and who are therefore kin to one another while Malinowski (Malinowski, 1913) viewed that the family is the institution within which the cultural traditions of a society is handed over to a newer generation.

We live in an era in which the nature, function, and structure of the family has been effected severely. However, Islam takes a conventional stance, arguing that the family is a divinely
inspired institution. One of the most striking features of Muslim society is the importance attached to the family. The family unit is regarded as the cornerstone of a healthy and balanced society (Sheikh, 1998).

Family is first school for children to nurture and teach basic morals and etiquette so that they can appreciate Islamic ethos and values. A stable family generates a stable society and ultimately a stable civilization. Family values have immense significant and play an important role from the Islamic point of view. Islam aims to develop durable long term & strong bases for relationships within the family which is the building block of a society. When each of these blocks is firmly placed, the social structure of the society rests on a strong foundation. Where the cohesive bond gets diluted, the society begins to disintegrate.

The family in Islamic society is regarded as a natural orientation of human urges. From prehistory to the modern era the family has been the foundation of society. The individual devoid of family ties, responsibilities and obligations cannot form meaningful enduring human relationships. “Islam therefore, views the family as commitment to itself, to society and to the dignified, meaningful survival of the human race. It is regarded as a medium of accomplishments through which individuals can constructively contribute and can effectively contribute and render services to the other members of the community. In fact Islam has clearly identified and defined the mutual obligations of family members towards one another e.g. obligations towards parents, children, siblings, relatives etc” (Ahmad, 1974).

The Holy Quraan also ordains to look after the indigent segments of the society besides nourishing the kith and kin.

“No blame is there upon the blind nor any blame upon the lame nor any blame upon the sick nor on yourselves if ye eat from your houses, or the houses of your fathers, or the houses of your mothers, or the houses of your brothers, or the houses of your sisters, or the houses of your fathers' brothers, or the houses of your fathers' sisters, or the houses of your mothers' brothers, or the houses of your mothers' sisters.

THE COMMUNITY
Islam is the religion of truth and has brought message of peace and tranquility among different communities of the world. The idea of Community in Islam provides a holistic view of life. Quraan and Sunnah provide guidance to the Muslims.

The bases of the Islamic community are not on race, nationality, locality, occupation, kinship, or special interests. It goes beyond national and geographical boundaries. In Quranic terminology, muslims are a part of Ummah. The considerable role of the Islamic community is further restated in the Quraan:


Surah 2, Ayah 143 "Thus, have We made of you an Ummah justly balanced, that ye might be witnesses over the nations, and the Messenger a witness over yourselves."

The foundation of the community in Islam is the attitude of the human beings towards complete submission to the Will of Allah, obedience to His Law, and commitment to His Cause. The Islamic community has a history and long tradition of mutual assistance and welfare that goes far beyond mere survival, sheer power, breeding, or physiological continuity. Such a mission is described in the Quraan as follows:
According to Islam, human beings are equal before God and basically have originated from a single pair and spread into tribes and nations.

It is said in Holy Quran that:

'O people! We created you from one man and one woman and made you branches and tribes that you may recognize one another. Undoubtedly, the most respected among you in the sight of Allah is he who is more pious, verily, Allah is knowing, aware. (Quran 49:13).

No doubt it has expanded but the Holy Quran declares that: “Mankind was one community, and Allah sent (unto them) prophets as bearers of good tidings and as warners, and revealed therewith the scripture with the truth that it might judge between mankind concerning that wherein they differed. And only those unto whom (the scripture) was given differed concerning it after clear proofs had come with them, through hatred of one another. And Allah by His will guided those who believe unto the truth of that concerning which they differed. Allah guideth whom He will unto a straight path” (Quran 2:213).

The Holy Prophets in his last speech from Jabal-e-Arfat declared that:

“And your slaves! See that ye feed them such food as ye yourselves eat, and clothe them with the stuff ye yourselves wear; and if they commit a fault which ye are ready to forgive, then part with them for they are the servants of your Lord, and must not be ill-treated. The slaves who say their prayers are your brothers”.

Slaves were ill-treated prior to Islam. Slavery doesn’t exist any more in modern and civilized nations, yet this command may be relevant in the case of domestic servants. Because servants can also in a way be equated to slaves. The difference being that the slaves were purchased and sold and servants are engaged on payment of wages etc.

Islam encourages collective action for collective good. The faithful are ordained to pray collectively in the mosque five times a day which is not only a place of worship but also a center for deliberating and discussing common problems and concerns at the community level.

“The historic role of the Islamic community” is to be the true embodiment of the virtuous, the wholesome and the noble. A truly Islamic community is the alert guardian of the virtue and the bitter enemy of vice. What is required of the community at large is likewise required of every individual member. This is because the whole community is an organic entity and every individual is accountable to Allah. The identity of the Islamic community thus centers upon the principles of consistent balance, exemplary conduct, unity of purpose, reciprocity of feelings, solidarity and equity. The rules of marriage and inheritance, the duties of Zakat and Hajj, the mutual rights and obligations of Kin, the individual conscientiousness and social belonging—all these are oriented to healthy continuity of the community of Islam (Elsaie, 2004).

THE STATE

According to the New Dictionary of Cultural Literacy, Welfare State is “An economic system that combines features of capitalism and socialism by retaining private ownership while the government enacts broad programs of social welfare, such as pensions and public housing.

In Collins English Dictionary, Welfare State is referred as “a system in which the government undertakes the chief responsibility for providing for the social and economic security of its
population, usually through unemployment insurance, old-age pensions, and other social-security measures”.

In modern era, the term “Welfare” is taken as a form of financial or other aid provided to needy people and can take several forms as the Welfare systems differ from country to country (Welfare , 2011).

In the developed states, the welfare services are the sole responsibility of state and mostly provided by the government authorities. It may also be organized by charities; informal social groups; religious groups; or inter-governmental organizations. Welfare services are usually provided to individuals who are unemployed, sick, or those with disability, the aged and elderly people and other destitute and underprivileged sections of the society (Spicker).

The states where the welfare of its citizen is owned and ensured are known as welfare states. A welfare state is a concept of government where “State” plays the primary role in the protection and promotion of the economic and social well-being of its citizens. It is based on the principles of equality of opportunity, equitable distribution of wealth, and public responsibility for those unable to avail themselves of the minimal provisions for a good life. The general term may cover a variety of forms of economic and social organization” (Welfare State, 2011).

There are some other schools of thoughts which have been criticizing the welfare state, arguing that such a system will make citizens dependent and less inclined to work. According to socialists, allowances and concessions are made by the capitalist class in order to keep the working and middle class away from socialism (Encyclopedia of Marxism, 2011). Another criticism on the concept is that these welfare states allegedly provide its citizens with a similar level of income to the minimum wage arguing that scamming, fraud and economic immobility are apparently quite common now in the United Kingdom and France. It is also criticized that welfare services provided by the state are more expensive and less efficient than the same services would be if provided by private businesses (Welfare State, 2011).

However, several studies substantiate that there is no connection between economic performance and welfare expenditure in developed countries, rejecting that welfare states impede progressive social development (Goodin, 1999). The idea of welfare state is substantiated by the historic role of the Islamic community. It necessarily takes into consideration the will of the people to execute prescribed goals of the community. This, however, is complemented with the perennial institutions of Zakat, Sadaqat, Bait-ul-mall, Khariat and Fitra. The state is required to assume the functions of preserving, energizing and expanding the culture of the society and to build the personality of the individual within the framework of the Islamic values. It is supposed to put in place institutions and mechanisms that ensure the well being and welfare of the weaker and indigent sections of society. The socio-economic securities are held not only as sacred duties which must be accomplished for social justice, equality and equity but also built in within institutional framework organized and coordinated with due regard to the exigencies of life. Bait-ul-Mall (an Islamic Treasury) is instituted in which Zakat, Sadaqat and other gifts are deposited and delivered to the needy and deserving people.

According to Islam, the ruler of a state is made responsible of wellbeing of its citizen. As the Prophet (SWS) has categorically declared that “Any ruler who is responsible for the affairs of Muslims but does not strive sincerely for their well-being will not enter Paradise with them” (Muslim, 875). This guiding principle of the Holy Prophet (PBUH) was followed by his
descendants, the Caliphs of Islam and ultimately during the reign of Umar Bin Abdul Aziz, the socio-economic system was so planned, organized and efficient that it was difficult to find even a single receiver of Zakat (Ahmad, 1971).

Conclusion

The religion of Islam believes in the well-being of mankind and has developed a socio-economic system. The prime concern of an Islamic welfare system is to establish a model society which ensures social justice, protection of its citizen’s rights, emphasize on equality, equity and *Ehsan*. Islam does not emphasizes only on Allah’s worship like *Salat* (offering prayers), *Hajj* an Islamic religious obligation which is performed by every Muslim who can afford it) and but equally stresses to establish the welfare system. Both the religious and social systems of Islam aim at the well-being of the individuals, groups and communities. The functions of an Islamic state is to make sure the welfare of its people by providing them the basic necessities of life, establishing a comprehensive social security system and ensuring the social justice.

The Islamic concept of social welfare also provides fundamental principles for the protection of indigent sections of society. This concept of welfare is comprehensive in nature, aims at achieving the welfare of mankind in totality, of which economic welfare is merely a part. Strong emphasis has been given on Zakat and other charities which is significant for proper understanding of the true nature of the Welfare system in Islam. An Islamic welfare system aims to combat poverty as well as ensures a just and equitable distribution of wealth. Zakah in Islam a powerful redistributive tool, transfers money from the hands of the rich to the poor, ensuring that each of its citizens enjoys a minimum standard of living.
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A PARADIGMATIC REVIEW OF ‘WONDER BANKS’ ADVENTURE AS A NEGATIVE CATALYST IN THE NIGERIAN BANKING INDUSTRY

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Abstract

“Wonder banks” have contributed immensely to the high degree of fraud in the Nigerian Banking Industry. The menace has contributed in many banks collapse, and many investors and depositors funds trapped. The “wonder bank” conjures an image of a deposit collecting organization operating outside the ambit of the Central Bank of Nigeria and the law. They offer interest rate beyond the range of commercial banking and have become a canker worm that has eaten deep into the fabric of the financial sector or the Nigerian economy, and should be addressed. This is a motivation for this study, and would serve to identify the wonder banks, their investors, causes of their fraudulent practices, its impact and means of controlling it. The study is a survey research and questionnaires were used for the collection of primary data while libraries, journals and write-ups seminars and conference papers were used for the secondary data. The findings show that there is need to entrench the ideals of corporate governance in the private sector. The obsession with naming the wonder banks’ schemers as fraudsters, whose motive is wholly fraudulent obliterate a number issues which are critical to corporate governance. It was concluded that the menace thrived basically on ignorance, greed, and observed regulatory lapses. Also a situation where mutual funds interest rate cannot match average stock market return provides additional impetus to redirect investments to unconventional structures. Policy options suggested are the promotion of the preventive role of education through curriculum review, positioning regulatory agencies to focus on enforcement and follow up on securing convictions of fraudsters.

Keywords: Wonder Banks, Fraud, Fund Management and Nigerian economy.

Background to the Study

In Nigeria, frauds have assumed a frightening scale and sophistication consequent upon the general economic challenges of the post two decades. Oludefsidipe (1994) stated that even though the Nigerian Banking industry is becoming more militant and vigilant, millions of Naira is still lost on a daily basis. He attributes the most significant percentage of these frauds to collusion between staff of banks and external fraudsters. The Nigerian banking industry is likened to a battle front with a clear cut firing line featuring “wonder banks” and bandits with a veritable mine field in which some banks and their top management staff are in secret leagues with the enemy, according to Shongotola (1994).

Young (2002) opines that ample evidence exist that individual integrity of those running the banks today has never been at a higher level. Furthermore, employees as well as firms in many industries engage in fraudulent practices all over the world. Although the existence of frauds in our banks is not an uncommon or unexpected behavior, the prevalence of it is what is worrying because it poses various problems especially when untraceable [Ogwuma, 1985]. The sources of bank fraud can be classified into institutional factors, lapses or inadequacies and environmental/societal factors [Adewunmi, 1988].
The hallmark of a ‘wonder bank’ is the offer of irrational interest or pay-back on investment funds. Ideally, interest rates should be reflective of market fundamentals; Otherwise, interest rate may be seen as arbitrary, and as with ‘wonder banks’, outrageous and unsustainable. In a commentary by Nigeria Galleria [2007], the team wrote that ‘the term “wonder bank” conjures an image of a deposit collecting organization operating outside the ambit of the Central Bank of Nigeria and the law, promising out of this world returns while having no visible corresponding business or investment to drive the growth’. These ‘wonder banks’ offer interest rate beyond the range of commercial banking on various investment schemes. One of such schemes promoted by a ‘wonder bank’ in Nigeria promised returns of 10% – 30% per month (240% – 360% per annum) at a time that funds could have been sourced at 24% per annum in conventional commercial banks, and at a period when average interest on deposits was 12% per annum. These institutions offering ‘wonder banking’ are variedly described in esoteric terms, such as ‘wonder banks’, ‘miracle banks’, or ‘wonder people’. These descriptions underscore their unconventional nature, and suggest something extra-ordinary in their operations. Interestingly, the business names of many of these institutions are also not only catchy, but subtly communicate the offer of some unprecedented gratification. Some of these names are: Treasure Link; Wealth Zone; Fortune Access; Wealth Solution; Wealth Transfer; Money Field. A critical look at the motives of the promoters and patrons of wonder banks would assist in examining the paradigm that wonder banks are in all cases set up with fraudulent intentions.

A Glimpse of Investment Fund Management in Nigeria

The wonder banks essentially operate illegally as investment fund managers. A fund manager is the professional who is engaged in the management of a pool of money such as mutual fund, pension fund, insurance fund, or venture capital. The fund manager is primarily concerned with the maximization of the fund’s returns at the least risk possible for a fee.

According to Nigeria’s Securities and Exchange Commission [SEC], the requirements for registration as a venture capital fund manager are:

i. Write-up on the general nature of the business in which the fund will be invested.
ii. Projected yield of the fund.
iii. Certificate of Incorporation of the company certified by the Corporate Affairs Commission.
iv. Form C07 certified by the Corporate Affairs Commission.
vi. Latest Audited Financial Account/Management Account or Audited Statement of Affairs of the Company if in operation for less than one year (should not be more than six (6) months old).
vii. Two (2) copies of Memorandum and Articles of Association of the company. The object clause should empower the company to engage in venture capital fund management.
viii. Where applicable a Memorandum of Understanding between the parent company and its subsidiary to the effect that the parent company will not unduly interfere in the management of the subsidiary or the fund.
ix. Detailed information about the fund provider (e.g. the parent company).
x. Evidence that the minimum paid up capital of the fund manager complies with the requirements of the Commission as stipulated in the Rules and Regulations.
xii. Modalities of operations of the scheme for handling Small and Medium Scale Enterprises application(s) or other projects.
xii. Fidelity Bond representing 20% of the paid up capital.
xiii. Submission of two (2) sets of completed SEC Form 2 for a minimum of two (2) sponsored individuals to be accompanied with:
   a. Detailed Curriculum Vitae (copies of all educational certificates).
   b. Three reference letters as specified in SEC Form 2.
   c. Resignation and acceptance letter from previous employer(s) where applicable.
   d. Police clearance (a referral letter to be obtained from Lagos Zonal Office to FIIB Alagbon Close, Ikoyi, Lagos).
   e. Previous employer’s report.


xv. Post Registration Requirements:
   a. All registered venture capital fund managers shall be inspected periodically.
   b. Authorization fees – 1% of the take off funds of the company.
   c. Operational guidelines of the fund.

xvi. Renewal
   a. Renewal of Registration – Every two (2) years, N20000.
   b. Renewal of sponsored individual – Every two (2) years, N1000 per individual.

xvii. Submission of Form SEC 2A & B for Transfer of registered individuals (where applicable).

xviii. Submission of Form SEC7 for the amendment of registration information (where applicable).

xix. Submission of Form SEC 9A & B for Renewal of registered individual (where applicable).

These stringent registration requirements are meant to ensure that a solid foundation is laid for effective corporate governance in firms that will be soliciting for investment funds, and to ensure that investments are professionally managed and judiciously invested in various capital and money market instruments. A major investment vehicle is called Mutual Funds or Unit Trust Schemes, where funds are pooled together from a group of people and invested in stocks, bonds, properties and other securities on behalf of investors. These investment channels constitute underlying assets which are missing in ‘wonder bank’ cases. The Mutual Funds come in varieties of forms, depending on investment channels, risk and benefits.


The firms that engage in ‘wonder banking’ are usually not dully registered as investment fund managers. Some of the firms are registered for businesses completely different from funds management. A critical analysis of the motive of these firms may support a number of conjectures.
These firms have huge operational finance gaps and may not have the wherewithal to appropriately secure finance from commercial banks;

- These firms see profitable business opportunities in financial intermediation arbitrage and are out to exploit these opportunities.
- Being aware of the illegality of these ventures, these firms are out to exploit the ineffectiveness of financial regulation.
- As there is no credible deterrent to this illegality, some firms are actually set up to deceive investors and simply steal their funds.

**Review of Related Literature**

Many countries have implemented deposit insurance schemes to prevent bank runs and to provide liquidity to banks in case bank runs do occur. The advantage of a deposit insurance system that provides a blanket guarantee is that it fully eliminates bank runs. The disadvantage is that it destroys all potentially beneficial information production and monitoring by depositors.

Bhattacharya, Boot and Takor (1998) shows that partial deposit insurance encourages market discipline, exercised through bank monitoring by informed depositors and that regulatory measures such as bank closure rules, may control bank risk taking. Many empirical studies have applied various methods. Duan and Yu (1994) calculated deposit insurance premiums for ten exchange-listed depository institutions in China. Duan (1994, 2000) implied maximum likelihood estimation method to assess implicit deposit insurance premiums.

The outrageous interest rates structure offered by wonder banks essentially thrive on *Ponzi* schemes. The Ponzi scheme thrives on an investment structure where there are not verifiable underlying assets, and investment from new investors is used to pay off old investors. In a Ponzi scheme, a swindler “touts outsize returns, parries questions about legitimacy with hefty dividends and creates the illusion of solvency by paying off early investors with capital raised from later entrants” [Altman, 2009]. This scheme, also known as a Pyramid Scheme [Hayden, 2008], dates back to 1919 when Charles Ponzi in Boston offered investors about 50% return in ninety days at a time when the prevailing interest rate was 5%. Zuckoff [2008] explained the dynamics of Ponzi’s scheme, and concluded that he was just a dreamer without a good exit strategy. His design was actually built on a valid investment plan and arbitrage opportunity, suggesting that he did not set out to defraud. It soon turned out that the arbitrage plan was not feasible, but the cash flow became a torrent and Ponzi was kept busy handling the money, acquiring properties and enjoying a life of luxury.

Since 1919 there have been several Ponzi schemes. In Costa Rica, three brothers defrauded clients of $400million in a 20-years unregulated loan scheme that started in the late 1980s. About 6,300 individuals (mostly American and Canadian retirees) were affected in this scam. According to A.M. Costa Rica, the ability to pay outrageous interest was attributed to the partners’ existing agricultural aviation business, investment in unspecified European high yield funds, and loans to Coca Cola, among others.

In the 1990s, a massive two-thirds of the population in Albania invested in government endorsed Ponzi Schemes. This robbed them of more than $1.2billion in losses. Jarvis [2000] noted that the schemes which were actually fronts for laundering money and arms trafficking could no longer make payments once the number of investors grew to include two-thirds of Albanians. This
resulted into riots and overthrow of the government. Also in the 1990s, the Florida Greater Ministries International Church defrauded about 18,000 of its flock of $500 million through an investment scheme in gold coins. The church, led by Minister Gerald Payne offered worshippers investment in gold coins. He created an investment plan that would “double the ‘blessing’ that people invested”. According to the Anti-Defamation League, the Ministry bribed church leaders around the U.S. to keep ‘donations’ coming in, and promised the church members double their money back, citing Biblical scriptures. Most investors never got their money back.

In the early 2000’s, Ponzi Schemes in Haiti ran advertisements, some of which featured Haitian pop stars. These schemes ended up being a massive swindle, with 60% of Haitian GDP lost in 2001. In 2008, the US Securities and Exchange Commission reported that $23.4 million was raised from thousands of investors in the Haitian-American community through a network of investment clubs. According to the director of the SEC’s Division of Enforcement, ‘This alleged Ponzi scheme preyed upon unsuspecting member of a close-knit community, attempting to take advantage of the trust they had in each other. It was also further said that “this case demonstrates that individuals will often rely on a shared affinity to gain investors’ trust”. Also in 2000’s, Lou Pearlman perpetrated one of the largest and longest running Ponzi schemes in American history, leaving about $500 million in debts. His Trans Continental Savings Program was indeed a massive fraud, as the scheme was neither a savings nor loans. According to U.S. Department of Justice in 2008, Pearlman was successful in raising millions of dollars based on false representations about two companies affiliated with him. A Mexican resort owner, Michael Kelly schemed retirees and senior citizens of $428 million by offering them phoney investments dubbed “Universal Leases”. Most of his victims used and lost their retirement savings, thinking they would get solid, low risk returns.

Bernard Madoff’s scam appears to be the biggest contemporary Ponzi scheme, defrauding famous people, funds, non profits, banks and countless others of $50 billion. The global financial crises triggered the inevitable collapse of Bernard Madoff’s Ponzi scheme. That scheme was a $50 billion fraud which spread from Europe to Asia and America, through a great pyramid structure.

**Wonder Banks in Nigeria**


On November 22, 2007, SEC took 37 wonder banks before the Investment and Securities Tribunal (IST). SEC advised IST to authorize the closure of the offices of these companies, for the reason that they did not obtain the necessary licenses to operate either as Fund or Investment Managers in the Nigerian Capital market. [Obiora, 2009]. These wonder banks included: Fortune Access Interlinks Network, Pennywise Investment Limited, Cyber International Limited, Gold Power Unique Services Limited, Gorutrans Nigeria Company Limited, Interglobal Investment Limited, Money Field Limited, New Freedom Diversified Investment Limited, Open Gate

According to CBN, a total of 560,882 claims amounting to N106.9billion had been submitted by members of the public against 440 illegal companies/wonder banks by July 2010. It was further revealed by the apex bank that 36 illegal funds managers accounted for N1.04billion, or 97.3% of the total collated claims. Nospetco Oil and Gas Limited, one of the illegal fund managers, accounted for 48% of these claims.

In 2008, an interagency committee was set up to stem the menace of wonder banks in Nigeria. The committee comprises: Central Bank of Nigeria, Nigeria Deposit Insurance Corporation (NDIC), Securities and Exchange Commission (SEC), Corporate Affairs Commission (CAC) and the Police. The broad objectives outlined for the Committee were:

- Put in place appropriate mechanism for inter-agency collaboration to stop the activities of wonder banks and prevent resurgence in the future.
- Map out modalities for pursuing cases against offending companies at the Investment and Securities tribunal and
- Establish procedures for returning the trapped funds to the depositors/investors of the illegal funds managers.

In spite of the press releases from the Inter-Agency Committee warning the public against patronizing these firms, Nigerians still patronize them. This may be because of their attractive outrageous interest rates. While some analysts attribute the patronage to ´ignorance´, others attribute to ´greed´, or both. An interesting conversation on stock marketingnigeria.com blog is instructive. A blogger wrote: “The Central Bank of Nigeria (CBN) has taken a decisive and definite position on the activities of suspected dubious deposit takers and money lenders, otherwise referred to as wonder banks. Their activities have been banned while the full weight of the law will be brought on the perpetrators…..”

This topic attracted the following two interesting responses:

- “Not involved because I am not that gullible. However, [there is] no way CBN can ban them. They do not call themselves finance house or a bank so [they] cannot be regulated by Central Bank of Nigeria (CBN). They are not breaking any laws either, so why ban them [as] it is not illegal to feed on the GREED of Nigerians. Bring your money and I will double it for you. You agree and we make a deal. Until they start to default, nothing spoils. When it is time to default, the major promoters will be out of the country. Offices will be turned to restaurants. People will queue up there wondering what has hit them. Nothing!!!! Just the greed in man…….”

- “Isn’t it telling that the Central Bank of Nigeria (CBN) could not find any evidence of illegal activity? How can anyone then begin to conclude that they are “scammers”? The
main reason to not invest in these scammers, for those who wish not to invest, is the lack of understanding of what they do. I would say, rather than vilify the owners and investors it is the failure of the Central Bank of Nigeria (CBN), and obvious jealousy of the bank chiefs, that should be the news. The Central Bank of Nigeria (CBN) couldn’t find any evidence of illegal activity, so they send out a bad word about the schemes so as to bring them down; this is a shame and a failure of the regulating body”.

These two responses above are really instructive, and reflect widely held beliefs. The issues to ponder on are:

- Is it correct to say that there is no illegality in the operations of the wonder banks?
- Is it correct that the Central Bank of Nigeria (CBN) is unable to find any evidence of illegal activity by the wonder banks?

In contrast, Central Bank of Nigeria (CBN) press releases suggests that these firms are engaged in unlicensed and illegal operations, and the Bank went further to ensure the closure of several of them. There are however no records of convictions of the promoters of these illegal institutions. Perhaps the position of Central Bank of Nigeria (CBN) and Security Exchange Commission on this issue would be better understood and appreciated when there are records of convictions of promoters of these wonder banks as is regularly the case in the USA. Consider the following fifteen (15) recent convictions:

- Kenneth Star, who managed funds for high net worth business executives in US, concocted an elaborate $33million fraud. He was sentenced to 7 1/2 years imprisonment in 2010.
- Scott Rothstein, a south Florida schemer received a 50-year prison sentence in 2010. He was convicted of running a $1.2billion investment scam.
- Debra Villegas, an ex-aide of Florida lawyer Rottistein who ran a $1.2billion ponzi scheme was jailed for 10years in 2010.
- Shawn Merriman is currently serving 151months in prison on a mail fraud conviction, after he bilked $37million from investors through a ponzi scheme.
- Marietjie Prinsloo, a South African woman and her family were convicted in 2010 on nearly 395,000 charges with a total penalty of 29 years in prison for masterminding a massive pyramid scheme. She is to serve 25years in prison, while her ex-husband, daughter, son and niece will each spend 12years behind bars.
- In 2010, Bean Diamond was sentenced to 15 1/2 years in US prison for running a fraudulent and sophisticated ponzi scheme that made victims out of 193 people who thought they were members of a foreign currency trading club.
- Sean Mueller, a former hedge fund manager in US was sentenced to 40years in prison in 2010 for racketeering, securities fraud and theft in a $17million ponzi scheme.
- Bernie Madoff the New York business man who pleaded guilty to a $65billion ponzi scheme, received 150 years jail sentence.
- Tom Petters was sentenced to 50years in US prison in 2010 for running a $3.65billion ponzi scheme.
- Floridian ponzi schemer Authur Nadel was sentenced to 14years in prison for defrauding investors of more than $168million over ten years. His plea for reduced jail term in light of his life-threatening cardiac and urological conditions was denied.
Frank Castaldi raised more than $77 million from 473 investors in a ponzi scheme. The scheme collapsed in 2008, and left him owing $31.6 million to more than 300 individuals and investor groups. In 2010, he was convicted and sentenced to 253 years in prison.

In 2010, a confessed Ponzi Schemer Gerard Cellette Jr. was jailed for 8 years when found guilty of 36 counts of securities fraud. Cellette confessed that he had run a $53 million scheme, and decided to shut it down himself, and made complete disclosure.

Convicted UK fraudster, Kelvin Foster was jailed for 10 years in 2010 for running an unauthorized investment business and for stealing investor funds through his £34 million scheme.

Earl Jones pleaded guilty in 2010 for running a pyramid scheme that started in 1982 and included at least 158 victims. He got an 11 years sentence for orchestrating this massive fraud scheme.

In 2011, David Hernandez was sentenced to 16 years in prison in Chicago for swindling investors of more than $6 million. He used the money in a ponzi type scheme, paying investors with other peoples’ investment.

There has not been any reported high profile conviction in Nigeria. This would have to be seen as the core of that objective of the inter-agency committee which requires the committee to map out modalities for pursuing cases against offending companies at the Investment and Securities Tribunal. An issue to also consider is the current legal framework for charging offenders, and whether statutorily prescribed penalties are appropriate and adequate as deterrent.

**The Wonder Bank Investor**

A brief demographic analysis of some failed Nigerian wonder banks investors would throw some light on the level of investors’ understanding of the risks involved, and the motivation for investment. It would also serve as a primer for research work on the rationality or irrationality of investors’ choices. Questionnaire was made available for victims who came out to officially lodge complaints against their failed wonder banks at various regulatory agencies in Lagos, Nigeria. Specifically, the questionnaire sought to know:

- Name (Optional) of Investor
- Education
- Profession and Position
- Name of the Finance Company/Organization [Wonder Bank]
- Age at the time the investments were made
- Approximate amount invested
- Approximate amount yet to be recovered
- The promised return
- Other promises made
- If the investors perceived any risk in the investment, and the nature of the perceived risk
- The investors rated the following risk factors according to how strongly they believe in the possibility of occurrence (on a scale of 1 – 4, with 1 representing least possibility and 4 representing highest possibility):
  - (a) Variation of the share/slot trading price
  - (b) Possibility of the organization to go bankrupt
  - (c) Probability of not receiving any dividend/interest in cash
- If the investors had any prior experience in capital investments
Which of these information sources did the investors rely on in taking the investment decision:
(a) Financial statements of the organization
(b) Articles in press
(c) Recommendations from friends/associates/advisors

If the investors found out what their money was to be invested in, and what it was
If the investors thought of the possibility that recouping investment at some time would depend on new investors bringing in fresh funds

A summary of the responses from sixty one investors [victims] is presented below.

<table>
<thead>
<tr>
<th>SN</th>
<th>Company</th>
<th>Age at Time of Investment</th>
<th>Education</th>
<th>Any Prior Experience in Capital Investment</th>
<th>Amount Invested</th>
<th>Variation in Share Price</th>
<th>Bankruptcy Possibility</th>
<th>No Dividend on Investment</th>
<th>Financial Statement</th>
<th>Articles in Press</th>
<th>Recommendation from Friends/Associates/Advisors</th>
<th>Knowledge that Reconciling Investment May Depend on Investors Bringing in Fresh Funds</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Nospectco</td>
<td>29</td>
<td>Misc</td>
<td>Yes</td>
<td>900,000.00</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>-</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
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<td>Pennywise</td>
<td>24</td>
<td>Bsc</td>
<td>No</td>
<td>70,000.00</td>
<td>3</td>
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<td>1</td>
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<tr>
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<td>1</td>
<td>1</td>
<td>Yes</td>
<td>-</td>
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</tr>
<tr>
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<td>Yes</td>
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<td>3</td>
<td>1</td>
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<td>-</td>
<td>-</td>
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</tr>
<tr>
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<td>30</td>
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<td>Yes</td>
<td>40,000.00</td>
<td>2</td>
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<td>-</td>
<td>-</td>
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<td>No</td>
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<tr>
<td>6</td>
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<td>28</td>
<td>Bsc</td>
<td>Yes</td>
<td>150,000.00</td>
<td>3</td>
<td>4</td>
<td>3</td>
<td>No</td>
<td>Yes</td>
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<tr>
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<td>Bsc</td>
<td>No</td>
<td>50,000.00</td>
<td>2</td>
<td>2</td>
<td>2</td>
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<tr>
<td>8</td>
<td>Wealth Solution</td>
<td>25</td>
<td>Bsc</td>
<td>No</td>
<td>67,150.00</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>Yes</td>
<td>-</td>
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<td>No</td>
</tr>
<tr>
<td>9</td>
<td>Wealth Gate</td>
<td>28</td>
<td>MBA</td>
<td>Yes</td>
<td>337,000.00</td>
<td>4</td>
<td>4</td>
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<td>-</td>
<td>-</td>
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<td>Yes</td>
</tr>
<tr>
<td>10</td>
<td>Wealth Gate</td>
<td>24</td>
<td>NCE</td>
<td>-</td>
<td>9,600.00</td>
<td>2</td>
<td>2</td>
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<td>No</td>
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<tr>
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<td>100,000.00</td>
<td>1</td>
<td>3</td>
<td>1</td>
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</tr>
<tr>
<td>13</td>
<td>Wealth Gate</td>
<td>24</td>
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Findings

The average age of investors is about 26 years, and 71% of respondents are graduates [with minimum of HND or University Degree]. This suggests that the bulk of those who patronize these wonder banks [within the limited sample] have tertiary education. 43% of the respondents had prior experience in capital investment, leaving majority as first timers. Those with prior experience in capital investment however accounted for 77% of the total amount invested by these respondents. This shows that those with prior investment experience tended to invest higher sums. A further analysis according to level of education revealed that risk perception was higher with higher education as shown below:

<table>
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<th>Source: The Researchers’ Fieldwork</th>
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<th>TABLE 2: DATA ANALYSIS ACCORDING TO EDUCATION LEVELS</th>
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The investors were obviously aware of the risk of bankruptcy [of the wonder banks], as this risk was mostly rated highest. They were mostly concerned with bankruptcy possibility and least...
worried about variation in share or slot price. Interestingly, the risk perception was higher with higher education. With more education, there is generally more risk awareness. But also with more education, there is more willingness to stake more in investments. The average risk perception was: Variation in share price [1.92 points]; Bankruptcy possibility [2.21 points]; and No dividend on investment [1.95 points].

The information source that influenced the decision to invest in these firms was mainly the recommendation of friends, associates and advisors. All the respondents agreed to have obtained information through this source. Additionally, 28% and 18% of the respondents also acknowledged the role of press articles and financial statements respectively in providing information.

Only 34% of the respondents had knowledge that recouping their investment may depend on investors bringing new funds. Interestingly, this 34% cut across all education cadres. Though education played a key role in risk perception, same cannot be said of the knowledge of the dynamics of the pyramid scheme. It may however simply be a reflection of ‘denial’, since the risk of bankruptcy was strongly underscored especially by higher education cadres.

The lessons are quite clear, and have implications for regulatory agencies efforts to check this practice. The investors are mostly inexperienced graduates who are attracted to the unrealistic returns and promises made by these firms. The most vulnerable investors are those with prior successful investment experience. They may have invested higher sums because of their prior investment experience, or because they have more disposable income. The latter reason probably supports why those with higher degrees invested higher sums, even though they also have a greater awareness of the risks involved. The scheme also thrived more with informal communication channels. Through the recommendations of friends and advisors, more investors are mobilized. These advisors are either paid agents, or early investors who got rewarded.

Though most of the investors acknowledged the risks involved, about 66% had no knowledge of the fact that recouping their investment might depend on investors bringing new funds. Given this fact, it may not be correct to completely rule out ‘ignorance’ as a factor fuelling this practice. The ‘greed’ factor is also apparent given the kinds of unrealistic promises made by these firms. These firms claimed that the investment funds were going to be used for a variety of purposes. Some of them are so varied, and ought to have raised the suspicion of the investors as to whether such ventures were authorized, or within the capacity of the firm’s management. Most of the firms claimed that investors’ funds were to be invested in the following projects: Gold, Forex trading, Real Estates, Oil and Gas, Shares and Agricultural products. In addition to outrageous interest rate promises, one of the firms promised an investor ‘entry visa to USA’, while another promised to ‘finance the education’ of the investor.

**Conclusion and Policy Options**

An issue to consider is whether all wonder banks are inherently fraudulent, or slip along the line into some deceptive scheme as a result of observed or perceived regulatory lapses. Also, how contributory a factor is the presence of a fertile environment where investors are either fraudulent as well, or responding to an imperfect market pricing situation. The average stock market return is a fair bench mark for returns in the capital market. Currently mutual funds interest rate cannot match average stock market return, thus providing additional impetus for redirecting investments to unconventional structures.
A wonder bank scheme is often taken and analyzed in isolation, with little focus on the component of corporate governance failure, which really is the issue. The obsession with naming the schemers as fraudsters, whose motive is wholly fraudulent obliterate a number of issues which are critical in corporate governance. In reality, the scheme might actually be broader than simply soliciting for investment funds for an outrageous and unrealistic dividend, and using new investors’ funds to pay off old investors. It is actually possible to see a ponzi in every fraud situation, such as in extortions, looting, and contract inflation where there are no underlying legal, appropriate and adequate assets. The ideals of corporate governance ought to be entrenched. This can be done by ensuring the implementation of legislative and regulatory updates on risk and corporate governance practices.

Ponzi scheme is all about a slip into deception where the environment permits or encourages a sleaze to occur. In most cases, ponzi schemers are described as inherently fraudulent, and the investors poor victims who must be rescued. The danger in this analysis is that the issue is over simplified. The victims are usually aware of the risk involved, but are willing to stake their money for quick huge gains that cannot be obtained elsewhere. They are quick to claim ‘ignorance’, but are largely driven by ‘greed’. The schemers would always be encouraged by the apparent weakness of regulation and the fact that there are no strong deterrents to this practice. But we cannot overrule the preventive role of education. The education curriculum in tertiary institutions should feature more prominently entrepreneurship and investment studies. Regulatory agencies would necessarily have to focus on enforcement and follow up on securing convictions for fraudsters.
Adewunmi, W., (1988) Business Management: An Introduction, Lagos; Macmillan Publisher Limited


Total Safety Performance Evaluation Management (TSPEM)

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Doctor of Business Administration (DBA)
MMU University- Kuala Lumpur

Abstract
Rapid changing of Technology creates hazards and complex risks in the work world. These events enforced the organizations to prepare a modern safety program and effort to improve safety performance. Performance evaluation as a process plays the pivotal role in decision making pertaining to safety programs and has to evaluate periodically and formally. The key causes of safety performance evaluation management are discrimination of both strengthens and weakness points of on organization and performance of an improvement mechanism of these points. At present, most of the organizations plan to evaluate their performance based on reactive indicators and the lack of proactive perspective and special indicators, as well as the key performance indicators are main reasons to discuss in this article.

Keywords: Total Safety Performance Evaluation Management (TSPEM), Key performance indicator (KPI), Total safety performance evaluation (TSPE),

Introduction / Background

Rapid Improvement Of Technology in The World has Caused hazards and different, complex, ambiguous risks apart from Preparing Welfare. These Resulted in Industrial Events and Disasters. The Explosion Of Chemical Reactor In Bopal In India(Murti 1991; Joseph, Kaszniak et al. 2005) and The explosion of Nuclear Reactor in Chernobyl in Ukraine(Tronko, Bogdanova et al. 1999; Zhdanova, Zakharchenko et al. 2000) are two examples of These events.

There for gradual Improvement of these events in different societies, enforced the organizations to prepare a modern safety program. Yet many organizations lack enough knowledge about the results of their safety programs while performing them(Smith, Cohen et al. 1978; Zohar 1980). It is a consequent of lacking a total performance evaluation management(Grote and Künzler 2000; Pronovost, Weast et al. 2003). Furthermore these organizations the opportunities to improve safety performance. Most of managers believe that not happening an event in an organization does not mean it’s safety, and unknown hazards with high risks may exist and destroy the whole organization in a moment.

Performance evaluation is a process by which the results of secure organization output will be evaluated periodically and formally(Mikolajczyk and Schmid 2005). The main causes of safety performance evaluation management are discrimination of weak and strong points of on organization and performance of improvement mechanism of weak and strong points(Miner 1992; Vredenburgh 2002).

Today not only safety performance evaluation is for the output control of the organization but also it has a conductive aspect. It will conduct the organisation in this field correctly. All these facts show that:

- organizations cannot discriminate critical and weak points in safety cases systematically (Izquierdo-Rocha and Sánchez-Perea 1994; Ye 2006).
Their approaches are fundamentally based on retrospective studies (BIGOS, SPENGLER et al. 1986; Mantel and Haenszel 2004).

Using a total management tool to evaluate the safety performance of the organization, they can discriminate the gap between their safety program and desirable condition so they will determine improvement opportunities their performance and move toward constant improvement and investment unity. These are possible by applying a total management tool to evaluate the safety performance.

Occupational safety has been one of the main approaches of eminent organizations and million hours of safe job prove this claim (Chimezie 1988). Surely achieving this important affair depends on the performance and appliance a total performance evaluation management to get promotion opportunities of occupational safety (Goetzel, Guindon et al. 2001) (Rahimi 1995; Tam, Tong et al. 2002; Mearns, Whitaker et al. 2003).

At present most of the organisations plan to evaluate their performance on the basis of reactive indicators but constantly we see that even lack of events cannot be the reason of safety in an organization not evaluating the safety performance, organizations never will be able to appoint their situation to achieve the outlook and evaluation of achievement of higher goals is one of the procedures of performing improvement affairs of organizations (Mohamed 2003; Rivard, Rosen et al. 2006; Nordine, Knox et al. 2007).

Research objectives

The general objective of this paper is using literature review about safety performance evaluation management of companies. The subs objectives are:

1- To design holistic framework for total safety performance evaluation management according literature review.
2- To express suitable hypothesis.
3- To determine dependent, independent, and control variables.

Literature review

In this research a management approach to evaluate a total safety performance (Odenheimer, Beaudet et al. 1994) will be considered in addition to a key performance indicator (Thomas Ng, Pong Cheng et al. 2005). Thus the organization will be able to perform a good and suitable plan of self-assessment (Davis, Mazmanian et al. 2006) and find improvement opportunities based on its results.

At present there are different approaches about safety performance evaluation of organizations divided to two groups:

a) Key performance indicator (KPI)

b) Total safety performance evaluation (TSPE)

In the first group organisations evaluate their performance on the basis of retrospective and postponed indicators aroused form the results of the events. Among these indicators we can point to Accident Severity Rate (Griffiths 1985), which is the ratio of waste days...
resulted from the events in lieu of one million occupational hours. The less is this coefficient, the better is the safety program of the organization. Retrospective and postponed indicators have a Reactive condition and cannot be the representative of organizational safety performance. Thus it’s necessary that in addition to these indicators organizations use pioneer ones.

Now most of the organizations use less proactive indicators to evaluate their performance, and most of them believe that their safety situation is good as they reach acceptable results by calculating reactive indicators. But their results are the same as bubbles and once a disaster can happen in the organization and ruin it.

In this research we plan to study creative indicators emphasizing on Proactive and pioneer indicators besides present indicators.

In the second group different methods have been suggested for safety performance evaluation management of organisations which the most important of them are:

1- International safety Rating system (ISRS)
2- European Foundation for Quality Management (EFQM)
3- American Voluntary Protection Program (VPP model)
4- Partners for Injury reduction Health and safety Audit (PIR2 Protocol Canada).

**Integrated model**

1- International safety Rating System (ISRS)

The basis of ISRS refers to the last of 1960s and the early of 1970s in America specially one of the biggest of American insurance companies (INA). After 1987 ISRS was founded and improved under the leadership of frank E.Bird(1974) and the founder of International loss Inspection company (ILIC).
As the central part of security audit system and loss control ISRS contains 20 elements which have 120 subdivisions. These elements are mentioned in question forms and in more than 600 indicators partially. The questions are formed by valuable factors which may be obtained by some percents of order and rating for safe activity to compare the dependent element in ISRS (Bird and Association 1974).

Generally ISRS (Eisner and Leger 1988; Guastello 1991) is an overall program that contains ten audit systems all of which are unified. It involves a questionnaire of less than 90 to 620 questions from the simplest to the most complete ones. Thus ISRS can be used in smaller and larger companies or organisations started their safety program and those that have a more creative program. ISRS also allows compatibility with special necessities of the organisation for practical application in related place or organisation. This is done by turning the indicator of ISRS into protocols. Finally ISRS can be applied as a source to create organisational management system. thus the elements studied in ISRS are (Leongsrisook 2005):

1- Leadership  
2- Leadership training  
3- Planned inspections and maintenance  
4- Critical task analysis and procedures  
5- Accident / incident investigation  
6- Task observation  
7- Emergency preparedness  
8- Rules and work permits  
9- Accident / incident analysis  
10- Knowledge and skill training  
11- Personal protective equipment  
12- Occupational health and hygiene  
13- System Evaluation  
14- Engineering and change management  
15- Individual communication  
16- Group communication  
17- General promotion  
18- Hiring and placement  
19- Materials and services management  
20- Off- the – job safety

According to the results of the audit, some suggestions can be given for improving controlled activities and right management system of organization. In fact some suggestions from the main part of a good audit system are followed automatically through taken audit results and reports (Guastello 1991; Timmannsvik and Hovden 2003).

ISRS can be a very important tool for safety improvement and knowledge increase of danger and generally organizational improvement. ISRS is capable of gradual compatibility with the organization. It prepares a path for people education and performance of desirable and necessary activities to result in acceptable results. ISRS is a tool to change the procedure to obtain better results by itself (Robson and Bigelow 2010).
During periodical audits, ISRS is an excellent tool to protect desirable level of safety care (Guastello 1991). ISRS can influence a better perception of safety aspects specially in top management levels. ISRS reveals a subject which is nearly important and unknown for most people. To make such a procedure possible, it is important that the audits and advisors who work by ISRS, perceive the management meaning and procedure basically. ISRS is led into the control of undesirable events and for this reason it can be the main basis of the procedure that improves organizational quality and control of unnecessary expenditures (Robson and Bigelow 2010).

Risk management means controlling the hazard (and its related finances.) Suitable control of the risks can be obtained from an organization with a high level of knowledge about risk. ISRS is a tool that causes knowledge of hazard in an organization along gradual improving procedure (Tinnmannsvik and Hovden 2003). This is a means that unifies risk management of each organization and increases people knowledge of occupational risk by risk control activities and planning for them (Hale, Heming et al. 1997; Zimolong and Elke 2006).

Through improvement of management system ISRS enables us to maintain a structure in the organization with the results for from conventional safety – whenever a structure exists, other management techniques, tools and educational activities can find their position easier.

2) Occupational safety and health Administration Voluntary protection Program (OSHA VPP):

Safety and health management program or guidelines of occupational safety and health administration voluntary protection program, prepares necessary guides for the companies that are to achieve the best safety system (Parsons 1988; Su, Tsai et al. 2005).

This program has been performed by OSHA to encourage the employers to reduce the hazards, interiorise new programs and manage present safety and health programs. When a company is accepted, it will be exempted of systematic or accidental OSHA inspections but in return antecedents and coefficients of the company should be given to OSHA for review (Chelius and Stark 1984). The company will be confirmed periodically and recurrently every 3 years. Approval of a company to perform a voluntary supervision program by OSHA not only represents following their standards but also proves the necessity of practical management aims at all dangerous and insecure conditions (Wu and Babcock 1999).

Cooperation with voluntary protection program includes 3 levels given to a company as soon as it applies the performance of VPP and succeeds in explanatory evaluation of OSHA. During evaluation, the precision of applying affairs is studied, strong and weak points of safety programs are determined and usability of safety and protection program against probable hazards is guaranteed (UNLIMITED 1994):

2-1- Star symbol is given to companies that interiorise overall safety and health programs and those that succeed in risk reduction. This prize represents that the recipient company is a pioneer in creative ways of preventing damages and diseases. This special star symbol is used by VPP for promotion and positive influence on public opinion.
2-2- Qualification (Merit) symbol is given to the companies that pose possibility and necessity to gain it. These companies have been very successful in safety and health affairs. Yet they have to perform some improvements to gain this symbol. A company that possesses this symbol are evaluated annually.

2-3-good faith symbol shows that companies have gained demanding qualification symbols by using other methods or equivalent methods for safety. Generally this symbol is given to small commercial and constructive factories. Places that receive this symbol are evaluated once in a year(Spielmann 2006). Necessary elements of VPP presented by OSHA include following factors(O'Rourke 2001):

1- Safety management program
2- Objectives and policy
3- Cooperation and management commitment
4- Cooperation of the staff
5- Conventional workers
6- Program review
7- job hazard analysis
8- basic investigation
9- job inspections
10-Prevention and hazard control
11-Procedures methods and protective equipment
12-Accommodations , maintenance and repairing of process equipment
13-Hazard informing service
14-Injury and hazard analysis
15-Emergency plan
16-Medical care program
17-Health and safety training
18-The content of safety and health training
19-Managers , supervision preparedness

The mentioned guides about VPP include effective management to prepare safety and health among the staff that are effective and decisive causes in reducing improvement and severity of occupational injuries and diseases. Effective management considers all the problems and hazards resulted from the occupation including potential risks as results of condition Changes. Management discuss about the risks appointed by governmental standard in all cases.

Given VPP guides can be used for public industries. Any of the mentioned parts can be analysed in an institute and factory through related guides , necessary methods and defined observations and checklists(Miller and Sonics 2005).

3- European Foundation for Quality Management (EFQM):

The most commonly used self assessment framework is the EFQM Excellence Model developed by the European Foundation for Quality Management. This is the basis for the UK Business Excellence Award and the results can be benchmarked against those of other organisations. It consists of nine criteria which are the core of this model and the basis of evaluation of
an organisation. the Fundamental bases and perceptions is goals that should be achieved by an eminent organization. The goals are usually extravagant, thus the organization requires the criteria which their performance causes achievement of the goals. As it has mentioned in the preface of EFQM model, important basic concepts have been placed in the indicators of this model (Hillman 1994; Nabitz, Klazinga et al. 2000). EFQM’s criteria are divided into two main groups:

3-1- Enablers: the first five criteria of this model which enables the organization to reach to excellent results.

3-2- Results: They are the results achieved by the eminent organization in different fields and state the achievements of suitable performance of enablers.

In EFQM model, the criteria totally have 1000 scores (500 scores for enablers and 500 scores for the results.)

In other words if an organization succeeds in performing this model, it can gain 1000 scores. European organisations can demand EFQM model for annual evaluation. If the organisation can prepare the least of EFQM expectations and gain the highest evaluation score among the applicants, it is introduced as a winner and will receive the main prize. (It is reminded that getting 700 scores out of 1000 scores, only can be achieved by universal class companies)

In the following figure criteria, their relations and scores are presented.

![Diagram showing the ENABLERS and RESULTS of EFQM model](image)

The logic to measure an organization according to EFQM model is called RADAR taken from initial letters of Results, Approach, Deployment, Assessment and review. It is stated through this logic that that an organization must have a suitable program and approach to achieve desirable results. This program and approach should be transmitted and performed in the organization bases. Finally organization performance should be evaluated and reviewed necessarily.
4- Partners for injury reduction health and safety (audit protocol Canada - PIR2):

This protocol provides company basic activity by safety and health evaluation of management systems. It can be evaluated within 3 stages performed by partners of Albert forest association for audit agreement of injury reduction health and safety (PIR2/ forest care) (Tucker 2003; Elke 2006).

The main task of a skilful and well-known audit of PIR2 is to inspect the companies and to gather information during several days. Audit results are used to calculate the paint out of the whole scores in percent. Following key points are determined during evaluation:

4-1 Summary of strong points (presents suggestions for improvement with ranking performable activities).

4-2 summary of summarized suggestions for improvement on this stage complete action plan is suggested with ranking so that the improvement of safety and health management systems continues. This report should be one of the tools that acts as a guide in time of planning special improvements.

The table below contains the elements and given points to each of them which are confirmed by PIR2.

<table>
<thead>
<tr>
<th>#</th>
<th>Element</th>
<th>Possible Points</th>
<th>Points</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Leadership Commitment</td>
<td>120</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>Hazard Assessment</td>
<td>220</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>3</td>
<td>Hazard Control</td>
<td>160</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>4</td>
<td>Training of Workers</td>
<td>165</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>5</td>
<td>Supervision Of Workers</td>
<td>90</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>6</td>
<td>Regular Inspection and Monitoring</td>
<td>145</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>7</td>
<td>Hazardous Materials and Substances</td>
<td>45</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>8</td>
<td>Medical Examinations and Health Monitoring</td>
<td>30</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>9</td>
<td>Emergency Response</td>
<td>155</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>10</td>
<td>Investigation of Accidents / Incidents and Occupational Diseases</td>
<td>120</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>11</td>
<td>Joint Occupational Health and Safety Committee</td>
<td>75</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>12</td>
<td>Records and Statistics</td>
<td>45</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>13</td>
<td>Program Review</td>
<td>170</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>1540</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Propose new model

The final goal of this research is representing a model for total safety performance evaluation management of companies. The model involves 9 criteria (5 enabler criteria with 700 scores and
After achieving the goals and defined hypotheses, key Performance Indicators (KPI) are determined and a management approach for total safety performance evaluation and self-assessment is given. An organization level (5 levels) will be determined corresponding with the obtained scores.

In the following figure, there are model criteria relation together and the score of each of them.

Each criteria is divided into some subsidiary divisions that are divided into some other specialities. For instance, subsidiary divisions of process are risk management, critical occurrence management, and procedure control, each of which have some features (speciality). RADAR logic is used to measure indicators of TSPEM model.

Hypothesis

- Safety performance evaluation does not have relation with safety improvement opportunities?
- Safety performance evaluation indicators have equal weights?
- Reactive and proactive indicators are not different from each other?
Conclusion

This model helps top managers and decision makers to evaluate their programs in the safety field and design suitable action plans for both reactive and proactive actions. As a result, they can estimate and determine objectives as long term and target for short term according to following statements:

Determination of an organization’s safety performance level, e.g. organization X (annually)
- Determination of safety reactive indicators of organization X (annually)
- Determination of safety proactive indicators of organization X (annually)
- Determination of TSPEM indicators of organization X (annually)


O'Rourke, P. (2001). It's Easy to be a VPP Star Site.


REWARD PRACTICES: A TECHNIQUE TOWARDS ENHANCED ORGANIZATIONAL PERFORMANCE

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Abstract

This paper aims to study the affect of various rewards practices and the structure along with policy of an organization about rewards as well as the awareness of employees about these policies upon organizational performance. This investigation is based on survey research design that proposes a hypothesized theoretical model. The hypotheses developed were tested to examine the relationship between rewards practices and organizational performance. Structural equation modelling and LISREL 8.8 software were used to evaluate data, test the proposed model and all the hypotheses. The Mobile Telecommunication Industry of Pakistan was sample population for this research study. The results of the study confirmed that intrinsic rewards motivate the employees more than the extrinsic rewards for enhanced organizational performance. In addition, the results of this study show that the familiarity of employees to the extrinsic rewards structure and policy prevailing in their organization does not significantly contribute to the organizational performance.

Keywords: Rewards Practices, Extrinsic Rewards, Intrinsic Rewards, Extrinsic Rewards Structure and Policy, Structural Equation Modeling, Mobile Telecom Industry in Pakistan.

1. Introduction

In the last few decades, Government of Pakistan made many efforts and succeeded in making the environment conducive for increasing investment in the country. These organizations in the Telecommunication, Banking, Oil & Gas and other sectors are playing significant role in the economic development of Pakistan. However, the importance of the Human Resource Management Practices in a business cannot be undermined for un-exhaustive operations and enhanced organizational performance.

1.1 An Overview of Telecom Industry in Pakistan

The mobile telephone industry is changing the lifestyle of the people in Pakistan. It is a pivot in making the life patterns of masses easier day by day. The mobile Industry in Pakistan is quite vibrant and is growing in a highly dynamic, sophisticated and competitive market environment. The history of mobile telecommunication services can be traced back to early nineties, having a substantial standing in Pakistan’s telecom sector with the cheapest calling rates in South Asian region. In addition, the mobile service providers are also providing new services, like DSL (Digital Subscriber Line), Local Loop, LDI (Long distance and International), WLL (Wireless Local Loop) and ISP (Internet Service Provider). Compared to the developed countries there is
still room for improvement in the service like the inclusion of WiMax and 3G cellular systems, etc.

Having said this, the deteriorating law and order situation in the Pakistan and financial slump is a hindrance in the development in the cellular industry in Pakistan. However, this industry still has a good profit margin that is being reduced for the service providers due to competition. As per the report of Pakistan Telecom Authority (PTA) (2008), Mobilink is the market leader with 35.3% market share and followed by Ufone (20.8%), Telenor (20.5%), Warid (17.8%), Zong (5.4%) and Instaphone (0.4%) and the overall cellular subscriber base in Pakistan reached 9.2 million in September 2008. Currently, Instaphone is totally out of service and not in competition anymore.

A study by Rafiq and Gao (2008) revealed certain important aspects about the market dynamics of mobile telecommunications industry in Pakistan as a complex system of humans and technology is operational in the mobile telecom industry in Pakistan. The study also elaborated the robust growth of mobile telecom industry in Pakistan as a result of relatively favorable conditions for growth. They further contended that a current competitive environment for mobile telecommunications is backed by fair regulations and policies devised by PTA. Their study also illustrated that the healthy competition among mobile operators is affecting the working patterns of mobile phone companies and they are providing improved value-added services at highly compatible rates to their consumers. Due to tough competition, some companies also died out.

1.2 Rewards and Organizational Performance: A Basic Motivation Tool

Miller & Hamblin (1963) and Rosenbaum et al. (1980) analyzed the impact of various different combinations of rewards on team productivity and processes. They deduced that improper mix of rewards leads to lowered efficiency and productivity. If not motivated, a skilled employee can become a poor performer. One of the effective ways to enhance employee motivation and performance is to provide pay for performance compensation (Delaney and Huselid, 1996). The rewards system positively augments performance as the interests of employee and the organization is on the same wavelength, thus resulting in improved efficiency and performance (Kalleberg and Moody, 1994; Huselid, 1995; Kling, 1995). The reward system rotates around the expectancy theory- good performance of employees is directly linked to the rewards system (Fey and Bjorkman, 2001; Guest, 2002; Mendonca, 2002).

Lawler (2005) reported that organizational performance and effectiveness, organizational design and change management are the outcomes of an outstanding Human Resource (HR) system. Hewitt (2004) and Saratoga Institute (2006) concluded that for the betterment of the various HR functions, specific indicators are required to be empirically measured and reported by HR Systems. Consequently, this approach will shift the HR systems and functions from traditional personnel administration towards Strategic Human Resource Management (HRM) with a wide range of growth opportunities for an organization. Therefore, reward and performance are closely linked with one another in a way that improvement in rewards system results in an increase in organizational productivity.

To improve organizational performance, motivation plays key role in enhancing employee effectiveness and focuses the effects of intrinsic and extrinsic “rewards” in shaping employee behavior. Therefore, we can say that rewards could be and often are being used as a motivator to enhance organizational performance. The decision of an employee to join an organization and perform well depends, among others, upon the prevailing rewards and incentives system (March and Simon 1966; Rosenstiel 1975; Weinert 1998).
1.3 Extrinsic versus Intrinsic Rewards

Based on the work of various researchers, rewards are divided into two main categories known as intrinsic and extrinsic rewards. The intrinsic rewards exist in the job content and include variety, challenge, and autonomy etc. Extrinsic rewards refer to the context of job such as pay and fringe benefits, promotion or advancement opportunities within the organization, the social climate, and physical working conditions. Brief and Aldag (1977) suggested that it is useful to have a distinction between extrinsic and intrinsic rewards offered. However, Crino (1978) highlighted that extrinsic and intrinsic rewards are not only different types of outcomes; these two are separate ends of a same band. Contrary to this, Guzzo (1979) suggested that differentiating extrinsic and intrinsic rewards is inadequate for understanding of different types of rewards and incentive in organizations’ systems.

Porter and Lawler (1968) reported that there is an equivocal relationship between extrinsic and intrinsic rewards with performance. However, there is a weak relationship between extrinsic rewards and work performance because it is very difficult to maintain consistency and fairness in rewarding work performance. One more reason is an inherent difficulty in performance management system and evaluation to measure qualitative tasks. On the other hand, intrinsic rewards can easily be linked to performance, as these rewards are associated with soul and spirit of a person. Intrinsic rewards focus on achievement of something good that is urgent, immediate and directly aligned with performance; such rewards are not bothered by situations and are not externally controlled. Porter and Lawler (1968) further contended that the combined effect of extrinsic and intrinsic rewards result in the satisfaction of employees and adds to their performance positively.

On the other hand, Deci (1972a) advocated that both extrinsic and intrinsic rewards do not improve motivation level rather extrinsic rewards when surpasses certain level, it overpowers the impact of intrinsic rewards. Resultantly, there is a negative impact of extrinsic rewards on intrinsic motivation at times when the work performance is linked with extrinsic rewards only.

1.4 Extrinsic Reward Structure and Policy

Although not much work has been done on linking the ‘awareness of extrinsic rewards structure and policy’ with the performance, some researchers have found significance association among rewards and incentives tied to organizational performance. A study by Bau and Dowling (2007) found that there is a close relationship between the reward and incentive systems established within an organization. They further suggested that organizations having large number of skilled and qualified employees usually have better financial and non-financial reward practices while the smaller organizations with fewer staff cannot manage to have structured extrinsic rewards practices.

In order to achieve the goal and objectives of an organization, extrinsic monetary pay is considered to be an integral part of the rewards awarded (Heneman and Judge 2000; Milkovitch and Newman 2004). According to Gardner et al. (2004) for work performance, an extrinsic reward in the shape of monetary pay is often administered. Monetary pay is also used for retention of workforce (Trevor et al. 1997). Contrary to this, another point of view suggests that employees perceive monetary pay administration in negative terms, which shows that pay is not considered to be a positive motivator for effective performance and retention of employee (Currall et al. 2005; Tekleab et al. 2005; Trevor et al. 1997).

In addition, it is argued that salary raise and benefits have strong impact upon creating a sense of commitment and gratitude because is the employees feel that they are being fairly treated. Therefore, there is an indirect link between different facets of job attitudes with pay and benefits. As Williams et al. (2002) stated that overall job satisfaction has a positive relationship with benefit level and system. Dulebohn and Martocchio (1998) commented that knowledge and
usefulness of pay plan is significantly related with organizational commitment. Various authors of the same field maintained that satisfaction of the employee is greatly tied with the extrinsic rewards that are given to the employees based on his performance. So, based on the findings of the research work done, an empirical investigation about the extrinsic reward structure and policy needs to be conducted. In addition, reward structure and policy becomes more important when a new firm is initiated. A company needs to develop the major components of the reward and incentive system with the passage of time, as a young firm will have an unstructured reward and incentive system. This reward and incentive system contains various types of rewards such as financial rewards and social incentives, which evolve as the company grows.

The approach to adopt the extrinsic rewards structure and policies in organizations depends upon the perception of employers, market dynamics and strategic approach of the firm in question. The compensation schemes of the organizations greatly assist in increasing their profit margins in the related industry. Based on the SWOT (success, weakness, opportunities and threats) analysis for its effectiveness, the reward practices for the whole organization is formulated (Stoughton and Pong Wong, 2007)

3. Theoretical Framework and Hypothesized Model

The framework of the study includes a model based on three independent variables that are assumed to have a significant impact on organizational performance. The job satisfaction (JS) model as presented in Figure 1 includes three independent variables including Extrinsic Rewards, Intrinsic Rewards and awareness to the Extrinsic Rewards Structure and Policy (ERSP). Organizational Performance is the dependent variable in this hypothesized model.

3.1 Hypotheses of the Study

Based on JS model shown in Figure 1 and literature search foundations, three hypotheses of this study have been developed. The survey instrument was designed based on the proposed model of JS and the following hypotheses:

H1  Extrinsic rewards lead to better organizational performance.
H2  Intrinsic rewards lead to better organizational performance.
H3  Awareness of the extrinsic reward structure and policy positively affects organizational performance.

4. Methodology

4.1 Data, Sample and Procedure

This empirical study is designed as an exploratory survey research to test the hypotheses developed based on JS model under consideration. A survey instrument was developed to test the hypotheses of this study and primary data was collected from employees of various mobile telecommunication organizations working in the twin cities of Islamabad and Rawalpindi, Pakistan. This instrument was designed with the help of various stakeholders and was pre-tested for content validity. Its language and content both were fine-tuned on the basis of comments received.

The sample size was 150, out of which 98 questionnaires were received back and 95 were found completed in all respect. The demographic information as well as responses on research variables was collected followed by a SEM (Structured Equation Modeling) and interpretation of
results to identify the importance and predictive power of the model.

4.2 Measure
The questions in the survey instrument were grouped together into four categories out of that three categories measured the three independent variables - extrinsic rewards (ER), intrinsic rewards (IR) and awareness of extrinsic rewards structure and policy (ERSP) and the fourth group measured the dependent variable - organizational performance (OP) in this study. The survey tool was a two-part questionnaire consisting of demographic as well as research variables questions. Respondents were asked to answer the questions on a seven-point Likert scale ranging from absolutely dissatisfied/disagree (1) to absolutely satisfied/agree (7).
The independent variable ER was measured on 11 items scale having reliability statistic of 0.83 whereas IR was measured on 05 items scale having reliability statistic of 0.77 and third variable named as ERSP was measured on 39 items scale. The reliability statistic for third measure was 0.92.

5. Analysis of Data and Results
According to Bollen (1989), SEM was used to measure relationships between the latent variables since early 20th century for the first time. Moreover, Gefen et al. (2000) commented that the SEM model is concerned about a grounded reality or null hypothesis and its pattern of linear relationships between a set of observed and unobserved variables. The rationale behind using SEM is to determine whether the model based on null hypothesis is valid, rather than to identify and explore a proper workable one. SEM models consist of observed variables also called measured variable or MV in short form and unobserved variables also called latent or LV in short forms. LVs are based on hypothetical constructs that cannot be directly measurable, and in SEM, they are shown as an indicator of various multiple or measured variables (MVs). The SEM model is an a priori hypothesis about a pattern of linear relationships among a set of observed and unobserved variables. The objective in using SEM is to determine whether the a priori model is valid, rather than to ‘find’ a suitable model.
SEM has been explained as a combination of exploratory factor analysis and multiple regressions (Ullman, 2001). Moreover, path analysis and confirmatory factor analysis are two special cases used in SEM and are broadly utilized in social science research. Path analysis (PA) models spell out the patterns of directional and non-directional relationships among observed and unobserved variables. The only LVs in such models are error terms (Hair et al., 1998).
In order to identify the impact of independent variables upon dependent variable, LISREL 8.8 Software was used for statistical analysis of the data by using path analysis and SEM of ordinal data series to identify the strength of proposed independent variables upon dependent one. Goodness of fit indices was computed and the potential impact in terms of statistical values of independent variables upon dependent one was interpreted in next few tables and paragraphs.

5.1 Descriptive Statistics
Table 1 to 6 represents descriptive statistics of sample under consideration which include demographic characteristics such as Age, Gender, Employees having shares in Organization, educational level, Job Tenure and Size of Organizations.

Insert Table 1 Here
Insert Table 2 Here
5.2 Proposed Model Analysis & Hypotheses Testing

Path analysis was conducted using SEM for ordinal Data Series. A JS model as shown in Fig.1 was proposed/constructed relating extrinsic rewards (ER), intrinsic rewards (IR) and extrinsic rewards structure and policy (ERSP), which is represented by a latent variable, ‘rewards’ to organizational performance (OP). This model has been validated and showed model fit indices clearly are illustrating a statistically significant positive relationship (p<0.01) for IR and ER on OP, and a successive insignificant relationship of ERSR on OP. No negative relationship was reported in this model fit statistics. The goodness of fit indicators was found strong enough for hypotheses testing in this case.

The job satisfaction (JS) model was verified by having clear and tangible results on the respective hypothesis tests. The first hypothesis (H1), that is extrinsic rewards leads to better organizational performance, was confirmed by the data (path coefficient=0.60, t-values = 2.66, p<0.01).

In addition, second hypothesis (H2) intrinsic rewards leads to better organizational performance. This hypothesis was also found significant at p<0.01 with a path coefficient of 0.60 and t-values = 2.68. Moreover, insignificant result was found to support H3, which tested that extrinsic reward structure and policy awareness positively affects organizational performance. The path coefficient for H3 was reported as 0.42, t-value and p-value were insignificant.

Table 7 illustrates the model fit statistics for the hypothesis H1, H2 and H3.

Furthermore, LISREL estimates and structural equation for the model clearly is portraying that the model having three independent variables, which are indicators of a latent variable i.e. REWARDS accounts for most of variation in dependent variable i.e. organizational performance (OP).

The Equation 1, 2, 3 and 4 shows LISREL Estimates based on Maximum Likelihood Estimation having three measurement equations and a structural equation of independent, latent and dependent variables used in the proposed model.

5.2.1 Measurement Equations

The measurement equations for the same model are as under:-
ERSP = 0.42*REWARDS Errorvar. = 1.90……….. #1
Standerr (0.28)
T-values 6.75
5.2.2 Structural Equation

The structural equations for the same model are as under:-

\[ \text{REWARDS} = 1.18 \times \text{OP} \quad \text{Errorvar.} = 0.52 \quad \text{#4} \]
\[ \text{Standerr} (0.44) (0.23) \]
\[ \text{T-value} 2.69 \quad 1.29 \]
\[ \text{P-values} 0.007 \quad 0.197 \]

The measurement equation # 1 shows that Extrinsic Rewards Structure and its policy have insignificant relationship with latent variable, Rewards, having no standard error, t-value and p-value calculated.

However, the measurement equation # 2 shows significant relationship of Extrinsic Rewards with latent variable, Rewards, having standard error = 0.23, t-value = 2.66 and p-value = .0008.

Likewise, the measurement equation # 3 shows strong and significant relationship of Intrinsic Rewards with latent variable, Rewards, having standard error = 0.22, t-value = 2.68 and p-value = .0007.

Finally, the structural equation (Equation # 4) illustrates the strong and significant relationship of REWARDS being used as a latent variable for intrinsic, extrinsic rewards and ERSP upon Organizational Performance. The equation is having standard error = 0.44, t-value = 2.69 and p-value = .0007 shows a model fit for further use.

The Figure # 2 shows the tested the Model using path analysis technique and SEM for ordinal data series. The path coefficients and residuals are shown in the figure for the same model. The bold blue line shows significant relationships and a gray line shows insignificant relation among the variables.

Moreover, the whole model summary such as R Square and Adjusted R square values are significant which are presented in Table 8.
6. Discussion and Conclusion

This paper focuses on the impact of rewards and its practices upon organizational performance. The rewards practices play a decisive role in motivating the workforce and augmenting organizational performance and HR specialists are required to be more focused to discover the key factors that are more imperative and of significant importance for motivating the workforce and gaining organizational effectiveness. Succinctly, the most important finding of the study is the high level of importance and value that has been given to intrinsic rewards than extrinsic rewards. Moreover, least concern was reported about extrinsic rewards structure and policy awareness upon organizational performance by the sample understudy.

The results obtained support the investigation made by Ryan & Deci (2000) who commented that employees who are intrinsically motivated/rewarded when compared to those who are extrinsically motivated/rewarded, were found to have more interest in work, shows excitement, feel fun at work, and are more confident which ultimately leads to enhanced organizational performance, determination, creativity and innovation, job security, and high level of self-esteem, among other benefits. Likewise, intrinsic motivation enhances participation and high level of satisfaction along with improved competency level contrary to extrinsic motivation, which increases anxiety, and decreases self-esteem (Frederick and Ryan, 1993).

The sample of employees in this study recognizes intrinsic rewards as a better motivating instrument than extrinsic rewards and they are found least concerned with their rewards structure and policy being administered in their organization. Therefore, it is concluded that approaches to enhance intrinsic reward practices as a motivator are significant and prime value for better and enhanced organizational performance followed by secondary importance given to extrinsic rewards and finally, extrinsic rewards structure and policy.

7. Research Implications/Limitations

The HR experts may alter reward practices and its administration in order to make organizational performance better. Therefore, this study provides empirical evidence to the HR managers about the considerable relationships and links between rewards practices and organizational performance. This study has revealed certain significant facts regarding perceptions of employees of Mobile Telecom Industry of Pakistan about rewards practices and its impact on performance of any firm, which were not already explored yet. Although, a sample chosen for this study was very limited in number/size, however, the response rate to our survey was fair enough and it is confidently said that the non-response bias is not significant in the results of this study.

8. Future Research Opportunities

The future research may focus on the impact of rewards practices in public sector telecom industry organizations of Pakistan so that to have a clear comparison of perceptions among corporate and public sector companies.
REFERENCES


Annexure

Figure 1: Job Satisfaction (JS) Proposed Model of Rewards Practices

![Extrinsic Rewards](image1)

![Intrinsic Rewards](image2)

![Organization Performance](image3)

![ERSP i.e. Extrinsic Rewards Structure and Policy](image4)

Figure 2. The Resultant Path Model with Path Estimates.

Table 1: Employee’s Age

<table>
<thead>
<tr>
<th>Employee’s age</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 to 30 yrs</td>
<td>72</td>
<td>75.8</td>
</tr>
<tr>
<td>30 to 40 yrs</td>
<td>11</td>
<td>11.6</td>
</tr>
<tr>
<td>40 to 50 yrs</td>
<td>9</td>
<td>9.5</td>
</tr>
<tr>
<td>Above 50 yrs</td>
<td>3</td>
<td>3.2</td>
</tr>
<tr>
<td>Total</td>
<td>95</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 2: Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>80</td>
<td>84.2</td>
</tr>
<tr>
<td>Female</td>
<td>15</td>
<td>15.8</td>
</tr>
<tr>
<td>Total</td>
<td>95</td>
<td>100</td>
</tr>
</tbody>
</table>
Table 3: Employees having Shares in Org.

<table>
<thead>
<tr>
<th>Employees having Shares in Org</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>50</td>
<td>52.6</td>
</tr>
<tr>
<td>No</td>
<td>45</td>
<td>47.4</td>
</tr>
<tr>
<td>Total</td>
<td>95</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 4: Education Level

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Frequency</th>
<th>Percent</th>
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</thead>
<tbody>
<tr>
<td>MS</td>
<td>50</td>
<td>52.6</td>
</tr>
<tr>
<td>Masters</td>
<td>45</td>
<td>47.4</td>
</tr>
<tr>
<td>Total</td>
<td>95</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 5: Job Tenure

<table>
<thead>
<tr>
<th>Job Tenure</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less Than 2 yrs</td>
<td>39</td>
<td>41.1</td>
</tr>
<tr>
<td>Less Than 3 yrs</td>
<td>24</td>
<td>25.3</td>
</tr>
<tr>
<td>Less Than 5 yrs</td>
<td>19</td>
<td>20.0</td>
</tr>
<tr>
<td>Less Than 10 yrs</td>
<td>12</td>
<td>12.6</td>
</tr>
<tr>
<td>10 yrs or above</td>
<td>1</td>
<td>1.1</td>
</tr>
<tr>
<td>Total</td>
<td>95</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 6: Size of Organizations

<table>
<thead>
<tr>
<th>Size of Organizations</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less Than 500 employees</td>
<td>24</td>
<td>25.3</td>
</tr>
<tr>
<td>Less Than 1000 employees</td>
<td>32</td>
<td>33.7</td>
</tr>
<tr>
<td>Less Than 3000 employees</td>
<td>20</td>
<td>21.1</td>
</tr>
<tr>
<td>Less Than 5000 employees</td>
<td>10</td>
<td>10.5</td>
</tr>
<tr>
<td>5000 employees or above</td>
<td>9</td>
<td>9.5</td>
</tr>
<tr>
<td>Total</td>
<td>95</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 7: Goodness of Fit Indices

<table>
<thead>
<tr>
<th>Fit Indices</th>
<th>Recommended Values</th>
<th>Predicted Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square/degrees of freedom</td>
<td>≤3.00</td>
<td>1.72</td>
</tr>
<tr>
<td>GFI</td>
<td>≥0.90</td>
<td>0.98</td>
</tr>
<tr>
<td>AGFI</td>
<td>≥0.80</td>
<td>0.91</td>
</tr>
<tr>
<td>NNFI</td>
<td>≥0.90</td>
<td>0.97</td>
</tr>
<tr>
<td>CFI</td>
<td>≥0.90</td>
<td>0.99</td>
</tr>
<tr>
<td>RMSR</td>
<td>≤0.10</td>
<td>0.033</td>
</tr>
<tr>
<td>RMSEA</td>
<td>≤0.08</td>
<td>0.087</td>
</tr>
</tbody>
</table>

Where GFI = goodness-of-fit index; AGFI = adjusted goodness-of-fit index; NNFI = non-normed fit index; CFI = comparative fit index; RMSR = root mean square residual; RMSEA = root mean square error of approximation.

Table 8: Complete Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.760</td>
<td>.578</td>
<td>.564</td>
<td>.47</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), IR, ERSP, ER; Dependent Variable: Org. Performance
EMPLOYMENT-UNEMPLOYMENT ISSUES AND SOLUTION SUGGESTIONS
ADIYAMAN EXAMPLE

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Abstract
Unemployment is currently one of the significant problems of each country. Constantly occupying the agenda of world countries, this issue generates one of the biggest obstacles against development of Turkey. Unemployment problem having a profound impact on social and economic structure of Turkey is felt rather more in eastern cities. In order to handle this issue, considering the specifications of unemployment, appropriate struggling policies, socio-economic structure of country/city and possible sectors of labor is essential. In this particular study, labor structure, opportunities for reducing unemployment to a reasonable level and applicable strategies intended to increase employment are emphasized so as to contribute to the unemployment problem of Adıyaman.

Key Words: Employment, Unemployment, Specifications of Unemployment, Struggling against Unemployment, Adıyaman

1. Introduction
Employment and unemployment, attracting our attention each day on newspaper columns, are one of the biggest contemporary economic and social issues. In order to establish a welfare society in an economic and social sense, these two concepts are required to be emphasized. Because the most significant precondition for development and growth is to generate employment (Bozdağlioğlu, 2008).

Labor force is the biggest source for prosperousness. However, as it is for each source, if the labor force is not correctly and appropriately used, it gives damage instead of providing a benefit. Correct usage of labor force is possible with employment. Because this source has a more dynamic and lively nature when compared to the surface and underground sources. Natural resources do not require any other thing to continue their existence. Labor force, however, is generated by humans and humans need other sources (food, beverage, money etc) to survive. Meeting the requirements of the source of labor force is only possible with the assessment of this labor force, in other words through employing (employment).

In countries where labor force assessment is low, there is a high increase of unemployment. Unemployment is like a powder keg. As a matter of fact social revolts originating from Tunisia get its strength from not using the labor force, in other words from unemployment. This case is the same in all countries experiencing revolts. Turkey is a country that maintains its struggle with unemployment starting from the day of its foundation. In order to conduct this struggle in a consistent and planned way, it has established Public Employment Offices and has formed a pool that may bring together labor and labor force.
In handling unemployment problem, demographic, cultural, social and economic structure of a country make a major contribution. In this sense, these aspects of the province have to be analyzed carefully in handling the issue of unemployment in Adıyaman. The goal of this study is to analyze the population structure of the province, overall view of the market, sectoral distribution of employment, educational background of employees, reasons of unemployment and ways for struggling against unemployment within the scope of unemployment level, and to demonstrate it through using statistical data.

This study also aims to bring light to unemployment and employment problems of Adıyaman, to pull attention of the authorities towards these issues and to support the continuation of their studies in the light of resolution suggestions offered in respect of these problems.

2. Concepts of Employment and Unemployment

2.1 Employment

The definition of employment is recruiting and using. In a broad sense employment is the level of using the production factors (labor, land, capital) that a country has within a year (Köklü, 1973, p. 67).

Employment is the utilization of labor force which is available to participate in production activities, turning towards production. (Doğan, 2011:1) In other words, it is the state of recruiting one person in a particular work (Sönmez, 2006, p. 182).

Human is by his very nature, a consumer. Consumption is an incident occurring in connection with production. In other words, it is required to produce a product at first so as to consume it. Despite the fact that technology oriented production is being maintained currently, man is required in use of technology. Within this vicious cycle Man is recruited even for utilizing technology, in other words s/he is employed.

Employment, due to its being the antonymous of the state of being unemployed, has a close relationship with unemployment (Sönmez, 2006, p. 1). Unemployment has a complex structure as well as a simple structure. Because, although unemployment is defined as the state of a person who cannot find a job, it can also be defined differently in respect of its types.

2.2 Unemployment and General Definition

Unemployment is the state in which people, who have the talent and working capacity and who would like to work at a prevailing wage, cannot find a job. People at this condition are defined as unemployed. Unemployment has several reasons and types. Most frequently observed unemployment types are as follows.

2.2.1 Unemployment and Types of Unemployment

2.2.1.1 Voluntary Unemployment

The type of unemployment, where adult individuals become unemployed as they do not want to work for various reasons in spite of the fact that they have the opportunity to work at a prevailing wage, is defined as voluntary unemployment. The reason behind voluntary unemployment is that people become unwilling to work using the job, place of work, wage level etc as an excuse as they have an assurance to live on. In this type of voluntary unemployment, while one or two people are working, the lady of the house, daughter or son of the house are unwilling to work deeming the employment opportunities as not worthy. In the event that they are hired, they quit the job with little excuses. People who do not work for a long time in this way grow lazy and eventually lost their will to work (Dinler, 2003, p. 451).
Voluntary unemployment is most frequently observed in European countries. Because the government with its more social structure, provides a subsistence wage to unemployed until they find a job again. This makes it difficult for the unemployed people to get hired. Because the fact that s/he is recruited and works 35-40 hours a week, does not cause a drastic difference in his/her unemployed wage. This hampers the unemployed from having fears and concerns and prevents them from putting forth a serious effort to find a job.

2.2.1.2 Involuntary Unemployment

It is the state when people cannot find jobs although they are willing to work at the going wage. People in such conditions are defined as involuntary unemployed. In underdeveloped countries, disguised unemployment, cyclical unemployment, seasonal unemployment and technological unemployment caused by technological progresses are all types of involuntary unemployment. The reason behind this type of unemployment is either demand insufficiency or both demand and capital insufficiency (Aren, 1998, p. 6).

2.2.1.3 Temporary (Frictional – Incidental) Unemployment

Skills, abilities, experiences, efforts of workers, geographical locations and desired working duration for the time spared for working are wide-ranging. Likewise, the employers who would like to recruit workers have various requirements on work experience and skills of workers, working conditions, employment place, hours and wages to be paid. Due to these differences, it will take some time for workers to find an available job for themselves. Temporary increase in unemployment in the case when workers are seeking for a job and employers are looking for available work force is defined as the frictional unemployment. Thus, Frictional unemployment is a temporary period (Gürler, 2000, p. 130).

Frictional unemployment is frequently encountered during crisis periods. Enterprises compensate the reduction in their sales through turning their workers into temporary unemployed. As a matter of fact, as observed in most of the countries in latest economic crisis experienced in 2008-2009, rising unemployment rate begins to decrease at its former rate with the overcome of the crisis.

2.2.1.4 Seasonal Unemployment

Seasonal Unemployment is a type of unemployment occurring when economic activities lose their intensity in certain periods of time.

Seasonal unemployment is the state when individuals living in countries whose economy depends on agriculture cannot find a job in dead seasons when there is no agricultural activity although they are willing to work at prevailing wage. This type of unemployment is mostly observed in seasonal sectors as tourism, agriculture and construction.

In certain sectors, while the labor demand increases in specific seasons, in rest of the year the labor demand decreases at minimum level and seasonal unemployment is observed. For instance people working in agriculture and construction sectors become unemployed in winter season which is considered as the dead season. On the other hand, people working in winter tourism become unemployed during summer and the ones working in summer tourism become unemployed during winter (Dinler, 2003, p. 456).

2.2.1.5 Cyclical Unemployment

Cyclical unemployment is a type of unemployment occurring as a result of the recession in production volume from time to time (Türkay & Alkin, 2001, p. 163).

Cyclical Unemployment was most frequently observed during world economic crisis occurred in 1929. As a type of Involuntary Unemployment, cyclical unemployment may continue for a couple of years according to the intensity of the economic crisis (Dinler, 2003, p. 455–456).
2.2.1.6 Technological Unemployment

As the capital accumulation increases in underdeveloped countries it is observed that the new production techniques are more capital-incentive than the former production techniques. In other words, certain capital amount in recently accepted production techniques provides less requirement of labor. The companies while manufacturing more with recent technologies are requiring fewer workers. Especially in the agriculture sector, as the size of enterprises increase and desire of modernization in production methods become evident, certain works that have been carried out by manpower is performed by the machines and this leads to technological unemployment (Uluatam, 1998, p. 329).

2.2.1.7 Structural Unemployment

It is the unemployment occurring in periods when economy remains at stagnation level collectively and continuously with all its sectors (Orhan & Erdoğan, 2001, p. 163).

In certain sectors economic activities decelerated and sometimes ceased due to some social and natural reasons. Deceleration and standstill period has a negative impact on employment level. Particularly in relation with the climatic conditions the agriculture sector, construction sector and tourism sector are negatively affected. Also it is difficult to continue employment in sectors producing demanded products and service in certain days and months of the year such as days and New Year’s Day. This kind of employment recession is caused by social structure of economy. Unemployment caused by this or such reasons is defined as the structural unemployment (Güran, 1989, p. 84-85).

2.1.2.8 Chronic Unemployment and Disguised Unemployment

In economy conditions that make a particular sector not profitable and attractive against others, decline the production of the particular sector and thereby, reduces the demand for labor force for a long period of time. Unemployment caused by the stagnated sector is defined as the chronic unemployment. (Gürler, 2000:131).

Disguised unemployment, on the other hand, is the unemployment occurring in the case when some people pretend to work, some of these people withdraw from that line of business and do not work, yet this does not cause a decrease in production (Köklü, 1973, p. 76).

Types of unemployment can be increased, however in a general sense unemployment is defined as the people who are capable of working cannot find a job.

3. Dimensions of Employment and Unemployment in Adıyaman


Adıyaman is surrounded by provinces namely; Atatürk dam Lake at south, Kahramanmaraş at west, Atatürk Dam Lake and Şanlıurfat at south and Malatya at north, which are in Southeastern Anatolia Region, are one of the priority cities for development and are within the scope of Southeastern Anatolia Project (GAP).

Adıyaman became a province in 1954. First population census was performed in 1955 as indicated on Table 1. While the population of the province was recorded as 208.755, the population of Turkey was recorded as 24.064.763. In 1955 Adıyaman constituted 0.87 % of overall population of Turkey. In 1955-2000 period the population of the province tripled and the population of country increased to 2.8 times. The population of country and the province displayed an increase at the same period. However, except for 1960 and 1980 census years, the population growth rate of the province is higher than the population growth rate of country. Population Growth rate (annual average) have been 022.59 % in period of 1955–1960, 026.84 % in period of 1960–1965, 025.42 % in period of 1965–1970, 026.72 % in period of 1970–1975,
011.59 % in period of 1975–1980, 031.70 % in period of 1980–1985, 035.01 % in period of 1985–1990 and 019.53 % in period of 1990–2000 (Table 1). While the population of province was recorded as 590.935, the population of Turkey was recorded as 73.722.988 (Development Bank of Turkey Directorate of Research, 2003, p. 13; Turkish Statistical Institute (TÜİK)).

Table 2 and 3 provide information about distribution of population. According to this; as from 2010, 58, 8 % of the population is living in city and 41,2 % of population is living in rural areas. (Table 2)

Table 3, illustrates the distribution of the population of Adıyaman province and its districts together with the population of the rural areas. According to this, the biggest district of Adıyaman is Kahta. 117655 people are living in this district and 58726 of them are female. Besni with 81304 people, Gölbaşı with 47906 people are respectively following this district. The minimum population is observed in Samsat with 9872 people.

Almost half of the population in Adıyaman is living in villages (Table 3). This rate can be grounded on to the availability of living conditions in villages, fertile soil or to the considerable number of people above certain age who are unwilling to leave the places that they become accustomed. However, the increase of mechanization in agriculture, separation of land due to inheritance and succession have resulted with the increase of unemployment in rural areas and caused the citizens living in countryside to migrate inland or abroad. As a result of this and suchlike incidents, an inversely proportional increase has been observed in the population of the city. Reasons contributing to the increase of city population can be listed as follows (Adıyaman province Economic and Commercial Report, 2005, p. 15):

1. Within the scope of Southeastern Anatolia Project (GAP) lands of 1 district, 12 villages, 46 hamlets and 26 settlements are buried under Atatürk Dam. Population having settled in these places migrated to city (Adıyaman) instead of recently established settlements.

2. Insufficiency of soil available for cultivation in forest villages caused the countryman to have financial difficulties and migrate to the city.

3. The fact that there is a considerable amount of business opportunities in cities and particularly in metropolitans and the consideration that the welfare level is high in these places, has brought about an active internal and external migration (Adıyaman Economic and Commercial Report, 2005, p. 15).

One of the important qualities of a population migrating in this way is not creating an area of employment. Because, as the lands of the migrating population were disappropriated, they were given a considerable amount of money and while they could have made significant investments (factory, premise etc) with this money, instead they purchased houses or constructed them and bought such vehicles as autos, trucks, busses. Since these created an employment area for few people, they do not have an important impact on reducing the unemployment of the district. However, disappropriation money could be used for making industrial investments and for creating new employment areas. Today, most of the people who did not benefit from the opportunities at the time are contributing to the rise of the ranks of the unemployed in streets and coffeehouses.

3.2. Categories of Economic Activities prominent in the Economy of the province

Service industry, Industry sector and especially the textile sector provide the most important contribution to the economy of Adıyaman. A considerable progress is also observed in Construction sector. Especially, the recent increase in housing construction and people’s preference to live in apartments instead of detached houses, has made construction sector become one of the important sectors (Alpaydın, 2010). Moreover this preference of people also increased the urbanization population rate.
According to the data provided by Adiyaman State Hydraulic Works Special Provincial Administration, 17% of the lands of Adiyaman is wetland. Because of this, 60% of the population is working in agriculture and in relation to this the economy of the province is based on agriculture.

Table 4, provides the number of business and employed workers of the three important sectors that generate the economic structure of Adiyaman. In the light of this, as from December 2010 there are 429 establishments. These establishments employ 12956 workers and 10492 of them are male. Agriculture sector, on the other hand employs 629 people in 17 establishments and 585 of them are male. The industry sector being the locomotive of economy in Adiyaman is particularly based on textile and clothing.

As from 2010, 9,289 people have been employed in 244 establishments which have industrial registry certificate in different sectors in the province of Adiyaman. The biggest share in terms of employment belongs to textile with 54.96%.

Along with promotion law no 5084 that has been taken into force, industry of Adiyaman has displayed a progress and 54 establishments have entered into service. A total of 113,214.733 TL (December/2010) energy support has been provided to our industrialists (Adiyaman Provincial Directorate of Industry and Commerce)

Table 5, includes information concerning the social security that the employees are subject to in Adiyaman at the end of 2010. According to this, as from December 2010, a total of 73,254 people are benefitting from social security institution, 15,531 of them from government retirement fund, 19,276 of them from the social security organization for artisans and self employed and 38,447 of them from social insurance Institution.

When distribution of unemployed in respect of their ages and registered labor force in İŞKUR (Turkish Employment Organization) in Adiyaman at the end of 2010 is analyzed, there are apparently 10,861 labor force and 10,288 unemployed in our province. According to table 6, it is apparent that the number of registered labor force and unemployed is low in 15-19 age range. This is largely due to the fact that individuals of this age range are still students. It is apparent that the biggest work force (3079) and the largest number of unemployed (2889) is observed in 25-29 age range. Right after this age range, 30-34 age range is observed with the biggest work force (2438) and the largest number of unemployed (2276).

Table 7, presents the distribution of Labor force and unemployed registered at İŞKUR at the end of 2010 in respect of their educational background. According to this; primary school graduates (4,201) constitute the group where unemployment is most apparent. Secondary education graduates, graduates of associate degree, literate group, graduates of Bachelor’s degree, illiterate groups, and postgraduates are following this group respectively.

Since the data of 2010 year TÜİK on the basis of provinces (Turkish Statistical Institute) has not been published, according to the latest published data of TÜİK, as from 2009 on the basis of province the population of Adiyaman is 588,475, in this population the unemployment rate of individuals at working age is 17,9 % and employment rate is 31,2 % (table 8).

3.3. Employment Problems in Adiyaman and Reasons of Unemployment

Unemployment and employment are keeping on appearing as an important problem in Adiyaman just like in nation-wide. Failure to increase the employment opportunities at an adequate level increases the number of unemployed in Adiyaman. Province of Adiyaman is a settlement facing a considerable unemployment. The facts that a great number of the unemployed in the province are unqualified and that the number of people willing to work in private sector is low due to
various reasons and that there are no conglomerates in the province cause some people to seek jobs in other cities and work in seasonal labors out of province.

Since the population migrating to city from villages, are not fully employed, they have begun to be employed in illicit works. Such works as itinerant merchants, street hawkers at every step are one of the epitomes of illicit working. It is possible to list the reasons delivering the unemployment in Adiyaman as follows;

- **High Population growth rate and failure to provide adequate employment opportunities for rising generation.** Particularly the fact that some lands have been submerged due to the construction of Atatürk Dam specifically between 1985-1995 and that the migration of population, who face difficulty in finding a source for income, to city centers as the agricultural lands have been constricted, all lead to an increase in unemployment.

- **Establishments in Adiyaman could not have maintained a corporate structure yet.** This condition brings about unproductiveness in investments. Unproductiveness in investments, on the other hand, causes a constriction in employment areas. The fact that the establishments in Adiyaman have not maintained a corporate structure and that a management model depending on affinity and friendship relations is carried out, bring about an increase in unemployment. Because the management has always been turned over to the older brother instead of the talented one. Deficiency of a good manager not only fails to develop the business but also brings about such an outcome as failure to maintain the preexisting condition.

- **Having a considerable importance on the economy of Adiyaman, agriculture and agricultural employment have been negatively affected by the quota application on certain products.** Especially because of the restriction on manufacturing tobacco, unemployment has displayed an increase in agriculture areas. Failure to commence irrigated agriculture, not growing alternative crops or failure to create this awareness sufficiently is the other reasons for the increase of unemployment in agricultural areas (Adiyaman Provincial Directorate of Agriculture).

- **Another reason increasing the unemployment is the efforts of Adiyaman community to get hired by a public institution.** Because government is perceived as a source for employment and stability. This perception has a negative effect on people to set up their own business and put forth their effort on this objective. Majority of Adiyaman community is still dreaming to get hired by a public institution one day.

- **The fact that the businessman of Adiyaman are not investing in their home town also gives rise to the incapability to broaden the employment opportunities.** In this regard, this can also be considered as a reason for the increase in unemployment.

- **As a result of the failure to incorporate in a professional sense at the city center and failure to unite the capitals, aggregate corporations are not formed,**

- **Rejection of savers who have weak entrepreneurial spirit to turn towards multi-partner investments.**

- **Failure of local authority to canalize strictly the private sector investments, which are one of the most significant factors in the development of a city, to the region.**
3.4. Ways of Struggling against Unemployment in Adıyaman

Resolving poverty, increasing the standard of living and providing balanced income distribution can only be possible with suggesting solutions for unemployment and employment problems. As a result of the discussions with the representatives of public institutions and organizations, trade associations, members of non-governmental organizations and civil society in Adıyaman; applicable solution suggestions concerning the “increasing the employment and reducing unemployment” can be listed as follows:

- Economic and technological developments change the manufacturing types and labor market. This alteration and developments derogate the preexisting condition. All the entrepreneurs who make investments and create an area of employment; have to support the labor education for the purpose of meeting the need for qualified employees in respect of protecting the existing employment areas against economic fluctuations and continuing their existence.

- Labor force in rural areas; has to be directed to such fields as beekeeping, milk and stockbreeding, carpet, rug business, green housing and horticulture, and training projects must be implemented on these areas (Adıyaman Provincial Directorate of Agriculture).

- When entering the labor market; measures must be taken for overcoming the problems in employment of young unemployed, woman, long term unemployed, handicapped and ex-convicts who are facing difficulties, special projects must be performed for these groups. In this context, a serious cooperation has to be maintained particularly between university and industrial organizations and adaptation of the young to the employment market must be obtained (İŞKUR Adıyaman Provincial Directorate).

- Through establishing education-employment relation, a comprehensive and qualified education policy focusing on occupational and technical training has to be adopted. Education system, must reform itself continuously in such a manner to fulfill all the need of labor market, and education and employment must be approached in harmony. For the purpose of choosing the most convenient occupation, providing their work placement and adjustment through the consideration of the needs of labor market and interests, skills, personal and physical qualities of individuals, Profession and Vocational Counseling Services must be carried on effectively (İŞKUR Adıyaman Provincial Directorate).

- The unemployed who have no profession, has to be ensured to get hired through being trained in particular professions required by the labor force. Applicable projects must be carried out for the purpose of employing such groups with difficulty in employing as handicapped and ex-convicts or setting up their own business as entrepreneurs. Necessary coordination must be achieved in-between IŞKUR (Turkish Employment Organization), University, chamber of commerce and industry and organized industrial zone (İŞKUR Adıyaman Provincial Directorate).

- Agriculture is an important source of income reducing the unemployment. Agricultural activities in Adıyaman are mostly performed in outdated methods. There are few individuals competent of conscious and professional agriculture. The quota system applied on production of certain products in recent years has
given rise to the increase of unemployment. In this regard, it must be placed a further emphasis on boosting agriculture, commencing to irrigate farming and raising farmers. Farmers must be guided to perform fruit growing and grow different crops (Adıyaman Provincial Directorate of Agriculture).

- The government must be no longer perceived as a source of employment, working in private sector must be promoted.

- Businessman of Adıyaman must be provided to make investments at their home town. Businessman and Industrialists must be ensured to transfer some of the investments made in western cities to Adıyaman. This will both restrain the migration out of province and increases the employment.

- Training courses bringing out talents and skills must be extended by the public and private organizations for the purpose of providing the young who cannot continue their education regardless of whatever the reason is and the labor force that are not well-educated must be ensured to acquire qualification and supported to be employed.

- Enterprises employing the young who are students of Vocational high school and apprenticeship training centers must be provided with such conveniences or incentives as tax reduction, insurance premium reduction.

- It is required to promote professional fishery in villages having a coast to Atatürk Dam and to provide necessary support and training to develop fresh-water fishery (Adıyaman Provincial Directorate of Agriculture).

- It is required to provide necessary training on handicraft, tailoring and carpet business to young girls and housewives who are staying at home in the position of a consumer and necessary financial support must be provided to them during this training. In the event that centers are established to display and commercialize these products, employment will increase.

- It is required to provide collective working instead of individual working in villages, and to undertake some incentives such as irrigation, green housing, arboriculture that will provide employment areas and generate income in the long run, which will be maintained through the money obtained from the sales of redundant agricultural vehicles. In other words, studies have to be carried out to develop the cooperative system (Adıyaman Provincial Directorate of Agriculture).

- It is required to provide incorporation in a professional sense at the city center, establish aggregate corporations with trustworthy people and unite the capitals and generalize the culture of shared working (Adıyaman Provincial Directorate of Commerce and Industry).

- Necessary measures must be taken for the prevention of illicit employment (Adıyaman Provincial Directorate of Industry and Commerce).

- It is necessary to maintain the support of a specialist in such studies as business development etc. In this regard, it is necessary to make Adıyaman University take an active role in socio-economic life of the province.

- Bureaucracy must be reduced in process of establishing a business. University-Industry affiliation has to be provided in real terms. The qualification of the University has to be increased (Başar & Kamlılı, 2011, p. 163).
It is required to develop regional projects, perform agricultural production at international standards, make use of the energy based on petroleum and construct geothermal green houses and develop fishery (Journal of Adıyaman Provincial Directorate of Agriculture, 2010, p. 5).

It is required to improve vocational and technical training environment, and increase the qualification of the instructors. Moreover, it is also necessary to put forth the incentive mechanism for the employment of vocational and technical training graduates and owners of national vocational qualification and also for their setting up of a new business (Çağsem, 2010, p. 6).

Another sector required to be mentioned here is Tourism due to its contribution to the socio-cultural structure, although it has not still maintained the place it deserved. Considered to be the eighth wonder of world, the busts remaining from Mount Nemrut and Kingdom of Commagene have even become the symbol of Adıyaman and they are believed to maintain/achieve the significance and value they deserved in the short term. As from December 2010, 188,198 tourists have visited Adıyaman and 145,336 of them are domestic tourists. Existing accommodation premises have a total of 1,149 bed capacity in Adıyaman. However there are no 5 star hotels in Adıyaman yet. In the event of the establishment of such a hotel, at least 100 people will be employed. And this will become a remedy for the financial difficulties of 100 families (Adıyaman Provincial Directorate of Tourism, 2010).

In order to successfully perform the solution suggestions eliminating unemployment that have been listed so far and can further be listed, all the public institutions and organizations, trade associations, local administrators, industrial unions, all non-governmental organizations must cooperate and shoulder a shared responsibility. All these organs have to collaborate and provide a stability environment. Thus, investments will increase in Adıyaman, there will be an economic boost and growing economy will generate employment.

The instructor labor force playing the role of an educator in most of the existing courses in Adıyaman, either have associate degree or work in existing schools. It is also another point to be searched how adequately do the tutorial labor force, displaying a considerable part of his/her performance at school during daytime as part of his/her job, having an associate degree or being students who cannot still complete their education, train the course attendees. Therefore, ultimate attention must be shown on the instructor labor force to work only at the training course and have a high level of education.

4. Conclusion and Suggestions

It is a known fact that unemployment is one of the prominent problems of our province and our country. Unemployment is not merely an individual problem. Quite the contrary, it is a social and subtle problem. While struggling against unemployment it is necessary to consider the reasons behind unemployment and to find appropriate keys for the situation.

In order to make unemployment off the agenda, it is required to increase production and perform the investments in a stable way. In a country where there is unemployment, the solution of economic and social problems is not simple.

One of the most prominent factors generating unemployment is the insufficiency of education. Unqualified education provided in both vocational schools and higher education institutions and failure to meet the needs of the market bring about jobless graduates. And this brings along the preexisting unemployment problem to become a labyrinth with no way out.
It is not enough just to own a diploma to find a job. The individuals require achieving qualifications to be employed and developing and regenerating these qualifications in order to maintain their economic standards and compete in a market that is variable depending upon the improvements in science and technology. This can only be achieved through lifelong learning. In this regard, a serious system in secondary and high education must be generated that can meet the need for qualified staff. Vocational high schools and vocational courses opened up for this purpose must be ensured and the studies carried out must be supported.

A majority of the problems in employment area in Adiyaman and in a general manner in Turkey originate from the absence of a well-conceived planning. For this end, a new and well planning model is required. It is required to make a good research to maintain a good planning. In the light of the data obtained from the research it is required to perform a planning that is realist, and conforming to the conditions of the locality. By means of this planning, the unemployment problem of Turkey can be solved in a limited scope and the problem of Adiyaman can be solved substantially. It is not possible to eliminate unemployment completely. As it is known, there is apparently no country that can overcome this problem. Countries even during periods of high welfare, cannot maintain full employment. However unemployment can be reduced to a reasonable level through employing one person from each house. Perhaps, in this respect it is required to form a socialist structure in sources of employment and employment sources must be distributed to houses. In other words, local administrations, public institutions and organizations, private institutions and enterprises must give priority of employment to the families who have no working member.
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http://portalint.iskur.local

Table 1: Population of Province in census years and Annual Population Growth Rate

<table>
<thead>
<tr>
<th>YEARS</th>
<th>TURKEY (1)</th>
<th>ADIYAMAN (2)</th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Population</td>
<td>Population</td>
<td>( % )</td>
</tr>
<tr>
<td></td>
<td>Growth Rate ( %0) (*)</td>
<td>Growth Rate (% 0) (*)</td>
<td>(2) / (1)</td>
</tr>
<tr>
<td>1955</td>
<td>24.064.763</td>
<td>208.755</td>
<td>0.87</td>
</tr>
<tr>
<td>1960</td>
<td>27.754.820</td>
<td>233.717</td>
<td>22.59</td>
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<tr>
<td>1965</td>
<td>31.391.421</td>
<td>267.288</td>
<td>26.84</td>
</tr>
<tr>
<td>1970</td>
<td>35.605.176</td>
<td>303.511</td>
<td>25.42</td>
</tr>
<tr>
<td>1975</td>
<td>40.347.719</td>
<td>346.892</td>
<td>26.72</td>
</tr>
<tr>
<td>1980</td>
<td>44.736.957</td>
<td>367.595</td>
<td>11.59</td>
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<tr>
<td>1985</td>
<td>50.664.458</td>
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</tr>
<tr>
<td>1990</td>
<td>56.473.035</td>
<td>513.131</td>
<td>35.01</td>
</tr>
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<td>2000</td>
<td>67.803.927</td>
<td>623.811</td>
<td>19.53</td>
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<tr>
<td>2010</td>
<td>73.722.988</td>
<td>590.935</td>
<td></td>
</tr>
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</table>

(*): Includes Annual Population Growth Rate


Table 2: Distribution of Population in respect of living areas in 2010

<table>
<thead>
<tr>
<th>Distribution of Population according to Living Areas in 2010</th>
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</thead>
<tbody>
<tr>
<td>Man</td>
</tr>
<tr>
<td>-----</td>
</tr>
<tr>
<td>Rural</td>
</tr>
<tr>
<td>City</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>

Table 3: Distribution of city population according to places of settlement (2010)

<table>
<thead>
<tr>
<th>NAME OF DISTRICT</th>
<th>POPULATION OF CITY IN 2010</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>MALE (M)</td>
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<tr>
<td>Age Range , Total</td>
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<td>Center</td>
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<tr>
<td>Besni</td>
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</tr>
<tr>
<td>Gölbaşı</td>
<td>6778</td>
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<tr>
<td>Samsat</td>
<td>1655</td>
</tr>
<tr>
<td>Gerger</td>
<td>4641</td>
</tr>
<tr>
<td>Çelikhan</td>
<td>2288</td>
</tr>
<tr>
<td>Tut</td>
<td>1715</td>
</tr>
<tr>
<td>Kahta</td>
<td>2211</td>
</tr>
<tr>
<td>Sincik</td>
<td>3596</td>
</tr>
<tr>
<td>Total</td>
<td>96508</td>
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</table>


Table 4: Number of business in respect of the sectors

<table>
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<tr>
<th>Name of Sector</th>
<th>Status of business</th>
<th>Number of Business</th>
<th>Man</th>
<th>Woman</th>
<th>Total</th>
</tr>
</thead>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Sector</td>
<td>Public</td>
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<td>303</td>
<td>24</td>
<td>327</td>
</tr>
<tr>
<td></td>
<td>Private</td>
<td>482</td>
<td>6070</td>
<td>1322</td>
<td>7392</td>
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<tr>
<td></td>
<td>Total</td>
<td>506</td>
<td>6373</td>
<td>1346</td>
<td>7719</td>
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<tr>
<td>Industry Sector</td>
<td>Public</td>
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<td>1809</td>
<td>39</td>
<td>1848</td>
</tr>
<tr>
<td></td>
<td>Private</td>
<td>399</td>
<td>8683</td>
<td>2425</td>
<td>11108</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>429</td>
<td>10492</td>
<td>2464</td>
<td>12956</td>
</tr>
<tr>
<td>Agricultural Sector</td>
<td>Public</td>
<td>6</td>
<td>454</td>
<td>28</td>
<td>482</td>
</tr>
<tr>
<td></td>
<td>Private</td>
<td>11</td>
<td>131</td>
<td>16</td>
<td>147</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>17</td>
<td>585</td>
<td>44</td>
<td>629</td>
</tr>
<tr>
<td>FINAL TOTAL</td>
<td>Public</td>
<td>60</td>
<td>2566</td>
<td>91</td>
<td>2657</td>
</tr>
<tr>
<td></td>
<td>Private</td>
<td>892</td>
<td>14884</td>
<td>3763</td>
<td>18647</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>952</td>
<td>17450</td>
<td>3854</td>
<td>21304</td>
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</tbody>
</table>

(Resource: Turkish Employment Organization (İŞKUR), http://portalint.iskur.local, 25.03.2011)
Table 5: Distribution of employees in respect to the social security / insurance they are subject to.

<table>
<thead>
<tr>
<th>Period</th>
<th>Government Retirement Fund</th>
<th>Social Security Organization for Artisans and Self-Employed</th>
<th>SSK Social Insurance Institution</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 2010</td>
<td>15531</td>
<td>19276</td>
<td>38447</td>
<td>73254</td>
</tr>
</tbody>
</table>

(Resource: Provincial Directorate of Adıyaman Social Security Institution (SSI))

Table 6: Labor force and unemployed registered at İŞKUR at the end of 2010

<table>
<thead>
<tr>
<th>Labor force-Age</th>
<th>Registered Labor Force</th>
<th>Registered Unemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-19</td>
<td>244</td>
<td>242</td>
</tr>
<tr>
<td>20-24</td>
<td>1837</td>
<td>1780</td>
</tr>
<tr>
<td>25-29</td>
<td>3079</td>
<td>2889</td>
</tr>
<tr>
<td>30-34</td>
<td>2438</td>
<td>2276</td>
</tr>
<tr>
<td>35-39</td>
<td>1695</td>
<td>1611</td>
</tr>
<tr>
<td>40-44</td>
<td>895</td>
<td>851</td>
</tr>
<tr>
<td>45-54</td>
<td>548</td>
<td>518</td>
</tr>
<tr>
<td>55-64</td>
<td>113</td>
<td>109</td>
</tr>
<tr>
<td>65+</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>TOTAL</td>
<td>10861</td>
<td>10288</td>
</tr>
</tbody>
</table>


Table 7: Educational backgrounds of labor force and unemployed registered at İŞKUR at the end of 2010

<table>
<thead>
<tr>
<th>Worker – Educational Background</th>
<th>Registered Labor Force</th>
<th>Registered Unemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illiterate</td>
<td>184</td>
<td>182</td>
</tr>
<tr>
<td>Literate</td>
<td>490</td>
<td>480</td>
</tr>
<tr>
<td>Primary School</td>
<td>4422</td>
<td>4201</td>
</tr>
<tr>
<td>Secondary school (High school equivalent)</td>
<td>4423</td>
<td>4196</td>
</tr>
<tr>
<td>Associate Degree</td>
<td>896</td>
<td>821</td>
</tr>
<tr>
<td>Bachelor’s Degree</td>
<td>430</td>
<td>393</td>
</tr>
<tr>
<td>Post Graduate</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>TOTAL</td>
<td>10861</td>
<td>10288</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PROVINCE</th>
<th>LABOR FORCE PARTICIPATION RATE (%)</th>
<th>UNEMPLOYMENT RATE (%)</th>
<th>EMPLOYMENT RATE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADIYAMAN</td>
<td>38,0</td>
<td>17,9</td>
<td>31,2</td>
</tr>
</tbody>
</table>

Abstract
This research paper highlights the issue of “Creation of Quran”. Islamic history treats this issue of Abasid period as apoch-making. In the reign of which Caliph this issue came up and which was that Caliph who evinced keen interest and which was that group who received the patronage of the then Govt. What was the reaction of the counter-group? Afterward the basic viewpoints relating differences we dissected and discussed. Different parties broached discussion on these differences and proffered their arguments and answers. Ahly Sunnah first of all gave their arguments and objections. Their most important standpoint has been that the Quran is an old testament what are the religions and social outcomes. After this the second group presents their arguments and objections. Conclusions (pithy) are presented. In the end, political cum historical aspects of this issue has been detailed out. Owing to this detailed discussion issue of creation of Quran’ becomes quite crystal & clear politically, historically and nothing is left vague and ambiguous.

Keywords: Issue , Creation, Quran

INTRODUCTION
During Abasidi period this issue was differed. Point of variance being whether the Quran was ‘Hadis’ or old, whether it was a creature or otherwise; whether it was related to Kalam-e-hafsi or it is based on words. This issue was dubbed and given the name of creation of Quran.

BACKGROUND OF CREATION OF QURAN
The issue of Creation of Quran has been attached with “motazila”. Whenever and wherever motazila comes under discussion then at once this issue comes to limelight. It was motazila which brought this issue in Abasidi period. Being impressed, Abasidi Caliphs forced the mohadasin and religious scholars to accept & embraced their viewpoint and some of them were subjected to torture and affliction of extreme nature. This issue captured the mind the thinking of the people during the days of Mamoon Rashid, Motasim Billah & Wasiq Billah. This rendered the people perplexed and left them in utter confusion.

Zahra (2001) this issue of creation of Quran developed before the advent of three Calipha. Jaad Bin Dirhim talked about this issue. Khalid Bin Abdullah ruler of Kufa put him to sword. Jaheem Bin Safwan also gave vent to his feelings signifying that Alllah is exempt from verbal talk and is also free from new things. According to Jaheem Quran is not an old creature.
DIFFERENT SHADE OF OPINIONS RESPECTING CREATION OF QURAN

Ahle Sunnah’s Opinion
Zahra (2004) according to Ahle Sunna words and meanings of Quran, both of them belong to non-creature group. Quran presents the version of Allah only. Imam Ahmed Humble addressing Caliph Mutawaqil wrote clearly that a number of old people of the yore took Quran non creature and he himself accepted the same version. He further attempted to vouch safe (affirmed) that, that thing is authentic which is mentioned in the Quran or has been authenticated by the holy Prophet, Caliphs or by the Tabain. Any thing which is not said by the Prophet that version/diction is not acceptable at any cost.

Zahra (2001) Imam Ahmed Bin Humble & Ahle Sunnah did not consider it an old version which is recited everyday. Imam Ahmad Humble remarked those who assert that Quran is a creature; he would straightaway be thrown in inferno. One who considered Quran as non-creature, he indulges in schism.

OPINION OF MUTAZILA
Tayyib (1999) Motazila group dies not deny the quality of version propounded by Allah. According to Motazila wherever Allah attributed His holy version, it signifies that Allah created His version at one place and it came to the front. When he accosted Hazrat Musa it is also based on the same reality. God has created/given power to a tree to speak. According to Motazlia Quranic version is the version of Allah and it was revealed through afflatus upon Muhammad Peace be Upon Him Quranic afflatus.

Tayyib (1999) Words and its meanings are considered as creature. Motazila believed as God created different other things similarly quality kalam was also created. According to this belief they claimed that Quran is creature.

Ahmad (1999) Motazila scholar namely Jahiz wrote in his journal “Alansari” that Christain scholar exaggerate that Quran is Allah’s version and therefore, this version is non-creature. They think that Quran is old. Thus due to this interpretation Jusus is also old. This thing is proved from Quran that Jusus used to hold conversation with Allah therefore, all conversation ascribed to Allah is old. Therefore, Jusus is old anyone who endorses this stand points, he endorses the view point of Christain.

MISCELLANEOUS OPINIONS
1. **Abul Hassan Ashri**
   Zahra (2001) He is the founder & father of Ashri School of thoughts. He says that Motaizla’s belief is that it overshadows. The refusal of infedils of Arab who maintain that Quranic version is the version of one man & Quran was considered by them as a version of human-beings.

2. **Imam Merni**
   Numani (2001) He was the student of Shafi. He is of the view that if Quran is creature, he is non-believer.

3. **Waki Bin Jirah**
   Numani (2001) According to him anyone who thinks that Quran is Hadis he is non-believer.

4. **Yazid Bin Haroon**
   Numani (2001) He is of the view that anyone who believes that Quranic is version is creature, by God such kind of person is infidel.
5. **Abdur-Rehman Bin Mehdi**

Mujeeb ur Rehman (2004) His version is that if anyone is heard saying that Quran is creature, I would rather kill him.

**AMA BU MUMSORI MATARIDI**

Mujeeb ur Rehman (2004) He is founder of Matareed School of thought. His viewpoint on the creation of Quran is that Quran is the quality of God. It is established one. This quality is permanent as God Himself is old and timeless. This Quran is not an amalgam of words and sentences rather it is hadis. Hadis cannot stay with wajib. The words & sentences which convey meanings, tell us that Quran is hadis, because significance of Quran presents the combination of words and their meanings. If words are hadis then Quran is invariably hadis. Motazila and Materdia seem to the chips of the same block. Materdi like Motazila believe Quran as hadis, but do not take as is creature.

**IMAM BOKHARI**

Sindhi (1999) Imam Bokhari has distinguished. According to his pronunciation of quran is hadis and thus is creature. Imam Bokhari takes Quran as creature. Allah’s version is old and non-creature.

**MAULANA ABEDULLAH SINDHI (1999)**

Maulana Sindhi says that God cannot be comprehended properly. How can God and humanity are brought at one platform. Tajali which is inspiration, it iwas understood by mohadseen and they talked about. Message and sender of this message are two separate things. Difference came here that Mohadiseen negated ghir zat and Motazila refused to accept zat. This discussion can be easily deciphered through an easy example. For instance, Zaid is an officer, Bakir is his servant and Munir is a clerk. Zaid gives a letter or oral message to Bakir asking him to convey his message or letter to Umar the clerk. Now Bakir is serving Umer as Zaid. In reality it is Bakir who has brought Zaid’s message, because it is Zaid’s message, Umer and Bakir will consider it. Zaid is a different man; similarly Bakir is also a different character. Mohadiseen did not accept the qualities like; Imam Ahmed Bin Humbler Allah’s version was not accepted.

Mohadiseen do not interpret this Quranic version. Matakalimeen interpret this variously flood of light expresses this thing that flood of light speared on Irsh. Allah’s version is hadis.

Sindhi (1996) Issue of creation of Quran is settled in this way. He talks on historical and political perspective of this issue and further elaborates and says that Haroon’s son Amin succeeded against his brother. It was an Iranian victory.

Sindhi (1995) Mamoon converting the Arab animosity and Ajmi conflict Mutual tug of war between the two warring tribes did a good turn. During Mamoon period issue of creation of Quarn also came up. One of the groups was of the opinion that Quranic version is old one but those words which were revealed upon holy Prophet they were creature and hadis. According to Mohdiseen that Quranic version is old at all cost. Mamoon helped Motazila and under the auspices of Mohadiseen Imam Ahmed Bin Humble led them. During the days of Mamoon the Arabs were snatched of their leadership and all the resources were taken away from them. It was only tongue and they were bent upon to get it known as a tongue to be used in the way of Allah. Mamoon wanted to curb the Arabs’ mentality which was full of pride. Mamoon thought that Mohediseen took the words of Quran non creature and this acted a big hurdle / impediment and curbed Arabic, Persian mentality. As it was a snag in the smooth functioning of the govt,
Mamoon therefore, took bold steps. In this era non-Arab scholars who were in no way less than other, did not take Quranic version non-creature like Imam Ahmad Bin Humble.

Sindhi (1999) comments upon this period in this way. Motazila was free and Imam Ahmed Bin Humble took the lead. Ashry Ilm-e-Kalam was in the direct hit of Motazila Ilm-e-Kalam. Imam Abul Hasan Ashry and Imam Abn Munsoor arranged Ilm-e-Kalam.

Sindhi (2009) in short Motazila was not a new sect. It was the group that interpreted “Din Islam” A revolution came into being Din Islam got a firmer grip on political, Economic social horizons concomitant result / outcome of this predominance was this that all the knowledges were to go with the banner of Islam and Islam was to become international system. During this period of Abasid Caliphs transplantation work of Greek & Persian translation work were taken into hand. Due to this people started doubting. Motazila was the first group to face this dubious abysmal situation. After Haroon Rashid / Mamoon Rashid regin was an amalgam of Arabic and Ajmi powers. The Arabs were leading Administrative set up was in the hands of Ajmi. They had their own thinking. Their questions first of all, were answered by Motazila. But history abounds in examples that in the initial stage blunders sometimes are committed. Mohadiseen pointed out these blunders perpetrated. Because varied new issues were there. There raised a lot of hue and cry and they cast slur on each other invariably.

CONCLUSION
The outcome of the entailed discussion that this vital issue cropped up for giving scope of Din Islam. New Dins entered in Islam. New nations enlarged and widened the scope of new questions. In the light of these questions several issues came up for discussion. We can understand them. Motazila believe that God is only old. If we guarantee the qualities old, then existence of multi-gods will become inevitable. This in the gospel maintained by Christain who firmly believe the Jusus is the son of God and talk about. The Motazila point stands strengthened and confirmed. Aehly Sunnah believe that Quranic words are hadis but meanings of Quran are old. Basically the significance is the same which has been ibrani, seryani and some time it has been Arabic, Aehly Sunnah viewpoint seems strong and potent. Motazila basically do not differ here, rather they (Motazila) decline to accept their stand-point and try to accept the words of Quran old. They resort to such kind of abortive effort. This effort / attempt appear to be fruitless.
References
Improving of Organizational Intelligence in Academic Environment  
(Case study: Islamic Azad University of Mashhad)

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Abstract  
Although the traditional approach of cost quality and time as value proposition simply it is not enough, Allee (2003) further explained that the new economy offers an opportunity to radically rethink how prosperity might increase. Intangible assets (knowledge assets) are a better foundation for creativity and true prosperity than are physical materials. The path to a sustainable future is an ability to innovate: to create knowledge, convert it into viable products and services, and apply it for the profitable growth of an enterprise, the vitality of a nation’s economy, and the advancement of society. In addition, Contrary to conventional wisdom, market access barriers faced especially by developing countries are not decreasing, quite the contrary, for some of their most important export sectors. In such situation, organizational intelligence can provides a framework to better understanding of competitive environment. This study tries to appear what is the current of organizational intelligence in Iran universities using an open ended questionnaire comprised with a convenient sample and improve the current situation using a QFD Model that conduct among 18 higher education experts in Islamic Azad University of Mashhad. We found 14 service elements for 7 OI dimensions.  
Keywords: Organizational intelligence, Academic environment, Factor analysis  

Introduction  
Allee (2003) validated Teece (1998) and Garvin (1993) argued about the need for businesses of renewal forces and sensing capacities to absorb unexpected changes, reconfigure business processes, and react and take action to continuously compete and survive. Allee (2003) also argued that the nature of intangibles is such that individuals can give them away, trade them or sell them and enjoy a multiplier effect, which contrary of physical resources that when used up are gone, can be re-used. So the importance of the versatility of knowledge and the impact those intangibles have in a global economy namely organizational intelligence. Moreover, researchers sustained that the compounding effect of the speed of change of multiple variables lead to think that old traditional policies and practices are not sufficient to succeed in the knowledge era. In addition, they argued that the organizations that are able to manage their innovation infrastructure, within which ideas are created and commercialized will be considered market leader.
On the contrary, Spender (2008) argued that the future of both knowledge management and organizational learning is actually a return to a past when our theorizing was more robustly grounded in what we now choose to ignore, managers’ experiences and morally burdened practices as they apply their imagination to creating organizations.

Spender (2008) appealed to the basic formulation of individual capacities as a mean to build a foundation for strategic planning. Spender (2008) further argued that these capacities are the massively important engines of our society and economy, and that indeed there are no more important human artifacts, for our ability to organize absolutely delimits our ability to shape the human condition. Malhotra (1998) also agreed that inflexible organizational structures could not cope when the ground is shifting as rapidly as it does in today’s markets. He suggested that as part of the reinvention process that any organization must fulfill to maintain itself competitive, managing tangible and intangible assets are crucial to succeed. Any business living system needs to new itself in order to continually exist. Part of that renewal process comes from investments in tangible and intangible assets. These two types of assets have the ability to create value.

Allee (2003) and McElroy (2003) argued that the new foundation of the new knowledge economy is its people and their intelligences. They also highlighted the importance of technology to connect people and processes. Similarly, Cross and Parker (2004) defined this connectivity process as a social network, which will be the centre of execution strategy and performance and can have a substantial impact on performance, learning and innovation. This social web will keep the knowledge flow and will hold the organization together. Mendelson & Ziegler (1999) developed the Organizational IQ model. This model measures a company’s ability to quickly process information and make effective decisions. It provides strong results that have both economically and statistically significance, providing confidence on the development of the organizational IQ concept.

Matheson and Matheson’s (1998) nine-principle model correlates IQ with performance, with smarter organizations significantly getting a high IQ score. These organizations not only perform better but more consistently. Organizations in which the principles are strongly rooted are better able to adopt decision-making best practices and to achieve superior results. The model fits very well with the purpose of this research as it allows the researcher to examine the processes through which Hispanic entrepreneurs make strategic decisions and make them as effective as their operational process.

**Literature review**

In order to develop competencies, business owners must adopt cognitive development practices to survive in a dynamic economy. According to (Kull, 2000), organizational intelligence (OI) represents an intuitive understanding that links knowledge management with performance measurement. He characterized organizational intelligence as an organization’s cognitive capacity to leverage knowledge and employ reasoning to meet its perceived challenges. Glynn (1996) distinguished OI as an organizational capability to process, interpret, encode, manipulate and access information in a purposeful, goal-directed manner so it can increase its adaptive potential in the environment in which it operates. Organizational intelligence, then, is the ability to allow organizations to grow, survive, and prosper. This ability requires a proper organizational structuring and functioning, and the management of human resources, technology, knowledge, and organizational learning. According to Liebowitz (2000), an important part of organizational intelligence is the renewal process in fostering organizational learning within the entity. The ability to transform individual learning into organizational learning is a challenge in the organization. Recognizing and addressing all the processed involved in knowledge management
may allow organizations to create a more fertile knowledge-sharing environment, to increase organizational learning and a higher organizational intelligence. Matheson and Matheson’s model established that in order to succeed, organizations need to develop world-class products and services on a continuous basis, and deliver them at prices that establish value leadership.

Value leadership determines the future of the organization. They develop the concept of smart research and development (R&D), which is a tool that holds the future of the organization. These researchers based their study in the creation of a smart organization. According to them, a smart organization is defined by the act of being smart (i.e. make smart decisions) and acting smart (i.e. carry-over those decisions). According to them, an organization can become smart by improving their organizational Intelligence Quotient (OIQ). The OIQ can be improved by creating effective decision-making strategies. To improve the decision-making process, organizations must develop their cognitive resources behind those decisions: decision makers, which are responsible to capture all information around them, create knowledge and use it to produce effective decisions.

OIQ, a quantifiable measure of how organizations assimilate information and put together their decision and information architecture, is based on nine principles of smart organizations supported by best practices. The nine principles are: value creation culture, creating alternatives, continual learning, alignment and empowerment, discipline decision making, open information flow, outside-in strategic perspective, embracing uncertainty, and system thinking. All of these principles transform the power of decision-making process. It allows making smart decisions.

Methodology & Results

Quality Function Deployment (QFD) is a structured, multi-disciplinary technique for product definition that maximizes value to the customer. The application of the QFD process is an art that varies somewhat from practitioner to practitioner, but the graphic on the next page illustrates a typical application of the QFD process. The graphic shows a concept called the QFD House of Quality (HOQ), a device for organizing the flow of thinking and discussion that leads to finished product specifications. The House of Quality is built by a firm's own multi-disciplinary team under guidance from a trained QFD facilitator (preferably a facilitator with both marketing and technical experience). In this study some interviews did toward implementation of HOQ that illustrates in figure 1 that change 7 OI dimension into 14 service elements.
Conclusion

From the perspective of epistemology, structuration theory helps managers to assess and to operationalize organizational intelligence. Organizational intelligence does not represent the "IQ" of managers, similar to managerial cognition, nor is it the sum of the individuals. The assessment of organizational intelligence goes beyond the cognitive perspectives. Since, organizational intelligence develops from and is embedded in the day-to-day activities of the organization, its assessment involves social, emotional, behavioral and cognitive dimensions. In this sense, organizational intelligence is a multidimensional and multifaceted concept involving the recursive interplay of cognitive, behavioral and emotional capabilities.
of organizations. This study tried to develop some new service element toward a better OI in academic sector using a QFD model.

References
A Remedy based Concept: Impact of Encounter Service, Culture and Employees Training on Customers Satisfaction of Hospitality Industry

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Abstract
This research is developed to evaluate the problems encountered by local and exclusively the foreign travelers/visitors and customers of hospitality industry in the Pakistan. The research is based on the concept that under prevailing globalize environments; hotel business services in developing countries like Pakistan are not compatible with those of the developed countries and hence are not healthy to the future of industry. The purpose was therefore to evaluate and compare the hotel services being provided to the travelers visiting the hospitality industry of Pakistan with that of the under developed neighboring countries, with a view to determine the prevalent shortcomings and recommend mood for the customers satisfaction. The research finds that foreign travelers focus on the well expected and slandered hospitality services as that of the highly developed countries, however under the garb, desire the low expenses with these high quality hospitality services. The research also elaborated the importance of hospitality industry in the context of prevailing culture and security environments besides highlighting the shortage of trained and skilled manpower in the industry.

Keywords. Hospitality Industry, Foreign Travelers, Encounter Services, Culture, Traveler Satisfaction.

Introduction
The advent of new era of present century has seen revolutionary ideas to restore the traditional practices in feasible and robotic venture in order to augment proficiency, control and productivity. Management by Objective (MBO) has made an attempt to change the perception and standards of middle and senior management to set short and long-term goals and devote complete efforts to attain these set standards. The standards are accomplished by assuming not only the latest techniques, software and trends to develop various models so as to encourage the foreign travelers and customers to visit hospitality industries but also provide them the well-matched essential services and facilities of different hotels like Bread & Breakfast, Boarding & Lodging, Hotel & Motels and Guest House etc to bring revolutionary changes in the hotel industry of under developed countries. Brotherton (1999), Brotherton and Wood (2000), Lashley (2000) define the hospitality as social and cultural facilitations. The hospitality industry of developing countries is also flourishing alongside the industry of developed countries, which has become almost one of the emerging backbone economies of the industrial growth throughout the world. The growth of industry is dependent on different local and foreign travelers like business, leisure & pleasure, medical & religious and young & economy travelers with frequent visits, due to the provision of well expected services. To boost the hospitality business an interaction between these travelers and employees is deemed necessary. Chase and Tansik (1983) noticed that for high contact services a classic interaction between employees and customers is a right path to the business success. With the increase of global competition, as the world has become a “global village” (Ger, 1999), impact of the local culture with present services, has to be reviewed compatible to the highly valued services offered to theses travelers in their native countries. With the increase of global competition, the cultural impact of hospitality services is required to be understood more critically to enhance and boost the hospitality business (Riddle, 1992). Lashley (2000) differentiates different principles of hospitality culture, manipulating the impact of services appearance on hospitality,
however during going through this phenomenon (cf. Lashley et al. 2007) argued the hospitality concepts as series of services. Olesen (1994), King (1995) and Hemmington (2007) also throw light on the same concerts and try to divert the main focus of hospitality from minor to major social, cultural and encountered services and quality for the expected customer satisfactions. Pucik and Katz, (1986) explained that each culture has become an important aspect that grants customers and travelers, the structure, social interactions, rules and ultimately the expectations of hospitality services. The symptoms of cultural differences on hospitality encountered services etc have always been great (Lashley and Morrison 2000; Lugosi 2003, 2007a, 2007b; Molz and Gibson 2007). Training of the hospitality managerial staff and employees to boost the industry business as expressed by Goldstein (1980) is, attainment of the skill, ideas and attitudes to obtain the desired performance and results. Hospitality industry is strongly related to the satisfaction of travelers, to inspire them for their repeated visits and also dependent on the factors impacting encountered services (compatible to the native facilitation culture of traveler’s country) by fully trained managerial and lower employee staff. Contributing factors impacting the customers’ satisfaction are highlighted in the Figure 1 below.

![Diagram of factors impacting customer satisfaction]

(2) Researchers own processing.

The above Figure clearly indicates that customer satisfaction is dependant mostly on the hospitality industry encountered services, employee training and cultural aspects of hotel industry, which are highlighted as impacting factors as well.

Significance of Research
The hospitality industry of early 21th century in the world generally and in Pakistan exclusively, relies on the local and exclusively the foreign travelers. There is an appalling need to introduce new innovations and creative trends with respect to the hospitality encountered services for hotel customers. These encountered services are to be compatible with the foreign customer’s native cultural facilitations, and to be provided by the fully trained staff, so as to satisfy the travelers’ expectations, which is a hallmark of industry success. As hospitality industry in the world has become one of the major economic growth industries, it has also emerged as one of the backbone industries of strong national economy of Pakistan; and contributing a lot towards strengthening the prevailing competitive culture of hospitality business with encountered services in the country.
Objectives of Research
The objectives of research are to explore different avenues on the subject as follows:-

- To identify the importance of encountered services of hospitality industry.
- To highlight the importance of Managers/ Employees staff training to boost the hospitality services as expected by the travelers.
- To differentiate and enhance cultural aspects, maximizing the expected hospitality services.
- To determine the impact of encountered services, culture and employees training of hospitality industry on customers satisfaction.

Literature Review
Research studies are compiled through different methods like review of old literature in the relevant fields, direct and indirect observations and different surveys etc, taking guide line from the previous work done in relevant fields. Previous literature provides additional direction to the research besides weakening the chance of any duplication of efforts. Anyhow, precious information and different research methods can be added from the previous researches and results. Concise review of relevant studies is explained in the succeeding paragraphs.

The study has been focused on differences between the Western and Asian consumers' perceptions of highly qualitative encountered services. The prior pragmatic evidences observe that, different the cultures, different even the types of behaviors indicating the good services (Winsted, 1997). Research on the hospitality encountered services clarify that provision of such services increase customer's satisfaction along with organization called” recovery paradox” (Maxham, 2001; McCollough et al., 2000; McCllough, 1995; Michel, 2001; Smith and Bolton, 1998). Highly sophisticated expectation based hospitality encountered services provided by first class hotels to the travelers, besides travelers’ good interaction with qualified employees, truly attract them for their frequent visits (Lovelock, 1983). Winsted (1997) explained that customers’ expectations from different countries regarding hotel services are normally based on the limited knowledge; therefore Winsted (1997) suggests that some of the former experimental evidences can also highlight different types of behaviors indicating expected good services. Malhotra (1994) perceived that influence of the culturally relevant encountered services on the hospitality services though has been observed very minimal, but most of the cases culture has also been seen exerting great influence on customers expected encountered services. Riddle (1992) segregating the hotel services being offered, based on different peoples with different cultures, also expresses the offered services, comparing Asians as mostly the desirous of personality based services, with the Westerns having less such desires, evaluating thereby finally the services for the westerns as highly valued. That is why that even low earning Asian people expect much high level hotel services (Schmitt and Pan, 19960). Gronroos (1990) elaborates that functional quality of hotel services for any western traveler may not be that much of important as important is the efficiency and time saving. Because western people more focus on completion of the expected objectives with efficiency therefore may prefer services delivery with just in time, as required by most of the individuals (Riddle, 1992). The traveler witnessing other cultural hospitality services facilitations may be emotionally viewed as miscalculated / different, as compare to its native cultural emotions (Bond and Hwang, 1986). Gilbert (1991) said that motivating the travelers has been meant as influencing their perceptions of hospitality industry encountered services. An attractive hospitality services entail degree of front line employees involvement based on their interaction during provision of services encountered (Gardner and Wood, 1991). Carbone and Haeckel (1994), Berry et al. (2002) and Berry and Bendapudi (2003) elaborate that trained employees can intentionally plan and maneuver the encountered service environment to guide customer perceptions so as to obtain desired results. Prior research reveals that trained
managerial, employee staff and hospitality customers were the culminating figure of making service encounters (McGrath and Otnes 1995; Price et al. 1995; Carù and Cova 2006). Culture influences and tilts the hotel employees towards expected high standards and valued encountered services. Hofstede’s (1980, 1991) one of the dimension “power distance” also explains the Western and Asian hospitality customers expectation of the services based on this power distance. In Asian culture, Indians, Malaysians and Indonesians expect the encountered services based on large power distance (Hofstede, 1991), but in Western culture of Canada, France Holland etc, people expect the encountered services based on the small power distance (Hofstede, 1991). Tansik and Chase (1988), also highlight the importance played by the culture in shaping, as to how customers expect the hospitality encountered services. However managerial staff and employees are to make them abreast the cultural based customers expectations.

Research Methodology
Researchers visited two four star international hotels of Rawalpindi and Islamabad, Pakistan and noted 120 incidents of interactions with foreigners at different occasions through observations. Qualitative observations were taken and tabulated systematically. Regarding establishing the contemporary hospitality industry, the researchers carried out intensive and extensive literature survey and found different variables. Based on these variables, the further research was developed.

Limitation of Study
As controlled laboratory experiment is needed to validate the findings, therefore field study design has emerged as an important limitation of the study. However, a survey/field based research can further validate the study results.

Proposing a Model
Hospitality industry in the under developed counties besides security, economic crunch and newly growing industry, is at its critical situation, primarily due to the cultural differences leading to the dissatisfaction of visitors against encountered services and employees training. The study thus proposes a model highlighting the different variables with relations the expected customer’s satisfaction.

Independent Variables:
Encounter Services, Culture and Employees training r independent variables.

Moderating Variable:
Customers Expectation is the moderating variable.

Dependent Variables:
Customers Satisfaction is the dependent variable.
**Employees Training**

It was observed and noted that inquiring both the Western and Asian culture based travellers, importance of the trained employees in the hospitality industry was argued more valued by the Western customer instead of the Asian customer. Employees training was thus considered the most significant factor of customers expected encountered services based on compatible cultures, to make the customer/foreign traveller satisfy. With respect to the hospitality industry, the employees having interaction with customers to whom offering the services, require lot of on the job training, to be fully conversant with customer dealing. In the modernized hospitality industry, competence of employee’s qualities plays a vital role, which comprises knowledge, skill and thoughts, leading to the industry boom and long life, hence fully trained employees with these knowledge, skills and valid thoughts get inspired to work in a befitting manner for the industry besides proving the job importance. High rating hotels include employee training as their significant expansion strategy, because efficient training normally gives good personal characters and professional abilities. This is how employees, management and organization are benefited not only by the employees training but also the advantage of increase numbers of customers and guests. Employees training also make the basic goals attained by equipping its employees with competencies, knowledge, skills and attitudes, thereby attracting the more customers. The importance and value of staff training has long been recognized, just like, give a person a fish and you feed him for a day, teach a person the fish and you feed him for a lifetime.

**Findings derived from Observations**

Based on the observations recorded during the incidents of foreigners’ interactions, following findings have been derived.
Culture

During observing and recording the incidents, it was noted that culture being an important segment having influence on the customers’ expectations and perception of encountered services leads to customers’ satisfaction. It was also noted that Western traveler expected and stressed upon the highly valued indigenous culture based comparative services, whereas Asian travelers visiting the developed country also urged the same, but with the difference of no such desire from the local hospitality industry. Cultural dimensions and service quality dimensions are interrelated. In Pakistan there are numbers of cultural dimensions for foreigners travelling, which require special attentions. Some of which are:-

- Islamic culture and traditions have believes in one Allah and Quran and a full respect for the last Prophet. As Pakistani Muslims have strong sentiments for their Holy Book and Prophet therefore foreign travelers were noticed respecting these traditions during visit of Pakistan.
- Pakistanis due to religious faith do not like liquor therefore to perform this activity; foreigners were observed restricting to their livings and specific places for such activities.
- Hand shake in Pakistan by women is not a tradition and foreigners had taken care of this.
- Similarly full dress noted worn by foreigner ladies and open romance by the foreigners was not noted as commonality.
- Road network is less developed in Pakistan and foreigners travelling were observed facing these traffic problems.
- Terrorism has emerged as new phenomenon in Pakistan which has affected hospitality industry to a greater extent. Foreigner’s security by hotels management has been noted as an additional aspect.
- Pakistani nation has been traditionally a very hospitable one therefore this aspect was noted as a true reflection in its hospitality industry as well.

Encountered Services

The services not seen, felt and heard are familiar as intangibles. The affiliation between the service environment and consumer experiences is recognized since long (Pullman and Gross, 2004). The encountered services were crux of the observation to chalk down the theoretical phenomenon based on the expected customer satisfaction by the hospitality industry. During the incidents recordings, it was noted that foreign travelers visiting Pakistan normally expect the quality encountered services as per the high rating hotels, therefore Czepiel, (1990) said that quality service as perceived by the customer meeting expectations is a value. It becomes an important issue to boost customer satisfaction (Geetika, 2010). Even Cronin and Taylor (1992) explored this important antecedent to customer satisfaction. Encounter service quality besides playing the important role to satisfy customers (Grzinic, 2007) also measured as a value driven for consumers and a way forward to place product in a dynamic environment. Knowing the customers’ requirement regarding service quality attracts more visitors.

Customers Expectations and Satisfaction

Role of customers’ expectations culture as a moderating variable has significantly influenced encountered services by the trained employees towards customers’ satisfaction. Research was focused on the focal point of how best related are all the dependant and moderating variables to the expected customers satisfaction. A fully satisfied customer proves to be permanently affiliated to that service or product besides uttering favorable word-of-mouth and being the highly patience against any non satisfaction provision (Bearden and Teel, 1983; Oliver, 1980;
Satisfaction as a person’s feelings of pleasure or disappointments resulting from comparing a product is perceived, performance with respect to the customer expectations. Oliver (1997) took a more myopic view and stated customer satisfaction as a consumer’s fulfillment response. It is saying that customer is a king and hospitality industry proves it a worth by providing the quality services.

Contemporary Hospitality Industry Analysis

Malaysian and Indian hospitality industries and services have been compared with that of Pakistan due to their cultural, societal, and traditional resemblance.

- **Malaysians Hospitality Industry.** Hospitality industry in Malaysian is under surge due to prevailing lack of hotel services traditions, culture of temporary services offered to the customers and shortage of trained staff. Therefore, due to these deficiencies, Malaysians hospitality industry is trying to introduce some extraordinary initiatives to overcome shortfalls of compatible cultural assumptions, essentially required for expected encountered services in the industry. The initiative includes wonderful sports facilities, prevention of normal/untamed pests and insects in the hotels like mice, rats, flies, bedbugs and cockroaches that cause high risk of spreading the disease, nuisance or distress to the customers. High quality service by trained staff is being emerged as a main tool of the Malaysian hospitality industry surge.

- **Indians Hospitality Industry.** Hospitality industry of India is also facing the shortage of trained/skilled employees besides threat of poverty, political instability, and safety concerns and diseases leading towards unsatisfied hospitality encountered services. Basing on white collar instead of blue collar employees, because of the technological substitute to the human being, has further reduced the growth potential of Indian hotel industry. However present economic boom of India has lead the Indian hospitality industry to put forward the planned and expected hotel services to the travelers. This may prove to be the culminating point of hospitality industry boom in India.

- **Pakistan Hospitality Industry.** The hospitality services provided to the travelers in Pakistan has been questionable since terrorist attacks on the industry. The prevailing lawless culture and phenomenon has lead the trained employees to flee the industry, offering thereby less services and so the reduced foreign tourists/ travelers. The great attention towards hospitality encountered services, addressing the prerequisites of developed countries culture has some extant met the expected foreign traveler’s satisfactions.

Conclusion

The research study has tried to differentiate between routine culture based hospitality encountered services provided by the less trained staff and travelers’ indigenous culture based encountered services by the highly trained employees. Since last three decades, Western countries in general and developing Asian countries exclusively, have always been engaged to promote culture based encountered services of hospitality industry to satisfy and convert these temporary customers as their permanent customers. Characterizing culture as directly related to the desired expectations of hospitality encountered services by the customer’s satisfaction, helped to develop more understandable aspects on the subject. The study also indicates that trained employees have much more knowledge about the cultural based encountered services requirements of the foreign travelers instead of less trained staff. Highlighting Asian and Western leisure travelers would definitely be having different perceptions of services.
encountered as compared to the business or economic travelers. Therefore importance of the service encounters depends mostly on the customers perceptions. The study argues that expected customer’s satisfactions may be well predicted by different encountered services for different cultural based customers. The study also indicates that trained managerial and employees staff must benefit themselves from knowledge of the cultural background influenced encountered services. Finally research finds that customer’s satisfaction based on the expected valued cultural encountered services is really the hallmark of success of hospitality industry in developing countries.

**Recommendations.** Following recommendations have been offered to the both researchers and the hospitality/ hotel industry management.

- **Shortage of trained employees.** One of the furthermost challenges out breaking the hospitality industry is the unavailability of trained workforce, required to cope the need of time.
- **Retaining quality/Skilled workforce.** Retaining the qualified and skilled workforce through training and development in the hotel industry has become a problem as attrition levels has been too high and reason is unattractive wage packages. Though there is boom in the service sector, but even then most of the qualified and skilled managers and employees are fleeing away from hospitality industry. Resultantly, the hospitality industry has faced the shortage of good professionals which is of immediate concern
- **Pakistani culture Pamphlet.** In order to get the long stayed foreign visitors familiar with Pakistani culture, traditions and values, there is a need to make small pamphlet by hotel industry of Pakistan to avoid cultural issues.
- **Security Situation.** Security issue is a major concern for foreigners travelling in Pakistan. All foreigners must be fully guided regarding security measures at hotel and also the concerned places during travelling.

**Future Research.** The study described in this article was analyzed on culture to culture base expected encountered services by travelers/ customers. A theoretical concept, based on the contemporary hospitality encountered services has been offered, however, survey data based research can further be analyzed by the future researchers.

**Acknowledgement.** The authors gratefully acknowledge the support of the Management Sciences department of Riphah International University, Islamabad, Pakistan, and especially the worthy supervisors Dr. Hummayoun Naeem for valuable guidance and encouragement.
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ABSTRACT
Importance of olive (Zatoon) has been discussed in the light of holy Quran and the sayings of the holy Prophet. A few people know Hazrat Muhammad (Peace be upon Him) treated the men spiritually but he physically also treated them. The prophet treated many diseases and gave medicines for them, one of them is olive (zatoon) which is an effective treatment of leprosy, typhoid, tuberculosis, paralysis, ailments of heart and stomach and vaginal diseases. If new advance research is conducted, it can come to limelight that olive (zatoon) can be used in the treatment of several diseases of the modern time. This article will provide scheme of work for the researcher so that to have detailed information in this regard.

INTRODUCTION
Olive (Zatoon) is available boon given by Allah and has been discussed in holy Quran and sayings of the prophet and its mention is available in the old books. This olive (zatoon) is considered a very good thing. It is used as an item of diet and for treatment for many disease discussed above. Since the gone by days people have attached much value with olive (zatoon). That is why its important has remained intact and many people have benefited from the use of olive (zatoon).

DICTIONARY SIGNIFICANCE OF ZATOON
In Arabic, Persian, Urdu, Bangla, Punjabi, Sindi, Kashmiri it is called zatoon. In pushto it is named as Khoon, and in English it is called olive. (Akram A,1976) It is fruit and the name of a tree. This olive (zatoon) tree lives for two thousand years. (Encyclopedia A,1982)

HISTORICAL IMPORTANCE OF OLIVE (ZATOON)
Olive (Zatoon) happened to be the oldest tree. According to some researcher after Deluge of Nooh the very first tree was the tree of olive (zatoon) which has it mention in the Bible as well; that a dove brought a fresh leave of olive in its beak, so Nooh knew that the water had gone down. (Shafi M,2008) This was taken as a sign of peace. Thus the olive branches havehafi been ancient symbols of peace and victory. (Encyclopedia A,1982)

WHERE OLIVE (ZATOON) IS FOUND?
Olive (Zaton) is found in Syria, Greek Spain, Itly, Turky, Tunis, Africa, Rome, Maxico (America) Kelifornia, Peru and Australia, in plenty. It is also found in cold weather countries of the world. In Rome it
Olive is cultivated as oil producing tree on large scale. In the northern areas of Pakistan it is grown in a wild/crude form. The plants have been imported from Italy and Spain and have been grown at Attock. Olive (Zatoon) has many kinds. Lilac is the kind which is much fragrant. Olive wood is used in making agricultural instruments and are also in the making of common articles of use. Olive wood is a heavy wood. It is not eroded. Decoration items are made out of it, hence it has gone very expensive. Mostly people are ignorant of the importance of it. If its leaves are dried in shade, they can be used as green and black tea. It is very useful and gives pleasant tastes. Olive tree is of the length of 25 to 70 feet high and leaves are long to 3 inches. Tree carries small bunches of white flowers. The olive fruit is of reddish colour, somewhat blackish and blue. Fresh fruit is bitter hence is not edible. Its bitterness is removed through chemical process. Raw olive is dry, prepared olive is black and dry leaves are warm in nature. (Abdul-Rasheed, 2008). Olive contains oleic-acid 8.4%, linoleic acid 10%, palmitic acid 3.38%.

QURAN AND OLIVE (ZATOON)
The importance of olive, its medicinal value can be safely determined because it has been mentioned in the holy Scriptures Torait, Bible and in Quran it has been mentioned at four places. Allah has sworn by olive too. God says, fig, olive (zatoon) and Toor-e-Saneen, we have created man in best form. (Al-Quran) Allama Shabir Ahmed Usmani writes, fig and olive (zatoon) have great utility and advantages for man. The Quran swears about it (zatoon) therefore, contains great advantages and those things which have unique relationship with man. (Shabeer A, 2009) Attention is drawn to them so that we may derive benefit from them properly. Surah Abis olive (zatoon) has been discussed, God says "We have grown olive, dates for the good of the man". Oil burns, Olive tree is neither in the earth nor in the west its oil burns. Olive and its tree are useful thing. Scholars count a number of advantages of olive. Its oil gives lucid burning. The characteristics of olive oil is even the cork of bottle is removed, the ants do not come near it and when this oil is burnt in a lamp it does not leave smoke behind. Olive being advantageous for men. It has been mentioned repeatedly. How useful it is for human health. God says, dates mazrooat, the tastes of these things are different. Olive and pomegranate which are almost of the same shape, eat them when they are fully ripe. (Al-Quran) This means when the fruits are ripe it is good to eat. Dates gets ready for eating in summer, it is good to eat. Defensive power of the body gets increased. Sohra Namel God says, "He is the same God who sends rain, people drink that water. This water is used in growing trees, you graze your animals in the pastures and with the same rain water olive and dates are grown and other green vegetations grow. Those who deliberate and ponder over it have got useful signs hidden it. (Al-Quran)

In sohra Momanoon: "Man has been persuaded to benefit from olive in such a persuasive way that every sane man gets impressed by pondering over it and the greatness of the benefactor become quite evidence and man starts saying "Oye the Ahasanul Khaliqueen", Allah says "You should grow such garden in which you may grow dates, grapes and other fruits you eat voraciously. On Mountain of Toor there is a tree, oil is extracted out of it you can eat it in your stew. From all this it can been concluded that this fruit has got
MEDICINAL USEFULNESS OF OLIVE (ZATOON) AND ITS IMPORTANCE IN LIGHT OF HOLY SAYINGS:

As God has repeatedly said about olive and has said that it is very useful. The prophet has advised to eat and do massage with it. Umer Ibne Khatab says that once prophet was heard saying eat the olive and get the treatment from it, because it is a good tree.(Zakriyya,2008) It gives strength to body and treats the diseases. Khalid bin Saad says that he once came to Medina with Ghalib bin Aljaber and I fell ill in the way. Ibne Atique came to see him. He quoted Ashiya that Kalvingy is a very good thing to take. Kalvingy be made powered and mixed up with oil, be put in the nostrils. We did the same and Galib Bin Jabar got recovered.

Abu Horara says the prophet has advised the use of zatoon because it is pure and pious. Ulomas hold different views. Some says that it is produced in Syria and Syria is of great importance, because many prophets have been born here. Some say it gives handsome profit to the grower. According to Abu Naeem 70 diseases are cured with it, lepercy is one of them. Ibne Abbas says its oil is used in eatings, burning. Its ashes is used in washing silk.

Zaid Bin Arqam says, that the Prophet had ordered us to treat plucy with the oil of olive . From termizi Zaid has quoted that zatoon oil has much utility. Ashab ul Ilm says about tuberculosis it is useful. Allama Abdullah Mubarak Puri has called plursi as a kind of tuberculosis.(Nazar A,2009) A medicine which was once given to Prophet it was zatoon oil. Ume-Salma says that prophet developed pain in the house of Mamuna, when the pain reduced the Prophet came and offered his prayers. When he felt the intensity he asked the people to go and lead the prayers. The Prophet took the medicine felt relief and asked as what they served him as drug. People said it was "ood Hindi" along with a few drops of oil of olive . Asma Bint Umase suggested this as a medicine and this had come from Habsha. To protect the mouth from multiple mouth diseases olive misvak is the best. The Prophet Muhammad (Peace be upon Him) and his predecessors used olive misvak which emits pleasant sweet fragrance in the mouth. Prophet loved it.

ISLAMIC VIEW POINTS ABOUT OLIVE( ZATOON)

From the holy verses and the traditions of prophet we came to know the fruit and oil of olive are quite useful and are best for heart and brain and other vital organs of the body. Olive is a food and medicine too, that is why olive is used in Itly, Arab and in Africa in lieu of Ghee. It is more useful for health and specially for heart patients. By using olive oil cholesterol level is reduced. Heart attack mostly occurs due to excess of cholesterol. Dr. Afridi says that if instead of butter, fats and ghee we use those oils which do not freeze, cholesterol level falls down. That is why in northern area of Italy due to butter-eating heart attacks are frequent, but in the southern part because olive oil is used therefore rate of heart attack is small. That is why all the old and modern doctors talk high of olive. In winter for pain, for weak children
used as a nerve tonic olive oil is very good. Olive oil is a laxative also. It is also effective for internal swelling. For colic and intestinal swelling olive oil is the best remedy. When the holy prophet praises a thing how can be that thing otherwise.

Al-hafiz Abne Qayim writes that olive is hot in nature. It is taken for all the diseases of the stomach and kills the worms. Old olive is useful in old age. In short, it has multiple, numerous advantages. (Ibne Qayyam, 2009) Olive strengthens the stomach, removes the reduced libido and increases the appetite. Olive treats lepercy eye and the carbuncle of the eye. If it is taken with honey and chander Ani, it has great value. Toothache is also cured. Olive is also very useful for brain and excretion of sputum. If its pickle is made with vinegar it lends strength to stomach and it is apetiser. If the core of olive mixed up with flour is pasted on leper person gets better. If any woman keeps its as aray in her body the bleeding is stopped. Colic pain is also treated with. If scorpion stings some one, olive oil sets him right at one. Olive oil blackens hair and the head massage removes the pain.

In all the dental diseases of complex nature olive oil mixed up with honey is pasted on teeth, bleeding etc is removed. For constipation olive oil milk and honey if taken it is very efficacious. Similarly olive oil with honey, if it is applied in hair and later washed with shampoo, hair become more healthy and shining. There are people whose longevity is remarkable. They are the people of Azerbijan and Russia. The secret of their long life is hard work, milk, honey and olive oil. These things reduce the effect of old age and almost all the stomach diseases are caused with it. When olive oil becomes old, it becomes sweet. With the constant use of olive oil, the hair neither fall nor go white. If put in eye cataract is destroyed. If olive oil is applied on checks, they become beautiful. Hard stone in kidney is also destroyed. All sorts of poisons and their effects are removed. Cancer of intestine, burning in the stomach, bad cold typhoid, for all such kinds of diseases olive oil is panacea. Indian experts have also considered it of great value for the treatment of joint pain weakness, skin diseases of all sorts, exema etc. (Khalid, 2009) Olive which has been attached greatest value by Islam as a complete diet and a medicine for multiple uses in many diseases. It is therefore recommended that on international level its quantity may be increased to maximum extent, because it treats a big variety of diseases of people ailing and dying untimely.
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Financial liberalization and financial markets volatility

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Abstract
The aim of this paper is to examine the impact of financial liberalization on financial markets volatility. To this end, we use GARCH- and DCC-based econometric tests (GARCH (1,1) and Dynamic Conditional Correlation GARCH). Examining a sample of 7 countries, observed during the period 1 January 1995 to 1 Mars 2009 on a daily basis, we noted that conditional correlation between these countries is high with an amplification cycle starting from the year 2008. The introduction of the two variables measuring financial liberalization in the variance equation allowed us to notice that among the retained 7 countries, only 4 exhibit a significant yet negative effect of financial liberalization on stock returns conditional volatility.

Key words: Financial Liberalization, Financial Markets volatility, DDC-GARCH

1. Introduction
Studying the impact of financial liberalization on emerging markets returns volatility has been the subject of an abundant literature. During these last decades, many developing countries engaged themselves in an openness process of their financial markets to foreign investors by eliminating many restrictions like taxes, investment limits, and change and capital control. The empirical studies examining the effect of financial liberalization on markets volatility reached inconclusive conclusions. Indeed, some studies plead in favour of markets volatility increase during the post-liberalization period, whereas other studies point to the opposite, i.e. a decrease of volatility. For instance, Huang and Yang (2000) examined the impact of financial liberalization on the volatility of 10 emerging markets during a post-liberalization period and found out that indeed volatility level has increased in South Korea, Mexico and Turkey and a decrease in this volatility in Argentina, Chile, Malaysia and Phillipine. The authors insist that no volatility was detected in Thailand, Taiwan and Brazil. Levine and Zervos (1998), studying 16 emerging markets with the aim of assessing the impact of capital account liberalization on stock returns volatility, noted an excessive volatility in these markets during the post-liberalization period. The same conclusions are delivered by Uppal (1998) while examining stock returns volatility variation in Pakistan. More specifically, the obtained results point to a high volatility in the Pakistani market which witnessed stable high volatility levels after the liberalization process. Garbel (1995), studying Chile, Columbia, Venzuela and South Korea, noticed high volatility during the post-liberalization process. However, the author noted a less significant increase in volatility in Argentine and Phillipine. Koot and Padmanbhan (1993), using a GARCH model, found out a significant high volatility in the Jamaican stock market. Recently, Jaleel and Samarakoon (2009) studying Sri Lanka noted that stock market volatility is amplified following the liberalization policy. The author used ARCH and TGARCH models to study weekly data observed during a period of 16 years. Umultu, Akdeniz and Salih (2010), studying some emerging markets, tested whether the degree of financial liberalization affects stock returns volatility. The results point to the existence of a negative relationship between degree of liberalization and crises effects. Moreover, the authors noted that financial liberalization degree transfers its negative impact to the returns volatility and the idiosyncratic and local volatilities (inherent to the stocks). In other words, financial liberalization reduces stock returns volatility. In the same line of thinking, several studies indicated that markets volatility smoothens following financial liberalization. Indeed, Kassimatis (2002), using an exponential GARCH model to examine Brazil, India, Pakistan, Phillipine, South Korea and Taiwan, showed that market volatility has considerably decreased following the liberalization process adopted by these
governments. Kim and Singal (2000) used both ARCH and GARCH models to study the impact of openness on returns volatility variation of 14 emerging markets. They noted that volatility after and before liberalization did not change significantly and pointed to a significant decrease in stock returns volatility during the fourth and fifth year following liberalization. Bekaert and Harvey (1997), studying 17 emerging markets, indicated that stock returns volatility has significantly decreased following liberalization in Brazil, Mexico, Taiwan, Portugal and Argentina. However, this decrease is not significant for the rest of the sample. Kwan and Reyes (1997), studying the Taiwanese market, noted that financial liberalization significantly softens stock returns volatility. De Santis and Imrohoroglu (1997) found no significant effect of liberalization on market volatility of several European, Middle Eastern, Asian and American markets. The same conclusion has been reached by Spyrou and Kassimatis (1999) who pointed to the absence of a significant effect of liberalization on market volatility in Mexico, Chile, Pakistan, Taiwan and Argentina. The financial liberalization-market volatility nexus has been subject to many empirical investigations. Some studies, mainly those of Huang and Yang (2000), Levine and Zervos (1998), Jaleel and Samarakoon (2009) and Umultu, Akdeniz and Salih (2010), show that financial liberalization tends to increase financial markets volatility. Other studies, however, highlight the opposite trend, i.e. financial liberalization decreases volatility (Spyrou and Kassimatis (1999), Kassimatis (2002) and Kim and Singal (2000)). Nonetheless, the negative effects of the different financial crises which periodically flood international financial markets lead us to wonder about the presence of a contagion phenomenon across the different financial markets. To answer this, it is necessary to define the notion of contagion which, despite a number of attempts, remains a phenomenon difficult to apprehend. Contagion is defined as the spread of markets disturbances of one country to other financial markets. Indeed, the economics literature identified many mechanisms through which shocks spread from one market to another (Allen and Gale (2000), Kyle and Xiong (2001), Kiyotaki and Moore (2002), Kaminsky, Reinhart and Végh (2003), Brunnermeier and Pedersen (2005, 2009)). Accordingly, we propose within a third hypothesis framework to determine the cause-effect link between financial liberalization, financial contagion and financial crises.

The remainder of this paper is organized as follows. The second section presents the econometric approach used in our study. Section 3 presents the sample and reports the results and their interpretation. Section 5 concludes the paper.

2. Econometric approach

2.1. Presentation of the DCC-GARCH Technique

This technique has been introduced by Engle (2002) and then extended by Tse and Tsui (2002). It is a multivariate GARCH model with dynamic conditional correlation which consists in estimating simultaneously dynamic conditional correlation coefficients and the variance-covariance dynamic matrix. This technique allows viewing the evolution of correlation coefficients through time. To illustrate this model, we denote by $x_i$ as a vector of the order 3x1 containing return series, volume an implicit volatility. The mean equation is as follows:

$$x_i = \mu_i + \epsilon_i,$$

where $\epsilon_i \sim N(0, \Omega_i)$

with

$$\mu_i = E[x_i|\Omega_{i-1}],$$

the conditional expectation of $x_i$, given the past information $\Omega_{i-1}$;

$\epsilon_i$, the autoregressive errors vector. It is supposed to be a conditional normal multivariate distribution with null means and a variance-covariance matrix $H_i = \{h_{ij}\}$. Under the hypothesis that the returns series, volumes and implicit volatilities are determined by a set of information available at time $t-1$, the model may be estimated using a maximum likelihood method with the supposition that the conditional covariances matrix $H_i$ is positive and defined for all the values $\epsilon_i$. Engle (2002) supposes that $\mu_i$ has the following attributes:

$$\mu_{ij} = \Phi_0 + \Phi_i x_{i-1}, \forall i$$

$\Phi_i$, measures the ARCH effect of the three series. In the case of a traditional multivariate GARCH model, the variance-covariance matrix is written as:
\[ H_i = G_i R_i G_i \quad \text{avec} \quad G_i = diag \left( \sqrt{h_i} \right) \]

\[ h_i, \] denotes conditional variance estimated through a standard GARCH (1,1) model in the following way:
\[ h_i = \omega_i + \alpha_i e_{i,t-1}^2 + \beta_i h_{i,t-1} \quad \forall \ i \]

\[ R_i, \] denotes the matrix of the conditional correlation coefficients which vary in time.

According to the equation, the variance of each market is modelled according to a constant, the squared residues \( e_{i,t-1}^2 \) and the past conditional variance.

The matrix of the dynamic correlation coefficients of the DCC model is written according to Engle (2002) as follows:
\[ Q_i = \left( q_{ij,t} \right) \]
\[ \left[ diag(Q_i) \right]^{-\frac{1}{2}} = diag \left( \frac{1}{\sqrt{q_{11,t}}} , \frac{1}{\sqrt{q_{22,t}}} , \frac{1}{\sqrt{q_{33,t}}} \right) \]

In order to normalize error terms, Engle (2002) proposes \( z_t = G_i^{-\frac{1}{2}} e_t \) with \( G_i \), is a diagonal 3x3 matrix of the conditional standard deviation.

\( z_t \), is the vector of standardized residues with a null mean and a variance equal to the unit. Engle (2002) suggests as well the following estimation process of dynamic correlation:
\[ \rho_{y,t} = \frac{q_{y,t}}{\sqrt{q_{11,t} q_{\bar{y},t}}} \]

with
\[ q_{y,t} = \bar{\rho}_y + a (z_{i,t-1} z_{j,t-1} - \bar{\rho}_y) + b (q_{ij,t-1} - \bar{\rho}_y) \]
\[ = (1 - a - b) \bar{\rho}_y + a z_{i,t-1} z_{j,t-1} + b q_{ij,t-1} \]

The dynamic correlation coefficients within a DCC-GARCH model may be divided into two groups. The first group noted \( \rho_{y,t} \) denotes unconditional correlation coefficients. The second group \( a z_{i,t-1} z_{j,t-1} + b q_{ij,t-1} \) translates the conditional covariance which varies in time. The contribution of the DCC-GARCH method is to analyse the evolution of conditional correlations in time.

### 2.2. Effect of Financial Liberalization on Stock returns Volatility

In this section, we examine the effect of financial liberalization on stocks returns volatility of 20 emerging markets in our sample. To this end, we adopt a methodology similar to that suggested by Jaleel and Samarakoomb (2009). Indeed, the authors suggested the use of the GARCH and TGARCH models, introducing in the conditional variance equation two additional variables measuring financial liberalization. More formally, it is written as:
\[ R_t = \phi_0 + \phi_1 R_{t-1} + \epsilon_t \]

with \( z_{t-1} \sim N(0, h_{t-1}) \)

The variance equation
\[ h_t = \alpha_0 + \sum_{i=1}^{q} \alpha_i \epsilon^2_{t-i} + \sum_{i=1}^{p} \beta_i h_{t-i} \]

with
\( R_t \) : current return;
\( R_{t-1} \) : past return;
\( h_t \) : current conditional volatility;
\( h_{t-1} \) : past conditional volatility.
The coefficients $\alpha_0, \alpha_i$ and $\beta_i$ are all positive and the term $\sum_{i=1}^{n} \alpha_i + \sum_{i=1}^{n} \beta_i < 1$. This latter measures volatility persistence.

In our study, we introduce in the variance equation two binary variables representing financial liberalization. Then, the variance equation becomes:

$$h_t = \alpha_0 + \alpha_i e_{t-i}^2 + \beta_i h_{t-i} + \lambda_i Lib_t + \lambda_i Postlib_t$$

with

$Lib$ : a binary variable which takes the value of 1 during the financial liberalization period and 0 otherwise.

$Postlib$ : a binary variable which takes the value of 1 two years after financial liberalization.

3. Data and empirical results

3.1. Data and descriptive statistics

In this section, we propose to analyse markets volatility during liberalization. To this end, we consider a sample of stocks returns of 7 countries; Argentina, Brazil, Indonesia, Korea, Malaysia, South Africa and Venezuela, during the January 1 1995 to Mars 1 2009 period using daily data.

Most stock returns show a negative skewness and a kurtosis superior to 3. Consequently, returns are not normally distributed, it is rather leptokurtic. The Jaque Bera test confirms this conclusion.

Before proceeding to analysing the relationship between stocks returns volatility and financial liberalization, it is necessary to examine the dynamic conditional correlation between the different markets of our sample. Indeed, with reference to the literature, financial liberalization favours openness by allowing investors to detain stocks in different markets across the world. This financial liberalization policy allows to favour integration of financial markets and to increase correlation between economies.

Relying on the premise, we propose to examine correlation between stock markets of our sample using the Dynamic Conditional Correlation GARCH technique (DCC-GARCH).

3.2. Applying the DCC-GARCH Technique

In this section, we propose the evolution of conditional correlations in time of the different markets of our sample. Our objective is to check whether financial liberalization induces an increase in correlation between markets.

As shown in the graphs above, we notice a correlation sometimes negative and some times positive. Most markets, taken in pairs, exhibit correlations which vary in time. Sometimes, correlation is amplified, sometimes it decreases. However, starting from 2008, it is possible to observe a common phenomenon for most markets of our sample; dynamic conditional correlation has considerably increased. Indeed, starting from this date, correlations exceeded 80%. This result translates a strong relationship between markets, a relationship provoked essentially by financial liberalization adopted by these markets. Moreover, it is possible to attribute the high correlation observed in 2008 to a contagion phenomena induced by the subprime crisis which hit the real estate market in August 2007 and spread towards many international markets. However, it is convenient to admit that even if this explanation is more plausible, certainly it is common sense to admit that crises propagation is essentially due to markets interdependence mainly caused by financial liberalization.

It is possible to notice that financial liberalization helps reduce conditional volatility of stocks returns. This effect is significant in Brazil, Indonesia, Malaysia and Venezuela. These results are consistent with conclusions proposed by Kassimatis (2002), Kim and Singal (2000), Bekaert and Harvey (1997) and Kwan and Reyes (1997) which assume that financial liberalization softens financial markets volatility.
4. Conclusion

In this paper, we studied the relationship between financial liberalization and financial markets volatility. To that end, we used two econometric tests based on GARCH (1,1) and DCC-GARCH models. Studying a sample of 7 countries, observed during the January 1 1995 to Mars 1 2009 period (daily data), we noticed that conditional correlation between these markets is high and tends to amplify starting from 2008. This observation points to the presence of a contagion phenomenon across these markets, mainly during the subprime crisis (August 2007). The introduction of two variables measuring financial liberalization in the variance equation allowed us to notice that among the retained 7 countries, only 4 countries exhibit a significant yet negative effect of financial liberalization on stocks returns conditional volatility. This conclusion is consistent with the results reported by Kassimatis (2002), Kim and Singal (2000), Bekaert and Harvey (1997) and Kwan and Reyes (1997).
References
### Table (1): Descriptive Statistics

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<th>Country</th>
<th>Mean</th>
<th>Median</th>
<th>Maximum</th>
<th>Minimum</th>
<th>Std. Dev.</th>
<th>Skewness</th>
<th>Kurtosis</th>
<th>Jarque-Bera</th>
<th>Probability</th>
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<td>0.011281</td>
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### Table (2): Model estimation

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<th>Country</th>
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<th>$\alpha_i$</th>
<th>$\beta_i$</th>
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<th>$\lambda_2$</th>
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<td>0.002689*</td>
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<td>0.513230***</td>
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<td>-0.015763**</td>
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<tr>
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<td>0.101382***</td>
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<tr>
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<td>0.000131*</td>
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</tr>
<tr>
<td>Venezuela</td>
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<td>0.314707</td>
<td>-0.173227</td>
<td>-0.017524*</td>
<td>-0.008046***</td>
</tr>
</tbody>
</table>
Figure 1: Dynamic conditional correlation

Conditional Correlation

Cor(SOUTHAFRICA,ARGENTINA)

Cor(SOUTHAFRICA,BRASIL)

Cor(ARGENTINA,BRASIL)

Cor(SOUTHAFRICA,KOREA)

Cor(ARGENTINA,KOREA)

Cor(BRASIL,KOREA)

Cor(SOUTHAFRICA,INDONESIA)

Cor(ARGENTINA,INDONESIA)

Cor(BRASIL,INDONESIA)

Cor(KOREA,INDONESIA)

Cor(SOUTHAFRICA,MALAYSIA)

Cor(ARGENTINA,MALAYSIA)

Cor(BRASIL,MALAYSIA)

Cor(KOREA,MALAYSIA)

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Chinese Business Context in Establishing of Wholly Foreign Owned Enterprise in People’s Republic of China

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Abstract
The purpose of the following article is to present research outcomes of registering a wholly foreign owned company in China, and to compare it with the establishment of a limited liability company in the European setting. With the help of an interview method, we obtained information from the selected respondents, and this information served us to verify and to compare the European and Chinese ways of company registration. The information obtained in this manner was analyzed, and served as a basis to draw up a model of registering a wholly foreign owned enterprise in China. A comparative theoretical study of company registration models in the selected European countries was used, on the basis of which we observed that registering a limited liability company in the European setting does not differ significantly from country to country. All national and local legislation as well as the procedures in the EU countries are relatively similar, the only difference in the European setting can be observed in the amount of the start-up capital required and the time for establishment that can take from 1 to 30 days. The research enabled us to set up a uniform theoretical model of establishing a limited liability company in the European setting. On the basis of the research, we established a uniform model that should serve as guidance to future foreign entrepreneurs who intend to establish a wholly foreign owned company in China. The research contributed towards the clarification of some important issues faced by European as well as other international investors who plan to establish a wholly foreign owned company in China, or a company resembling those they establish in their own countries, in their full ownership. The mentioned research and the model of establishing a wholly foreign owned enterprise can serve a guidance or instruction to foreign investors planning to establish their own company in China.

Keywords: China, entrepreneurship, management, WFOE.

Introduction
Globalization can be defined as a process in which the role of geographical distances in international and regional economic, political, socio-cultural relationships is becoming less significant, which influences the potential borderlessness and internationality of relationship networks and co-dependence (Lubbers and Koorevaar, 1999). In the past decades, the role of geographical distances diminished also in China, which is a result of the globalization process, which left its mark in China in the field of economy, politics, culture, society and security. From the economic perspective, globalization often means a rapid growth in international trade and exchange of goods, currencies, technology, and capital, in an increasingly open, integrated and borderless international world of economy (Intriligator, 2001).

China remains a great, though multi-layered, opportunity for the world. On the one hand, the developing Chinese market with 1.3 billion inhabitants offers infinite business opportunities, while on the other hand, the country as a whole remains gravely undeveloped, and consequently, the price of its workforce low. Numerous Slovenian companies should seriously consider both alternatives if they wish to survive and win in the global competitive game. Companies operating
in global industries that are multiplying are being forced to internationalize their activities from the strategic point of view (Kotler, 1997).

Through the process of economic reforms, China has succeeded in achieving something that the western world required more than hundred years. Economic reforms modelled on the capitalist states have transformed China into an important power in the world economy. From the beginning of the reforms in 1979, which aimed at opening up the market, and until today, China has become one of the fastest developing economies. From 1979 to 2010 China’s GDP grew at an average rate of 9.3% - 10.5%, and China has the second largest economy in the world, following the USA, measured in purchasing power parity; nevertheless, per capita GDP is still relatively low. Chinese prefer to deal with foreign overseas compatriots, which is called the "blue eyes phenomenon" (Schlevogt, 2000). By continuing this trend, in 2040 the Chinese economy is expected to reach 123 trillion dollars, or nearly three times the economic output of the entire globe in 2000. China's per capita income will hit $85,000, more than double the forecast for the European Union, and also much higher than that of India and Japan (Foreign Policy, 2010). In case China proceeds with intensive growth of trade, the country will reach the highest point of the world trade and will be considered the strongest economy in the world.

Small and medium-sized companies are increasingly included into international exchange. This is particularly evident in small countries such as Slovenia, where it is very difficult to attain any visible advantages brought about by the economy of scale and maintain efficiency and competitiveness without expanding beyond the national boundaries (Trtnik, 1999). Moreover, there is high constraint concerning labour market as the level of flexibility is very low, which also influences companies to expand abroad (Franca, 2007). In addition, studies covering Slovenia (Nastav and Bojnec, 2008) reveal that within-country factors of rigid legislation, high tax wedges, and transaction/administration costs, hamper the development of small and medium-sized companies – pushing them to look for business opportunities both within (i.e. shadow economy) and outside of domestic markets (i.e. internationalizing). Studies of Slovenian companies have revealed different levels of internationalization of companies from various regions and branches (Glas, et. al., 1999). As opposed to small enterprises in large countries, new dynamic companies in small countries cannot develop for long within their own countries, as they soon become limited by small national markets. Therefore, they should focus on international markets, where modern technologies, fast and available communications and changes on the international market enable them to have a more active role in global operations. Even in large developed countries, such as the USA, the report on small exporters (SBA, 2008) reveals that their export share tripled between 1987 and 1997, and in 1999 already amounted to 31% of the total export, with a tendency of further growth.

Fletcher (2001) notes that companies wishing to internationalize have certain characteristics in common, of which, the most important are: readiness to develop a product for other markets, technological advantages, readiness to enter foreign markets, and focus on research and development and the nature of products.

China has developed special principles of foreign trade that are a base for commercial cooperation with foreign countries. Nevertheless, new circumstances and an increasingly liberal legislation, particularly after China joined the WTO, have forced China to operate in a totally different direction, and its foreign trade is based on special principles (Dezan & Associates, 2006).

The EU is the second largest partner of China (immediately after the USA) in the exchange of goods; however, according to the National Bureau of Statistics of China, the EU should soon
become number one Chinese partner (European Commission, 2006). At the beginning of 1980, the EU enjoyed trade surplus with China, however, according to Eurostat, the EU is now facing trade deficit with China, and in 2009, the deficit amounted to EUR 128 billion (Pappalardo, Nowak, 2010). This is the largest bilateral trade deficit of the EU. In the first half of 2010, China was the EU27’s second most important trading partner after the USA, accounting for 8.5% of EU27 exports and 17.8% of EU27 imports (EUROSTAT, 2010).

Theoretical background

The focus of the paper is to define a process of establishing a new company in the People’s Republic of China (PRC). The PRC is one of the fastest growing markets in the world. China has clearly become a major participant in world economy. It is virtually certain it will become even more important in the future due to its size, dynamic economic growth, and continuing policy reforms (Lardy 1994, VII). Consequently, foreign investors are ever more present in the PRC and its growing economy. From this point of view it was necessary to carry out this research because foreign investors do not have enough information regarding the establishment of a company in the PRC. A wholly foreign owned enterprise is a type of a company most commonly used by foreign investors in China. This form enables foreign investors to perform independently on the Chinese market, and gives them a complete control over all company operations (Invest in China, 2009).

After a record 14 years of consultation, China’s long awaited new Property Rights Law was finally passed on March 16, 2007, and came into effect on October 1 of that year. Referred to as “China’s next revolution” by The Economist, the law offered equal protection to socialist public property and private property, stated explicitly for the first time. This was a huge step in reforming secured lending and building a modern secured transactions system (Marechal et. al. 2009, 12).

When investigating the process, all basic elements that influence establishing a company in China have to be identified, as well as specific features that are a result of political and social environment, and this subsequently have to be compared to Europe. A model was then set up that can serve as a basic tool for other enterprises wishing to establish their own company in China. As Fernandez and Shengjun (2007, 100) suggest, it is nearly impossible to propose a general model on how to organize international operations valid for every type of company. It is true that it is impossible to carry out a general model of establishing a wholly owned enterprise in the PRC, but our research has revealed that it is possible to make an approximate model of establishing a Wholly Foreign Owned Enterprise (WFOE) in the PRC. This model cannot be applied to any type of business due to fact that each business is unique, and foreign entrepreneurs must pay attention to these distinctions when registering their own company in the PRC.

The main purpose of our research was to compare the establishment of a company in the European setting and in China, and thus set up a uniform model that could serve to future foreign investors as a framework or a guide for registering a Limited Liability Company (LLC) in China. A project objective is precisely defined, financially limited and has a deadline; the project objective is specific (Keeling, 2000). Likewise, the establishing of the company in the PRC has its own deadline and must be carefully defined, particularly one needs to have a lot of information relevant for establishing a WFOE in the PRC. This project is costly and time consuming. It cannot be compared to any European system of establishing an LLC in the European environment. Thus the main purpose of the research was to analyze and present the
establishment of companies in the PRC. The European economy shows a huge interest in doing business in China, but at the same time is not familiar with the discussed establishing of an LLC.

The Doing Business 2011 has compared data for China of starting a business to good practice and comparator economies all over the world. According to their data the average time to start a business in China in 2011 is 38 days (7, 2011). Based on relevant literature review and empirical research we were not able to compare the stated average time to starting a business in China by The Doing Business 2011 data for China. All other data are comparable with our findings.

Primarily, data was obtained from relevant literature review and content analysis of relevant documents connected with establishing a WFOE in the PRC and establishing a LLC in selected European countries. For the purpose of this research a pluralistic methodology was adopted, incorporating both qualitative and quantitative approaches, where research bias was minimised by methodological triangulation (Simon, Sohal, 1994, 34). The choice of method depends on the aim of the study (Robson 1993). Information has been gathered from several sources and data presentation can be best described trough “triangulation of methods” (Simon, Sohal, 1994, 34).

To get a better validity of the research, a triangulation of respondents as sources of information was made. The first group of respondents consisted of three European managers, who were actively involved in establishing WOFE companies as subsidiaries in China. The second group of the respondents consisted of two lawyers from international law companies who are particularly involved in setting up new enterprises in China. The third group of respondents were consultants from Chinese governmental institutions who are help foreign entrepreneurs to set up a WOFE company in China. A method of in-depth interview was chosen. In-depth interviewing is a qualitative research technique that involves conducting intensive individual interviews with a small number of respondents to explore their perspectives on a particular idea, program, or situation (Boyce and Neale 2006, 2). With the help of in-depth interviews information from the selected respondents was collected, and this information served to examine and compare the European and Chinese ways of company registration based on the of analysis of relevant literature and sources. All collected data from primary and secondary sources were analyzed and served us to set up a model of registration procedure in China.

**Methodology**

The method evolved during the initial research, following both the investigation of the literature and new learning in qualitative research and descriptive methods. The literature enlightened our understanding of practical and effective methods for researching psychological phenomena in organizational life. New learning in qualitative and interpretive methods enabled the adaptation of appropriate methods for the unique focus of this study. The experience with research methodology is described below, and then summarized in the approach.

A possibility of establishing a company in the PRC was researched, as recently an increasing number of companies have been deciding to establish production companies in this business and economic environment. For this purpose, a qualitative research – a case study was conducted. Data and information were obtained with the help of an interview.

Interview was chosen as a research method which enabled a better checking of the facts on the ground. An interview is relatively an unstructured and a direct way of obtaining information, its purpose is to identify beliefs and opinions of interviewees (Malthotra and Birks, 2003). In addition, the theme of establishing of WFOE and comparison to European model of establishing of LLC in Europe is relatively unexplored, which means that it is fundamentally more
A semi-structured in-depth interview was used for the purpose of our research. This method was chosen mainly because of the nature of the selected topic and the realistic state in the Slovene economy. Interview is by nature a cultural and collective phenomenon. The meaning of an answer is not a straightforward matter of external or internal reference, but also depends on the local and broader discursive system in which the utterance is embedded (Wetherell & Potter, 1988, p. 169). From this perspective, the use of a semi-structured interview seemed the optimum choice, as on the one hand, it helped us to learn about the experience of Slovenian companies and managers, and a manager from the European setting, who decided to register a wholly foreign owned enterprise in China, and, on the other hand, it enabled us to check the stated facts with specialized consultants who are employed by the Chinese government and work for its benefit. In spite of being less structured, in-depth interviews are well accepted by managers and allow deeper insights into the research problem (Arzenšek, 2010). The questionnaire comprises of 12 main uniform questions (see Appendix 2). In the sample three officials from the Chinese governmental advisory offices from different provinces were included, who advise foreign investors about foreign investments, establishment of businesses and companies in the PRC. Two managers from Slovenian companies who have registered a WFOE company in the PRC were also included, and one manager from Holland, who registered a WFOE company as a subsidiary in China. These businessmen shared with us their views and experiences at registration and entry of firms on the Chinese market. The diversity of answers given by officials working in specialized institutions for registering foreign companies from three different provinces, and three entrepreneurs who registered companies in the PRC were compared. Information obtained in this manner was analysed with the help of the content analysis method as defined by Esterbay-Smith, Thrope and Lowe (2002); from the information obtained, key characteristics were identified and, at the same time, managed to retain the richness of the material, which was used to prove our final conclusions and to set up a model of establishing a company in China.

Our semi-structured in-depth interview contained 12 research questions, as presented in appendix 2. The questions were set in a manner which enabled us to obtain as much information as possible about the registration procedure of a WFOE in the PRC. Interviews were conducted with European managers and Chinese consultants for registration of foreign companies in the PRC, as well as in specialized institutions which offer assistance to foreign investors when opening a company or representative office in China. Our research was carried out in Guangdong, Shanghai, Zheijiang and Jiangsu provinces, where the majority of foreign investment is made and the majority of companies are registered. Different provinces were researched in order to establish whether a uniform system of establishing a wholly foreign owned production company exists in China.

In the course of our empirical research, the limitations in the sense of contents, methodology, space, time, and language mainly had to be overcome. One way to increase the validity, strength, and interpretative potential of a study, decrease investigator biases, and provide multiple perspectives is to use methods involving triangulation (Denzin, 1970). By triangulation, i.e. examining the selected topic from different perspectives, which were represented by different respondents, the credibility of our research was raised. A Chinese consultant found himself in a double role - in the role of an official of the PRC, who has to act for the benefit of his people and
their social interest, and in the role of a consultant advising foreigners in his own country. This can bring about ethical dilemmas.

**Results**

Analysis and the interpretation of information was divided into two sets: analysis and interpretation of information collected from theoretical sources, such as various sources and literature studied in the theoretical part, and information obtained with the help of our interviews. Theoretical information was compared to the information obtained with the interview; and on the basis of this information, a uniform model of establishing a wholly foreign owned enterprise in China was set up.

From the analysis of the relevant documents and sources, it can be concluded that a more or less uniform system of registering a LLC exists in Europe as can be seen in table 1, which has enabled us to set up a uniform registration model, as evident from Appendix 1. Furthermore, relatively similar statutory regulations and secondary acts for establishing a LLC exist in different EU countries, the main differences can be observed in the amount of the initial capital required, tax on revenue from capital, and publication of a company in various public documents. A LLC in the European economic setting can be registered within 2 to 30 working days.

On the basis of information gathered from literature and sources, a more or less uniform model of registering a LLC can be established, containing certain specific features that were identified in individual countries.

When examining Chinese literature and sources on establishing a company in China, it can be concluded that uniform rules and regulations concerning the establishment of a company or WFOE in China exist, however, these can differ from province to province. Other secondary acts and regulations exist in certain provinces, which must strictly be observed when establishing a company.

On the basis of our research, it has been discerned that local customs and rules must be observed, as these enable a smoother registration of a wholly foreign owned enterprise. If one wishes to register a company, one must be well-informed about local rules and regulations; while at the same time, it is highly recommendable to hire a specialized local organization that is not owned by the state, but working independently as a consulting firm, with the experience in the field of registration of such companies; we particularly recommend an international company that has references in the field of company registration in the PRC. It can be concluded that local consulting firms operating under the auspices of the state are not neutral, but operate for the benefit of the state and local authorities. At the same time, it can be concluded that the registration of a WFOE is much simpler in the economic and tax-free zones rather than outside. These zones already contain all infrastructure; already constructed premises or land can be hired and a facility that suits our needs can be built, in compliance with the rules of the zone and local spatial planning regulations.

Types of foreign owned companies are universal throughout China, however, foreign investors most frequently decide to register wholly foreign owned enterprises, as this type enables them a certain level independence, as well as the protection of their interests and know-how. It is well-known that Chinese authorities want to acquire as much foreign knowledge and technology as possible, and want to utilize these for their own benefit and the development of their own
capacities, as well as launch them on their national and foreign markets. There is still a great threat of technology leakage and plagiarism in China.

Registration Procedure Model for Establishing an WFOE in the PRC

On the basis of the carried out research, analysis of relevant literature and sources about establishing a wholly foreign owned enterprise in the PRC, a registration procedure model for establishing a wholly foreign owned enterprise – WFOE was drawn up, which could serve as a basic framework during registration procedure of a WFOE in the PRC. The model was adopted from Dezan Shira & Associates (2006, 43) and modified with results of this research which contains all essential elements that appear during the registration of WFOE and all particularities that foreign investors should pay attention to prior to and when registering a company. The elements in the model were obtained from theoretical findings and conclusions made on the basis of the research (interview) that was carried out in China.

The set up model contains all elements that offer investors a quick and up-to-date insight into the registration procedure of a wholly foreign owned enterprise, the course of registration and foreseeable costs related to company registration. The model also enables us to see the time course of the registration and its duration.

The registration procedure model of a wholly foreign owned enterprise (WFOE) is demonstrated in Figure 1, and has been divided into five main steps that lead to an official establishment of a WFOE; however, official establishment does not necessarily mean that the company may begin its operations. In order to complete the registration, several other procedures have to be carried out, some of which overlap or can be carried out simultaneously, while others cannot be carried out prior to the step ahead.

The model reveals that six to eight weeks are required for registration or obtaining a business license, however, a company cannot start operating immediately, as other registration procedures before other state authorities, for instance, tax, customs and inspection authorities have to be carried out. In order to obtain all licenses and to open an RMB and foreign currency account, we need 16 to 20 weeks. Nevertheless, any procedure can get prolonged, since much depends on correct documentation submitted to individual state authority. Length of the procedure also depends on a province and local legislation.

Registration of a company in the PRC must be approached in the same manner as project work. The project of establishing a company in the PRC begins with an idea and continues with team approach that leads to company registration. As various researchers (Devetak, 2003; Potočan et. al., 2008; Meško et. al., 2009; Fatur and Likar, 2009) pointed out, an idea is only a step on the way towards innovation, which, in our case, is a registration of a company in the PRC.

The model was set up on the basis of findings from literature, sources and research work in the PRC, and can be applied to the most common type of production companies that register a WFOE in the PRC.
Discussion and Conclusion

This research paper presents a registration of a WFOE to anyone intending to register a company in China in the future. It aims at contributing to a better understanding of Chinese registration procedures. The establishment process was presented from the perspective of a project approach, since establishing a company is a project that begins with an idea and ends with obtaining a business license.

Characteristics of registering a WFOE were presented through the analysis and synthesis of numerous, mainly foreign, literature and sources dealing with the registration of a WFOE, and through examining relevant legislation and local rules and regulations, which was later verified by the empirical research based on interview.

The research helped us to shed more light on some key problems and dilemmas faced by European and foreign investors that have or will establish a Wholly Foreign Owned Enterprise (WOFE) in China. We believe that our research can offer additional help to companies deciding to enter China through their own WOFES, or can serve as a good reference material.

Initially, a theoretical research of company registration in the European setting was carried out and it was observed that the procedures for registering a LLC in the European environment do not differ significantly, apart from certain specific features.

In China, the establishment of a wholly foreign owned enterprise was investigated, which bears the greatest similarity to a LLC in the European setting. The research revealed that a unified umbrella law governing the establishment of a WFOE in China exists, however, local rules and customs have to be observed in various provinces.

The research enabled us a deeper insight and understanding into registrations processes, which had previously been analyzed theoretically. The initial analysis of legislation, rules and regulations, literature and sources, enabled us to carry out a high quality research. Findings from literature, sources and our research enabled us to set up a model of establishing a WFOE in China. The model demonstrates the entire registration procedure of such a company in the PRC.

The model can serve to foreign investors who have decided to register a WFOE in the PRC as a basic framework for registering such company, as it clearly demonstrates and describes the procedure that must be followed if one wants to successfully register a company in China. The registration of a WFOE is very complex, and it has been concluded that it cannot be compared or equalled to registering a LLC in the European setting. Certain similarities in some procedures do exist; nevertheless, the entire registration procedure differs greatly from the European one and is much more time consuming. The research itself makes a great contribution to economy and science. For the economy, the research offers a quick insight into the registration procedure of WFOE in China and can be used as an extended research to research of Doing Business 2011. The results of this research can be used as basic guideline for new entrepreneurs who would like to set up an WOFE in China. For science, the research presents a base which can be further expanded through the research of registration procedures for other types of companies in China, or to compare registration procedures between local and foreign investors.
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Table 1: Features of the establishment of limited liability companies in the European environment

<table>
<thead>
<tr>
<th>Country</th>
<th>Law governing setting up of a company</th>
<th>Initial capital</th>
<th>Tax on profit</th>
<th>Indicative duration of the formation of the company</th>
<th>Estimated cost of setting up a LLC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slovenia</td>
<td><em>Zakon o gospodarskih družbah (ZGD-1)</em></td>
<td>EUR 7,500</td>
<td>25%</td>
<td>10–30 days</td>
<td>EUR 900</td>
</tr>
<tr>
<td>Poland</td>
<td><em>Ustawa o swobodzie działalności gospodarczej OLD</em></td>
<td>PLN 50,000 (EUR 13,204)</td>
<td>19%</td>
<td>20–25 days</td>
<td>PLN 2,932 (EUR 700)</td>
</tr>
<tr>
<td>Italy</td>
<td><em>Testo Unico della Finanza - TUF</em></td>
<td>EUR 10,000</td>
<td>37%</td>
<td>20–30 days</td>
<td>EUR 1,500</td>
</tr>
<tr>
<td>The Netherlands</td>
<td><em>Burgerlijk Wetboek</em></td>
<td>EUR 18,000</td>
<td>20–25.5%</td>
<td>10–30 days</td>
<td>EUR 2,000</td>
</tr>
</tbody>
</table>
Figure 1: The Model of Establishing a WFOE in the PRC

1. Preparation of registration documents

2. Project approval Report from the Ministry of the Economy

3. Environmental Protection Report from the State Environmental Protection Administration (SEPA)

4. Authorization of the company and its certification on the part of the State Administration for Industry and Commerce (SAIC)

5. Licensing of the company on the part of the State Administration for Industry and Commerce (SAIC)

6. Verification on the part of the Public Security Office

7. Obtaining the registration number from the Technical Supervising Office

8. Business premises inspection on the part of the tax office

9. Registration with the tax office

10. Opening an RMB bank account

11. Registration with the customs office

12. Product registration with the Commodity Inspection Service

13. Registration with the State Administration of Foreign Exchange (SAFE)

14. Foreign investment approval on the part of the SAFE

15. Opening a foreign currency account

16. Foreign capital transfer

17. Transfer verification

18. Business licence renewal with the AIC

19. Financial registration

20. Registration with the Statistical Office

21. Application for the taxpayer status

Cost: $3,000—$5,000 EUR

Capital:
- for a multi-member company 30,000 RMB
- for a single-member company 100,000 RMB
Appendix 1: Uniformed model of registration of Limited Liability Company in Europe

1. Development of business plan, the constitution
2. Determination of the activity, location and company name
3. Composition and verification of establishing contract
4. Opening a bank account to deposit the initial capital
   - Capital:
     - SLO: 7,500 EUR
     - PL: 13,204 EUR
     - NL: 18,000 EUR
5. Recording companies in the commercial register or register of companies and publishing in the national gazette
6. Recording companies in tax and Statistical Register
   - Tax on income:
     - SLO: 29%
     - PL: 19%
     - NL: 20-25,5%
7. Opening a business account at a bank
8. Obtaining permits and licenses for business
9. Start of operation of a limited liability company
   - Approximate cost:
     - SLO: 900 EUR
     - PL: 700 EUR
     - NL: 2,000 EUR
Appendix 2:

1. Please, can you provide us the actual law and regulations for establishing companies in PRC? What can you provide to us about setting up a company in China, the existing laws and regulations?

2. Which are forms of companies that a foreign investor can register in China and which is a recommend form of company that foreign investor can register? Foreign investors registered in China to be able to, then what kind of companies need to form? Foreign investors want to register, then recommend what form the company?

3. Which is the most common form of company that foreign investors choose? Will foreign investors to choose the most common form of what kind of company?

4. Why is this form of company (WFOE) the most proper for production company? For manufacturers, the form of why this company (WFOE) is the most appropriate? It really is for the foreign (to set up a production company) in terms of what the best way?

5. Do foreign investors get some benefits at registering any form of a company in PRC? Registered in China to any form of company, whether foreign investors will get some benefits?

6. Is WFOE the most proper legal form of foreign investment for Production Company? WFOE is the creation of production-oriented foreign investors the most suitable legal form of business?

7. Can you describe a process of registration of company in your invironment? Can you describe where you need to register a company process?

8. What is most important at registration of WFOE? WFOE registration, what are the most important issues?

9. How long does it take to register WFOE? Registration WFOE take?

10. How much does registration WFOE in PRC cost? Registered in China WFOE takes the amount?

11. Where should we be especially careful at registration of WFOE? WFOE registration when and where need special attention?

12. Can we expect any obstacles at registration of WFOE? (Either economical or law) The WFOE registration process, we will encounter obstacles which may occur (economic and legal)?
An Empirical Study of the Relationship between Car Loan and Lifestyle of people of Bangladesh

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Abstract
Bangladesh is a developing country. The middle class and fixed income group in this country is not solvent enough to pay the price of an essential product (like car) at a time from their savings. So, they need car loan to buy the car for doing their lifestyle activities, satisfy their desired interests, and express their opinions. The purpose of this article is to identify the car loan impacts on lifestyle of consumers of Bangladesh. 576 respondents in a survey were asked to rate the importance of 16 lifestyle variables related to car loan. These data were tested via factor analysis (the principal components method with varimax rotation) by using SPSS program. The results show that people borrow money to buy car to do their work, satisfy their desired interests and express their opinions. The article will make contribution to our understanding that people need car loan to increase their lifestyle.

Keywords: Consumer, car loan, lifestyle, activities, interests, opinions.

1. Introduction
Bangladesh is a developing country. A sizeable portion of our population is coming up as a consumer class every year. The middle class and fixed income group belongs to this and they are in continuous race to elevate the standard of their living and quality of life. In doing so, it can not afford to possess basic necessities of life by paying the price at a time out of their savings (National Bank Bangladesh Ltd., 2008). Because of limited income, they (especially the salaried professionals) have no ability to buy essential household durables (like car) to enhance their lifestyle after fulfillment of their basic needs. In this situation, credit is necessary for them to buy car. But their financial positions do not allow them to get micro credit; because micro credit is for poverty alleviation. They have no ability to get mortgage loan. To materialize their cherished goal of becoming the owners of the durable goods (like car), at first Islami Bank Bangladesh Ltd. offered an attractive opportunity of installment buying through a consumer credit scheme named ‘Household Durable Scheme’ in 1993 in Bangladesh (Brochure of Islami Bank Bangladesh Ltd, 1994). It was followed by Prime Bank Ltd. and Social Investment Bank Ltd., all of which started their services in 1995. Soon several other banks joined and today 19 of the 48 commercial banks offer consumer credit services (Bangladesh Banks, 2008).

The banking sector as a whole plays an important role in the economy of a country irrespective of its level of development. The commercial banks have greater responsibility both in the areas of product growth and in the performance of
individual and social obligations. Car loan is a product of commercial banks. By lending these products, commercial banks play an important role in individuals and society. By borrowing the loan, consumers can easily buy their car. Using car, they can speed up their activities; satisfy their desired interests, express their opinion. Therefore, the objective of the present study is to identify the consumer credit impact on lifestyle of consumers of Bangladesh.

2. Literature Review
Consumer credit /consumer credit institutions were first introduced at Chicago in 1878 (Beckman & Foster, 1969). These spread after World War II. After 1952, attitudes towards consumer credit changed dramatically. After 1968, sub-continental countries began to introduce it (Suneja, 1994). At first Islami Bank Bangladesh Ltd. introduced consumer credit(car loan) scheme in Bangladesh in 1993(Islami Bank, 1994).

Researchers have identified that consumer credit is for purchasing consumer goods (like car) and services(Stokes & Artt, 1955), personal consumption (Prather, 1969), nonbusiness use (Garman & Forgue, 1991), improving standard of living (Suneja, 1994). So, consumer credits/car loan are loans granted by bank to individuals’ who may feel inclined to purchase consumer durables(like car) to improve the lifestyle.

Previous researchers have identified lifestyle as distinct mode of living (Lazer, 1963), way to allocate income(Zablocki and Kanter,1976), unified pattern of behavior(Berkman and Gilson, 1978), pattern of individual and social behavior (Veal,1989), pattern of living reflected by activities, interests and opinions (Kotler & Armostrong, 2007). So, lifestyle can be defined as: Lifestyles are consumer pattern of living in the world as expressed in their activities, interests and opinions, pattern of consumption, spending time and money along with product, service and media.

Plummer (1974) measured people’s lifestyle in terms of (i) how they spend their time, (ii) their interests, what they place importance on in their immediate surroundings, (iii) their opinions in terms of their view of themselves and the world around them, and (iv) some basic characteristics such as their stage in lifecycle, income, education, and where they live. He listed the elements included in each major dimension of lifestyle. These elements are: activities-work, hobbies, social events, vacation, entertainment, club membership, community, shopping, sports; interests-family, home, job, community, recreation, fashion, food, media, achievements; opinions-themselves, social issues, politics, business, economics, education, products, future, culture; demographics-age, education, income, occupation, family size, dwelling, geography, city size, stage in life cycle. The Plummer concept helps the marketer to find out the basic need of the consumer and how the products fit into their lives.

From the definition and measurement of lifestyle, and definition of consumer credit it can be assumed that there may be relationships between car loan and lifestyle activities. Following discussion will also help to assume the relationship between car loan and lifestyle.
Amling and Dromes (1982) explained that consumer credit facilitates enjoyment of life because it enables people to obtain goods without delay. Garman & Forgue (1991) opined that consumers have to wait long time for buying household goods if they have no savings. Consumer credit helps them to enjoy immediate use of the products. Buying a car on credit allows the consumer immediate use of the product. Some researchers (Gladwell, 1990; Reimer, 1995) are employing a battery of items to capture a more holistic picture of people's lifestyles that included their hobbies, vocational interests, work, recreation and social activities. People need credit for buying car to do their work, satisfy their interests, and express their opinions.

People need credit for buying the car. A car is necessary for outdoor activities and recreation. In this regard, Research by the "Outdoor Industry Foundation" (Outdoor Industry Association, 2000) explored active lifestyles of people participating in outdoor activities. In relation to outdoor recreation and tourism, a study by MacKay et al. (2002) identified outdoor recreation, sightseeing, and cultural activities as niche markets. People in these niche markets participated in different activities during their vacations. In examining tourism and cohorts (i.e., people born in the same time period), Pennington-Gray et al. (2003) found that "different cohorts may be attracted to different activities at different times" of their lives. Another few studies also explored lifestyle activities oriented research, such as going to church, playing with children or grandchildren, drinking wine, visiting a theater, gardening, eating out (Morgan & Levy, 2002; Vyncke, 2002).

Combray (1987) found that more and more people are becoming involved in charity, volunteer work & social service activities. Social oriented people need credit to buy car for maintaining interaction with others of the society.

Kotler & Armstrong (2007) identified that observers have noted a shift from ‘me society to we’ society in which more people want to be with and serve others. More and more they want to get out of the house and be with others. This trend suggests a greater demand for social support products and services that improve direct communication between people, such as health club, vacation & games. It also suggests a growing market for social substitute things that allow people who are alone to feel that they are not, such as car, TV, vcp, computer etc. So they need credit to buy social support and social substitute products for doing their charity, volunteer & social service activities. They can communicate with others for using car.

Amling & Droms (1982) identified the association between consumer credit and peoples’ interest to solve the necessity of their personal or family needs. They are responsible for many of their occasions: birth, death, sickness and similar events, which demand a large immediate outlay. Very often credit is necessary to solve these emergency conditions. People need credit to buy car to get affiliation of family solidarity; family relaxant; conflict reduction and relationship maintenance (Lull, 1990).

Assael (1998) described that the focus on time savings convenience in the 1990s has created two trends in interests to food consumption: (i) Grazing- It is the need to eat on the run. People eat breakfast in the car on the way to work, munch on a sandwich
while walking, or eat lunch at their desks. (ii) Refueling refers to less time spent in preparing and eating dinner. The primary reflection of this trend is the growing importance of household goods (like car, microwave ovens, fridge, pressure cooker and blender) in people’s lives for preparing food and eats in the car. People need consumer credit to buy these products to satisfy their interests to food.

Beckman & Foster (1969) identified that consumer credit provides the desired article first and then encourage the buyer put aside a certain amount weekly and monthly in payment for it. People became economize in order to be able to meet installments when they become due. Amling & Droms (1982) opined that credit allows a consumer to purchase items requiring a major cash outlays and then pay for this items in small amounts over an extended period of time. Most people would be unable to purchase a new car, for example, if they had to pay the full cost in cash. By using credit, they can pay for the car from current income while they are using it. They also keep their savings intact. This example illustrates two additional advantages of credit: (i) Preservation of savings: Using credit as an alternative to withdrawing savings allows people to preserve the hard-earned savings dollars and still makes major purchase. (ii) A pay as you go system: The use of credit allows people to have the immediate use of an item and to pay for this item while they are using. Lewis (1996) argued that if low income families can not save, financial resources during emergencies will be insufficient. So they buy goods and services at first by consumer credit and pay later. They used this mechanism for savings.

People need credit to buy consumer goods to show their social status for expressing their lifestyle. In this regard, Eastman et al. (1997) opined that status is seen more through ownership of status products than through personal, occupational, or family reputation. Consumers demonstrate their social power by displaying their material wealth because wealth is the best indicator of power in modern society (Bell, 1998). The consumption of goods and services has an important role to play in processes of lifestyle formation since lifestyles are usually understood as the material expressions of people’s identities (Wilska, 2002).

Wang & Wallendorf (2005) explained that debt is not only related to people’s personalities and values, but is often influenced by others. For example, people may accumulate more debt in order to reduce obligations with someone who provides financial support. On the other hand, debt may change one’s perception of his/her position(s) in the network and propel him/her to function differently in the network. One’s strong ties are especially relevant to his/her debt situations. Kotler and Armostrong (2007) explained that people’s orientation to their society influences their consumption patterns, level of savings and attitudes toward the market place.

Beckman and Foster (1969) explained that the standard of one’s living is judged in large measures by the number and kinds of durables goods and costly articles in his possessions, as well as by his consumptions of items yielding cultural and aesthetic satisfaction. Installment credit may be an aid to raise the levels of one’s living in terms of these standards. Installments plan encourages culture to enjoy the better things in life. People need credit to buy car for maintaining their culture.

From the above discussion, it is clear that previous researchers found link between car loan and peoples’ lifestyle. But no research has been done to investigate the
relationship between car loan and lifestyle of consumers of Bangladesh. This article seeks to make a substantial contribution in this area. Thus, the article seeks to answer three important research questions (R.Q.).

R.Q.1: How does car loan help to improve the lifestyle activities?
R.Q.2: How does car loan help to satisfy the desired interests?
R.Q.3: How does car loan help to express the opinion?

3. Conceptual Frame Work for this Study

Based on the findings of the existed study, the major factors which may influence to borrow car loan to improve their lifestyle can be classified into lifestyle activities, interests and opinions. A conceptual model of car loan impacts on lifestyle of people has then been derived and presented in figure-1 (see appendix)

The model is a comprehensive one and should be capable of capturing the relevant factors underlying the problem. A number of variables have been included to measure car loan impact on the lifestyle of people of Bangladesh. The variables are involved under categories of lifestyle factors. These are lifestyle activities, interests and opinions

Each variable in these three major categories may have marginal effect on lifestyle by using car loan. Using statistical method, the probability of car loan impact on lifestyle can be found out by considering marginal effects of all variables. Variables in these three major categories and their specifications are discussed in the following sections.

Hypotheses (H) as formulated in this section along with the expected effect on the car loan impacts on lifestyle are summarized as follows:

H1. There is a strong association between car loan and lifestyle of people of Bangladesh.
As lifestyle includes activities, interests, opinions; therefore, for the purpose of the study, it can develop the following three sub-hypotheses.

H1a. There is a strong association between car loan and people’s activities.

H1b. There is a strong association between car loan and people’s interests.

H1c. There is a strong association between car loan and people’s opinions.

4. Methodology

The strategy adopted for this study is the personal interview survey. Considering the nature of the present study, a combination of structured and unstructured interview schedules was used in order to explore both quantitative and qualitative information.

6 sets of questionnaires were used to collect information. Dhaka—the capital city of Bangladesh was chosen as study area for this study. Addresses and phone numbers of borrowers (respondents) were collected from office file of the sample branches by the employees of the banks for interview. Sample size determination formula is used for identifying total number of samples.

Sample size determination method:

\[ N = \frac{p(1-p)z^2}{d^2} \times df \]

N = size of the sample

P = the proportion to be estimated = 0.5
Z = value of standard normal variate = 95% level of significance = 1.96
D = the amount of tolerated margin of error = 0.05
Deft = design effect = 1.5
Number of sample = \[
\frac{[0.5(1-0.5)(1.96)^2]}{(0.05)^2}\] * 1.5 = 576

576 borrowers were selected as sample for interviewing. At first target population is divided into mutually exclusive and collectively exhaustive subpopulation or cluster. That means 301 clusters (branch as cluster). Random sample of cluster (branch as cluster) is selected based on probability sampling technique. Here, 30 (branches as cluster) clusters are selected as sample by using probability proportionate to size sampling method from 301 branches. All borrowers in each selected branch (cluster) could not be included in the sample because of time and cost constraints. For this reason, probability proportionate to size sampling of two stage cluster sampling method is used for selecting number of borrowers from each branch. Each borrower is selected by using systematic manners of simple random sampling method.

Data were collected on relevant variables from primary and secondary sources. Primary sources included borrowers who bought car by car loan scheme from the banks. Secondary data have been collected from the published contents of the annual reports, relevant brochures, sales figures, and prior research reports of the listed banks internal sources and suppliers, different kinds of Journal.

5. Analysis Result

For the analyses, cases with incomplete profiles were deleted. Further, responses to individual items of "Refused" were recorded as missing data. The statistical program, SPSS for Windows (SPSS, 2004), was used for all analyses. For identifying car loan impacts on lifestyle, respondents in a survey were asked to indicate their degree of agreement with 16 statements/variables (appendix, table-7) using a 5-point likert scale (1 = strongly disagree, 5 = strongly agree). These data were analyzed via principal components analysis. The factor analysis using the principal components method with varimax rotation was run to determine the underlying benefits consumers seek of their lifestyle activities, interests, opinions from the use of car borrowed by consumer credit.

The correlation matrix, constructed from the data obtained to understand lifestyle activities is shown in appendix (table-1). There is a relatively high correlation among v1, v2, v3, v4, v5, v6, v7 variables. These variables are to be correlated with the same set of factors. Likewise, there is a relatively high correlation among v8, v9, v10, v11 variables. In the same way, there is a relatively high correlation among v12, v13, v14, v15, v16 variables. So above variables are correlated with each other. These variables may also be expected to correlate with the same factors.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) and Bartlett's Test of Sphericity statistics are applied to test the rating data for factor analysis (appendix, table-2). The approximate chi-square statistics is 1927.37 with 120 degrees of freedom, which is significant at the 0.05 level. Calculated value (1927.37) is greater than table value. So, this Bartlett's Test of Sphericity is highly significant. The value of the KMO statistics (0.845) is also large (> 0.5). So the data are suitable for factor
analysis. Thus, factor analysis is considered an appropriate technique for analyzing the correlation matrix of appendix (table-1).

Priori determination, approaches based on eigenvalues, scree plot and percentages of variance accounted are applied to identify the number of factors. Three factors are extracted from lifestyle activities variables by priori determination method.

Under “Communalities”, “initial column”, it can be seen that the communality for each variable, v1 to v16, is 1.0 as unities are inserted in the diagonal of the correlation matrix (appendix, table-3). Appendix (table-4) labeled “Initial Eigenvalues” gives the eigenvalues. The eigenvalue greater than 1.0 (default option) results in three factors being extracted (appendix, table-4). The scree plot associated with this analysis is given in appendix (appendix, figure-2). From the scree plot, a distinct break occurs at three factors (appendix, figure-2). Finally, from the cumulative percentage of variance account for, it is seen that the first three factors account for 66.87 percent of the variance, and that the gain achieved in going to three factors is marginal (appendix, table-4). Thus, three factors appear to be reasonable in this situation. So the three factors are extracted for determining the underlying dimension of lifestyle related to car loan.

The coefficients of the rotated factor (component) matrix are used to interpret the factors (appendix, table-5). In table-5, variables v1, v2, v3, v4, v5, v6, and v7 are correlated highly with factor 1 after rotation. Likewise, v8, v9, v10, v11 are correlated highly with factor 2 after rotation. The remaining variables v12, v13, v14, v15 and v16 get correlated highly with factor 3. The rotated factor matrix forms the basis for interpretation of the factors.

Interpretation is facilitated by identifying the variables that have large loadings on the same factor (appendix, table-5). That factor can then be interpreted in terms of the variables that load high on it. In the rotated factor matrix of appendix (table-5), factor 1 has high coefficients for variables v1 (Borrowed car loan to purchase car helps to go to office or working center), v2 (Borrowed car loan to purchase car helps to go to shopping mall or store for shopping), v3 (Borrowed car loan to purchase car helps to visit enjoyable place and feel comfort), v4 (Borrowed car loan to purchase car helps to go to auditorium, cinema hall or theater hall for enjoying programs like speeches, drama, dance, cinema, song etc.), v5 (Borrowed car loan to purchase car helps to go to stadium for enjoying football, cricket, tennis, athletics, wrestling, motorcycle racing, boat racing, bicycle racing etc.), v6 (Borrowed car loan to purchase car helps to carry out social roles), v7 (Borrowed car loan to purchase car helps to transmit value to others). Therefore, this factor may be labeled as activities factor. Borrowed consumer credit to purchase household goods (car, computer, sewing machine, washing machine, almira, khat, motor cycle etc.) helps people to do their work.

Likewise, there is a relatively high correlation among V8 (Borrowed car loan to purchase car helps to go to maintain community center for performing community activity), V9 (Borrowed car loan to purchase car helps to get affiliation of family solidarity, relaxation and relationship), V10 (Borrowed car loan to purchase car/motorcycle helps the family members to visit enjoyable places for recreation), V11 (Borrowed car loan to purchase car/motorcycle helps to exhibit family status). Thus
factor 2 may be labeled as interests’ factor. Borrowed consumer credit to purchase car helps people to satisfy their desired interests.

Similarly, v12 (Borrowed car loan to purchase car helps to go to school/ college/ university/ madrasa for learning), V13 (Borrowed car loan to purchase car helps to save time & money because of going anywhere in a short time), v14 (Borrowed car loan to purchase car/ motorcycle helps to communicate with others), V15 (Borrowed car loan to purchase car helps to differentiate the identity from others in the society), v16 (Borrowed car loan to purchase car helps to get possessions as reflection of the values). So, factor 3 may be labeled as opinions factor. Borrowed consumer credit to purchase car helps people to express their opinion.

In appendix (table-6), it is seen that only 29 residuals are larger than 0.05, indicating an acceptable model fit. From the above analysis, it is proved that there is a strong association between car loan & lifestyle of people of Bangladesh.

6. Findings

The findings of the article show that people mainly use car loan to buy car to do their activities, satisfy their desired interest and express their opinion. Factors loading of the variables and % of variance of the factors (appendix, table 7) proved the hypothesis that there is a strong association between car loan and lifestyle of people of Bangladesh. The following is a brief discussion of each factor in the order of its contribution to the total variance.

**Factor-1: Lifestyle activities.** The examination of car loan impacts on lifestyle activities reveals that all seven variables were significant (appendix, table 7). People borrow money to buy household goods to do their work. The car helps people to go to office, working center or shopping mall in a convenient time. They feel comfort, relax & easy to go to office by car which helps them to speed their work or services. Tension free, comfortable & easiest return to home is also possible by using car after doing work. It motivates people to perform their work effectively & efficiently.

Borrowed money to buy household goods helps people to do their entertainment activities. Car/motorcycle, for example, helps people to go to park, museum, zoo, Children Park, garden, big lakes, sea port & near the hill etc. to enjoy natural and modern picture or scenery. It is help to go to a function, a ceremony, a cinema hall or a theatre hall. It is also necessary to visit art galleries to see artistic picture of great artesian. It helps people to go to stadium or venue to enjoy football, cricket, tennis, athletics, wrestling, motorcycle racing, boat racing, and bicycle racing etc.

People in society are connected with activities in which people meet each other for pleasure. A car, for example, helps them to meet each other. People transmit their value to others by using car. A car is necessary for going to community center. From the discussion, it is clear that limited income people need car loan to buy household goods like (car, motorcycle etc.) for doing their activities.

**Factor-2: Lifestyle interests.** The findings of the study summarized in appendix (table 7) show that people use car loan to buy household goods for the interest of their family members’ relaxation, relationship, recreation and status. Factors loading
of variables and % of variance of the factors shown in appendix (table 7) prove the hypothesis that there is a strong association between car loan and people’s lifestyle interests. People need credit to buy car for satisfying their desired interests to get affiliation of family solidarity, relaxation and relationship. The car helps them to show their family status. The status is seen more through ownership of status products than through personal, occupational, or family reputation (Eastman et al., 1997). Borrowed money to buy car helped people to do recreation. People can attend any community activities very easily if they have a car. A car is a prestigious product with very much relation to maintain community. The people who are very much interested to visit enjoyable place for recreation, they need a car. Some people want outdoor recreation. They want to go to park, museum, zoo, restaurant, lake and other enjoyable places. From the discussion, it is clear that consumer credits have great impact on lifestyle interests’ factors. People need credit to buy car mainly for satisfying their lifestyle interests.

**Factor-3: Lifestyle opinions.** Factors loading of the variables and % of variance of the factors given in appendix (table 7) proved the hypothesis that there is a strong association between car loan and people’s lifestyle opinions. People borrow money for buying car to express their view. They need credit to buy car to build blocks of their lifestyle. They often choose products, services, and activities over others because they are associated with a certain lifestyle. They borrow money to buy car to express their view of themselves. The car helps them to find reinforcement for their personal values (achievement and success, activity and involvement, efficiency and practicality, progress, material comfort, individualism, freedom, humanitarianism, youthfulness, and fitness and health).

People need car loan to buy car to save time and money. In economics’ sense, one’s lifestyle represent the way one has elected to allocate income, both in terms of relative allocation to different products and services, and to specific alternative within this categories (Zablocki & Kanter,1976). The car helps people to go any places in a short time.

People need credit to buy car to communicate with others. A car is more than a symbol of solvency of prestige. Having a car means not depending on the kindness of others where people and their family need to go. People opinion is made up from behavior and value of the society where they live. Possessions focus the value of the customer. People try to occupy possessions (like car) for differentiating them from other in the society. The possession helps them to maintain relationships, network ties and organizational affiliations.

People borrow money to buy car to express their view of education. A car helps them to go to school/ college/ university/ madrasa etc. People borrow money to buy car to state their view of culture. Limited income middle class people require money for buying car for getting intrinsic cultural and aesthetics enjoyment. People can go auditorium by car for enjoying cultural function like drama, dance, and song etc. From the above discussion; it can be concluded that there is a strong association between car loan & people’s opinion.
7. Implication and Conclusion of the Study

This article establishes the relevance of car loan influence on consumer lifestyle. This implies that managers of banks are likely to benefit considerably in targeting and positioning their media communication by focusing their attention on the ongoing changes in lifestyle of their consumers by using car borrowed by car loan.

People borrow money to buy product to increase their lifestyle activities, satisfy their desired interest and express their opinion. Lifestyle is expressed by activities, interests and opinion. The car is very much helpful to increase the flow of work performance. It is also necessary for satisfying their family members’ interest to recreation, relaxation, relationship, status, value, and expressing the opinion to education, economy, society and the value. These are justified by factor analysis of this study. The managers of banks have opportunity to focus attention on the segment of the consumers who are interested to increase their lifestyle by borrowing money.

From the analysis of this article; it is proved that there is a strong relationship between car loan and people’s lifestyle. So people borrow money to purchase car for doing their lifestyle activities, satisfy their desired interests and express their opinion. In a consumption environment, a person chooses a product or brand, which seems to possess a maximum possibility of the definition or elaboration of his lifestyle. This article will help managers to understand the individual’s car loan consumption behavior by analyzing the details of his lifestyle system, which will help them to take marketing strategy to expand the car loan scheme. They can make different strategy for improving the car loan scheme so that it can be ensured the upgrading of the lifestyle of people. Consequently, this thesis shows that there is a causal effect of the individual’s lifestyle on his car loan consumption behavior. This article will help manager to make different strategy for overcoming the limitation of existing car loan scheme in different banks of Bangladesh. This article will help manager to make different strategy for improving the car loan scheme so that it can be ensured the upgrading of the lifestyle.
References


Appendix

Figure-1: Conceptual model of car loan impact on lifestyle of people

Figure-2: Scree plot of lifestyle variables related to car loan

Table 1: Correlation Matrix of lifestyle variables related to car loan

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</table>

\[\text{Determinant} = 4.563E-05\]
Table 2: KMO and Bartlett's Test of lifestyle variables related to car loan

| Kaiser-Meyer-Olkin Measure of Sampling | .845 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 1927.365 |
| df | 120 |
| Sig. | .000 |

Table 3: Communalities of lifestyle variables related to car loan.

| Initial Extraction | v1 | 1.000 | .837 |
| v2 | 1.000 | .666 |
| v3 | 1.000 | .458 |
| v4 | 1.000 | .614 |
| v5 | 1.000 | .588 |
| v6 | 1.000 | .686 |
| v7 | 1.000 | .628 |
| v8 | 1.000 | .657 |
| v9 | 1.000 | .776 |
| v10 | 1.000 | .793 |
| v11 | 1.000 | .855 |
| v12 | 1.000 | .644 |
| v13 | 1.000 | .660 |
| v14 | 1.000 | .660 |
| v15 | 1.000 | .663 |
| v16 | 1.000 | .514 |

Extraction Method: Principal Component Analysis.

Table 4: Total Variance Explained of lifestyle variables related to car loan.

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared Loadings</th>
<th>Rotation Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>5.061</td>
<td>31.630</td>
<td>31.630</td>
</tr>
<tr>
<td>2</td>
<td>3.709</td>
<td>23.183</td>
<td>54.813</td>
</tr>
<tr>
<td>4</td>
<td>.951</td>
<td>5.945</td>
<td>72.813</td>
</tr>
<tr>
<td>5</td>
<td>.686</td>
<td>4.286</td>
<td>77.099</td>
</tr>
<tr>
<td>6</td>
<td>.571</td>
<td>3.567</td>
<td>80.666</td>
</tr>
<tr>
<td>7</td>
<td>.468</td>
<td>2.924</td>
<td>83.590</td>
</tr>
<tr>
<td>8</td>
<td>.449</td>
<td>2.805</td>
<td>86.395</td>
</tr>
<tr>
<td>9</td>
<td>.432</td>
<td>2.700</td>
<td>89.095</td>
</tr>
<tr>
<td>10</td>
<td>.373</td>
<td>2.331</td>
<td>91.426</td>
</tr>
<tr>
<td>11</td>
<td>.339</td>
<td>2.118</td>
<td>93.544</td>
</tr>
<tr>
<td>12</td>
<td>.298</td>
<td>1.863</td>
<td>95.407</td>
</tr>
<tr>
<td>13</td>
<td>.268</td>
<td>1.677</td>
<td>97.085</td>
</tr>
<tr>
<td>14</td>
<td>.179</td>
<td>1.119</td>
<td>98.204</td>
</tr>
<tr>
<td>15</td>
<td>.150</td>
<td>.937</td>
<td>99.141</td>
</tr>
<tr>
<td>16</td>
<td>.138</td>
<td>.859</td>
<td>100.000</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.
Table 5: Rotated Component Matrix of lifestyle (activities) variables related to car loan

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>v1</td>
<td>.912</td>
<td>3.175</td>
<td>6.313</td>
</tr>
<tr>
<td>v2</td>
<td>.809</td>
<td>-5.856</td>
<td>-9.127</td>
</tr>
<tr>
<td>v3</td>
<td>.666</td>
<td>8.580</td>
<td>-8.421</td>
</tr>
<tr>
<td>v4</td>
<td>.772</td>
<td>3.421</td>
<td>.133</td>
</tr>
<tr>
<td>v5</td>
<td>.762</td>
<td>-3.541</td>
<td>7.672</td>
</tr>
<tr>
<td>v6</td>
<td>.803</td>
<td>.118</td>
<td>.165</td>
</tr>
<tr>
<td>v7</td>
<td>.778</td>
<td>.142</td>
<td>5.968</td>
</tr>
<tr>
<td>v8</td>
<td>4.283</td>
<td>.208</td>
<td>.782</td>
</tr>
<tr>
<td>v9</td>
<td>2.141</td>
<td>.196</td>
<td>.858</td>
</tr>
<tr>
<td>v10</td>
<td>6.502</td>
<td>.117</td>
<td>.880</td>
</tr>
<tr>
<td>v11</td>
<td>8.817</td>
<td>.205</td>
<td>.897</td>
</tr>
<tr>
<td>v12</td>
<td>-5.398</td>
<td>.778</td>
<td>.189</td>
</tr>
<tr>
<td>v13</td>
<td>.135</td>
<td>.784</td>
<td>.164</td>
</tr>
<tr>
<td>v14</td>
<td>8.529</td>
<td>.799</td>
<td>.119</td>
</tr>
<tr>
<td>v15</td>
<td>-1.693</td>
<td>.804</td>
<td>.124</td>
</tr>
<tr>
<td>v16</td>
<td>9.449</td>
<td>.696</td>
<td>.141</td>
</tr>
</tbody>
</table>


Table 6: Reproduced Correlations of lifestyle variables related to car loan.

<table>
<thead>
<tr>
<th>Reproduced Correlation</th>
<th>v1</th>
<th>v2</th>
<th>v3</th>
<th>v4</th>
<th>v5</th>
<th>v6</th>
<th>v7</th>
<th>v8</th>
<th>v9</th>
<th>v10</th>
<th>v11</th>
<th>v12</th>
<th>v13</th>
<th>v14</th>
<th>v15</th>
<th>v16</th>
</tr>
</thead>
<tbody>
<tr>
<td>v1</td>
<td>.837</td>
<td>.730</td>
<td>.605</td>
<td>.714</td>
<td>.699</td>
<td>.747</td>
<td>.718</td>
<td>.705E7</td>
<td>9.95E11</td>
<td>.144</td>
<td>-</td>
<td>-1.06</td>
<td>4.814E-02</td>
<td>2.279E-02</td>
<td>7.213E-02</td>
<td></td>
</tr>
<tr>
<td>v2</td>
<td>.730</td>
<td>.666</td>
<td>.541</td>
<td>.610</td>
<td>.612</td>
<td>.628</td>
<td>.615</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-106</td>
<td>4.814E-02</td>
<td>2.279E-02</td>
<td>7.213E-02</td>
<td></td>
<td></td>
</tr>
<tr>
<td>v3</td>
<td>.605</td>
<td>.541</td>
<td>.458</td>
<td>.506</td>
<td>.498</td>
<td>.531</td>
<td>.525</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>v4</td>
<td>.714</td>
<td>.610</td>
<td>.506</td>
<td>.614</td>
<td>.597</td>
<td>.646</td>
<td>.613</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>v6</td>
<td>.747</td>
<td>.628</td>
<td>.531</td>
<td>.646</td>
<td>.621</td>
<td>.686</td>
<td>.651</td>
<td>.188</td>
<td>.182</td>
<td>.211</td>
<td>.243</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>v8</td>
<td>9.506E-02</td>
<td>-</td>
<td>.144</td>
<td>8.531E-188</td>
<td>.110</td>
<td>.657</td>
<td>.713</td>
<td>.716</td>
<td>.748</td>
<td>.307</td>
<td>.297</td>
<td>.263</td>
<td>.263</td>
<td>.259</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>v9</td>
<td>9.959E-02</td>
<td>-</td>
<td>.137</td>
<td>7.522E-182</td>
<td>.9579E-73</td>
<td>.713</td>
<td>.776</td>
<td>.780</td>
<td>.812</td>
<td>.314</td>
<td>.297</td>
<td>.261</td>
<td>.264</td>
<td>.259</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>v10</td>
<td>.119</td>
<td>-</td>
<td>.171</td>
<td>.113</td>
<td>.211</td>
<td>.120</td>
<td>.716</td>
<td>.780</td>
<td>.793</td>
<td>.820</td>
<td>.254</td>
<td>.245</td>
<td>.203</td>
<td>.202</td>
<td>.211</td>
<td></td>
</tr>
<tr>
<td>v11</td>
<td>.144</td>
<td>-</td>
<td>.7675E-194</td>
<td>.129</td>
<td>.243</td>
<td>.151</td>
<td>.748</td>
<td>.812</td>
<td>.820</td>
<td>.855</td>
<td>.324</td>
<td>.320</td>
<td>.278</td>
<td>.275</td>
<td>.278</td>
<td></td>
</tr>
<tr>
<td>v12</td>
<td>-.106</td>
<td>1.1492E-1005E-02</td>
<td>7.900E-8009E-07</td>
<td>.314</td>
<td>.294</td>
<td>.234</td>
<td>.644</td>
<td>.634</td>
<td>.640</td>
<td>.650</td>
<td>.563</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>v13</td>
<td>.158</td>
<td>4.814E-143</td>
<td>.153</td>
<td>8.753E-228</td>
<td>.226</td>
<td>.297</td>
<td>.297</td>
<td>.245</td>
<td>.320</td>
<td>.634</td>
<td>.660</td>
<td>.657</td>
<td>.649</td>
<td>.582</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>v15</td>
<td>.1793E-02</td>
<td>4.728E-3.094E-02</td>
<td>5.816E-182</td>
<td>.181</td>
<td>.259</td>
<td>.259</td>
<td>.211</td>
<td>.278</td>
<td>.563</td>
<td>.582</td>
<td>.581</td>
<td>.576</td>
<td>.514</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>v16</td>
<td>.117</td>
<td>2.279E-111</td>
<td>.115</td>
<td>5.816E-182</td>
<td>.181</td>
<td>.259</td>
<td>.259</td>
<td>.211</td>
<td>.278</td>
<td>.563</td>
<td>.582</td>
<td>.581</td>
<td>.576</td>
<td>.514</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Residual

| v2        | -     | -.106 | -     | 6.811E1.713E2.211E-1.304E4.222E-2.290E-3.709E-02 | 3.06E-1.613E-1.743E-1.453E-1.652E-1.304E-02 | 04  |
| v3        | -     | -     | -     | 3.906E-3.231E-6.246E-03 | 02  | 02  | 02  | 02  | 1.002E-2.103E-3.051E-02 | 02  | 02  | 1.002E-2.103E-3.051E-02 | 02  |
| v4        | -     | -     | -     | 2.096E-4.790E-2.096E-1.005E-1.291E-1.453E-1.652E-1.304E-02 | 04  |

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Table 7: Some lifestyle variables, factor loading and % of variance related to car loan.

<table>
<thead>
<tr>
<th>Brief name of Factors</th>
<th>Factors interpretation(% of variance explained)</th>
<th>Factors Loading</th>
<th>Name of Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1 Activities(31.63)</td>
<td></td>
<td>.912</td>
<td>V1: Borrowed consumer credit to purchase car helps to go to office or working center.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.809</td>
<td>v2: Borrowed consumer credit to purchase car helps to go to shopping mall or store for shopping.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.666</td>
<td>V3: Borrowed consumer credit to purchase car helps to visit enjoyable place and feel comfort.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.772</td>
<td>V4: Borrowed consumer credit to purchase car helps to go to auditorium, cinema hall or theater hall for enjoying programs like speeches, drama, dance, cinema, song etc.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.762</td>
<td>V5: Borrowed consumer credit to purchase car helps to go to stadium for enjoying football, cricket, tennis, athletics, wrestling, motorcycle racing, boat racing, bicycle racing etc.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.803</td>
<td>V6: Borrowed consumer credit to purchase car helps to carry out social roles.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.778</td>
<td>V7: Borrowed consumer credit to purchase car helps to transmit value to others.</td>
</tr>
<tr>
<td>F2 Interests(23.18)</td>
<td></td>
<td>.782</td>
<td>V8: Borrowed consumer credit to purchase car helps to go to maintain community center for performing community activity.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.858</td>
<td>V9: Borrowed consumer credit to purchase car helps to get affiliation of family solidarity, relaxation and relationship.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.880</td>
<td>V10: Borrowed consumer credit to purchase car/ motorcycle helps the family members to visit enjoyable places for recreation.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.897</td>
<td>V11: Borrowed consumer credit to purchase car/ motorcycle helps to exhibit family status.</td>
</tr>
<tr>
<td>F3 Opinions(12.05)</td>
<td></td>
<td>.778</td>
<td>V12: Borrowed consumer credit to purchase car helps to go to school/ college/ university/ madrasa for learning.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.784</td>
<td>V13: Borrowed consumer credit to purchase car helps to save time &amp; money because of going anywhere in a short time.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.799</td>
<td>V14: Borrowed consumer credit to purchase car/ motorcycle helps to communicate with others.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.804</td>
<td>V15: Borrowed consumer credit to purchase car helps to differentiate the identity from others in the society.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.696</td>
<td>V16: Borrowed consumer credit to purchase car helps to possess as reflection of the values.</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.

a  Residuals are computed between observed and reproduced correlations. There are 29 (24.0%) nonredundant residuals with absolute values > 0.05.
b  Reproduced communalities

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Affective Commitment: An Outcome of Organizational Climate  
(An Empirical Evidence)

Mohammad Irshad Khan Mohmand,  
PhD Scholar, Management Sciences,  
Qurtaba University of Science and Information Technology

Abstract  
This study was conducted to investigate the impact of organizational climate on affective commitment. Data was collected from 337 teachers of private sector colleges of KPK through time tested questionnaires which were adapted from different papers published in international journal. Data was operated by using SPSS (15 edition). Correlation showed a significant positive relationship between independent variables which are consideration, intimacy, disengagement, production emphasis, role conflict, role ambiguity, distributive justice, procedural justice, recognition and autonomy and dependent variable which is affective commitment. Regression also proved that 59 % of the variance is due to independent variables discussed above.  
Keywords: Affective Commitment; Outcome ; Organizational Climate; Empirical Evidence

Introduction  
Private sector colleges play a vital role in the dissemination of education to hundreds of thousands of students. No country can stand on its feet without education. Quality of education is dependent upon the commitment of employees. If employees show low level of commitment, what will happen? Affective commitment, if low, culminates in a decreased desire to contribute to the organization, a decrease in organizational citizenship behavior, decreased motivation and an increase in absenteeism and turnover (Meyer & Allen, 1991; Mathieu & Zajac, 1990; Tett & Meyer, 1993).

Objectives  
To investigate the impact of consideration, intimacy, disengagement, production emphasis, role conflict, role ambiguity, distributive justice, procedural justice, recognition and autonomy on affective commitment.

Hypotheses  
H1: consideration affects affective commitment  
H2: intimacy affects affective commitment  
H3: disengagement affects affective commitment  
H4: production emphasis affects affective commitment  
H5: role ambiguity affects affective commitment  
H6: role conflict affects affective commitment  
H7: autonomy affects affective commitment  
H8: recognition affects affective commitment  
H9: distributive justice affects affective commitment  
H10: procedural justice affects affective commitment
Methodology

Data Collection

Data was collected through time tested questionnaires. Questionnaires along with covering letters that shed light on the objective of the study were administered to private sector schools’ teachers. Each questionnaire was accompanied with a return envelop duly stamped and having address of the researcher written on them. The participants were requested to mail back the completed questionnaires through that envelop. It took almost three (3) months to distribute and 5 months to get back the completed questionnaires.

Seven hundreds (700) questionnaires were distributed to private sector schools’ teachers. Within five (5) months duration three hundreds and eighty one (381) questionnaires returned that showed a return rate of 54.42%. Forty four (44) questionnaires were disposed of because they contained incomplete information and the remaining 337 questionnaires were coded for research purpose.

Measurement

Consideration, intimacy, disengagement and production emphasis were measured through questionnaire adapted from Borrevik (1972). Five point likert scale (from “Event Almost Never Occurs” to “Event Almost Always Occurs”) was used to measure Consideration, intimacy, disengagement and production emphasis. Role Ambiguity and role conflict were measured through questionnaire adapted from Rizzo, House, and Lirtzman (1970). Seven point likert scale (from “Very False” to “Very True”) was used to measure the Role Ambiguity and role conflict. Distributive Justice and procedural justice were measured through questionnaire adapted from Price and Mueller (1986). 7- point likert scale (from “Strongly Disagree” to “Strongly Agree”) was used to measure Distributive Justice and procedural justice. Affective Commitment was measured with the following 8 items adapted from Meyer and Allen (1997). 7- point likert scale (from “Strongly Disagree” to “Strongly Agree”) was used to measure Affective Commitment. Recognition and Autonomy was measured through items adapted from Minnesota Satisfaction Questionnaire. 5- point likert scale (from “Strongly Disagree” to “Strongly Agree”) was used to measure the level of Recognition.

Findings

Table 1 Correlation between Consideration and Affective Commitment

<table>
<thead>
<tr>
<th>Affective Commitment</th>
<th>Consideration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>.692(***)</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>337</td>
</tr>
</tbody>
</table>

Table 1 indicates that there is a significant correlation between consideration and affective commitment (r=0.692, p<.01). Therefore H1 that states that consideration affects affective commitment was accepted in the present study.
Table 2 Correlation between Intimacy and Affective Commitment

<table>
<thead>
<tr>
<th>Affective Commitment</th>
<th>Intimacy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td>N</td>
</tr>
</tbody>
</table>

Table 2 indicates that there is a significant correlation between intimacy and affective commitment ($r=0.609$, $p<.01$). Therefore H2 that states that intimacy affects affective commitment was accepted in the present study.

Table 3 Correlation between Disengagement and Affective Commitment

<table>
<thead>
<tr>
<th>Affective Commitment</th>
<th>Disengagement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td>N</td>
</tr>
</tbody>
</table>

Table 3 indicates that there is a significant correlation between disengagement and affective commitment ($r=0.743$, $p<.01$). Therefore H3 that states that disengagement affects affective commitment was accepted in the present study.

Table 4 Correlation between Production Emphasis and Affective Commitment

<table>
<thead>
<tr>
<th>Affective Commitment</th>
<th>Production Emphasis</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td>N</td>
</tr>
</tbody>
</table>

Table 4 indicates that there is a significant correlation between production emphasis and affective commitment ($r=0.726$, $p<.01$). Therefore H4 that states that production emphasis affects affective commitment was accepted in the present study.
Table 5 Correlation between Role Ambiguity and Affective Commitment

<table>
<thead>
<tr>
<th>Affective Commitment</th>
<th>Role Ambiguity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td>N</td>
</tr>
</tbody>
</table>

Table 5 indicates that there is a significant correlation between role ambiguity and affective commitment ($r=-0.397, p<.01$). Therefore H5 that states that role ambiguity affects affective commitment was accepted in the present study.

Table 6 Correlation between Role Conflict and Affective Commitment

<table>
<thead>
<tr>
<th>Affective Commitment</th>
<th>Role Conflict</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td>N</td>
</tr>
</tbody>
</table>

Table 6 indicates that there is a significant correlation between role conflict and affective commitment ($r=-0.492, p<.01$). Therefore H6 that states that role conflict affects affective commitment was accepted in the present study.

Table 7 Correlation between Autonomy and Affective Commitment

<table>
<thead>
<tr>
<th>Affective Commitment</th>
<th>Autonomy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td>N</td>
</tr>
</tbody>
</table>

Table 7 indicates that there is a significant correlation between autonomy and affective commitment ($r=0.609, p<.01$). Therefore H7 that states that autonomy affects affective commitment was accepted in the present study.
Table 8 Correlation between Recognition and Affective Commitment

<table>
<thead>
<tr>
<th>Affective Commitment</th>
<th>Recognition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>.663(**)</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>337</td>
</tr>
</tbody>
</table>

Table 8 indicates that there is a significant correlation between recognition and affective commitment ($r=0.663$, p<.01). Therefore H8 that states that recognition affects affective commitment was accepted in the present study.

Table 9 Correlation between Distributive Justice and Affective Commitment

<table>
<thead>
<tr>
<th>Affective Commitment</th>
<th>Distributive Justice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>.337(**)</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>337</td>
</tr>
</tbody>
</table>

Table 10 indicates that there is a significant correlation between distributive justice and affective commitment ($r=0.337$, p<.01). Therefore H9 that states that distributive justice affects affective commitment was accepted in the present study.

Table 11 Correlation between Procedural Justice and Affective Commitment

<table>
<thead>
<tr>
<th>Affective Commitment</th>
<th>Procedural Justice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>.481(**)</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>337</td>
</tr>
</tbody>
</table>

Table 11 indicates that there is a significant correlation between procedural justice and affective commitment ($r=0.481$, p<.01). Therefore H10 that states that procedural justice affects affective commitment was accepted in the present study.

Table 12 Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.771(a)</td>
<td>.594</td>
<td>.582</td>
<td>.94572</td>
</tr>
</tbody>
</table>

a Predictors: (Constant), procedural justice, Role Ambiguity, distributive justice, Intimacy, autonomy, role conflict, recognition, consideration, disengagement, production emphasis
Table 12 shows the value of coefficient of determination (R Square) which is .594. It means that 59% of the variance in affective commitment can be accounted for by the independent variables which are procedural justice, Role Ambiguity, distributive justice, Intimacy, autonomy, role conflict, recognition, consideration, disengagement and production emphasis as mentioned in table 14. Table 13 indicates the value of F which is 47.745 and it is significant at .000 level. So the model is significant.

**Table 13 ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>427.025</td>
<td>10</td>
<td>42.702</td>
<td>47.745</td>
<td>.000(a)</td>
</tr>
<tr>
<td>Residual</td>
<td>291.569</td>
<td>326</td>
<td>.894</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>718.593</td>
<td>336</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a Predictors: (Constant), procedural justice, Role Ambiguity, distributive justice, Intimacy, autonomy, role conflict, recognition, consideration, disengagement, production emphasis

b Dependent Variable: Affective Commitment

**Table 14 Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td>B</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>1.666</td>
<td>.279</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Consideration</td>
<td>.087</td>
<td>.110</td>
<td>.071</td>
</tr>
<tr>
<td></td>
<td>Intimacy</td>
<td>.049</td>
<td>.067</td>
<td>.043</td>
</tr>
<tr>
<td></td>
<td>Disengagement</td>
<td>.763</td>
<td>.201</td>
<td>.618</td>
</tr>
<tr>
<td></td>
<td>Production Emphasis</td>
<td>.032</td>
<td>.201</td>
<td>.026</td>
</tr>
<tr>
<td></td>
<td>Role Ambiguity</td>
<td>-.017</td>
<td>.048</td>
<td>-.021</td>
</tr>
<tr>
<td></td>
<td>Role Conflict</td>
<td>-.144</td>
<td>.049</td>
<td>-.182</td>
</tr>
<tr>
<td></td>
<td>Autonomy</td>
<td>-.026</td>
<td>.078</td>
<td>-.021</td>
</tr>
<tr>
<td></td>
<td>Recognition</td>
<td>.014</td>
<td>.098</td>
<td>.012</td>
</tr>
<tr>
<td></td>
<td>Distributive justice</td>
<td>-.004</td>
<td>.045</td>
<td>-.004</td>
</tr>
<tr>
<td></td>
<td>Procedural justice</td>
<td>-.129</td>
<td>.066</td>
<td>-.104</td>
</tr>
</tbody>
</table>

a Dependent Variable: Affective Commitment
Conclusion

This study was conducted to investigate the impact of organizational climate on affective commitment. Data was collected from 337 teachers of private sector colleges of KPK through time tested questionnaires which were adapted from different papers published in international journal. Data was operated by using SPSS (15 edition). Correlation showed a significant positive relationship between independent variables which are consideration, intimacy, disengagement, production emphasis, role conflict, role ambiguity, distributive justice, procedural justice, recognition and autonomy and dependent variable which is affective commitment. Regression also proved that 59 % of the variance is due to independent variables discussed above.

References:


The impact of (CSD) corporate social disclosure on individual investment behavior: A study of Pakistan

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Abstract:
Individual investment decision is influenced by a variety of influencers. Current study examines the impact of corporate social disclosure (CSD) on the actual individual investor’s investment decision to understand the societal and cultural differences in developed and less developed countries for social disclosure policies, practices, and individual investment perceptions. An experimental study made for investigating this relationship by taking actual investors as our population. Results are slightly different from the prior literature as negative influence of CSD is evidenced on short run investment decision but it is observed that long run individual investment decisions are positively influenced by CSD.

Key Words: Investment Behavior, Corporate social Disclosure, Stakeholder theory, Pakistan

Introduction
Performance of business firms is widely affected by their strategies, operations in the market and non-market environment, and due to their planning (Barons, 2000). A main construct that might capture a large portion of non-market policies and set of strategies is corporate social disclosure (CSD). CSD can be elaborated as a business organization’s disclosure of patterns and design of principals based on social responsibility, processes, policies, programs, and the observable outcomes, as their relation to the firm’s societal associations (Wood, 1991). The enhanced influence and power of activist groups and the role of media in adding western societies are expected to tend organization towards non-market strategies and policies in a significant and important manner, but this exposure and impact of social responsibility is not significantly witnessed in eastern societies such as Pakistan.

Current study examines the impact of corporate social disclosure (CSD) on the actual individual investor’s investment decision. Reason for selecting this area is two recent studies that have been conducted in the area of CSD. First one is an experimental study (sample size: business graduate students that serve as surrogates) made by Smith, Adhikari, Tondkar, and
Andrews, (2010) which indicates positive influence of CSD on individual investment decision in developed western and Asian countries of U.S., Japan, France, and Sweden. Second study made in Pakistan on the influence of CSR (Corporate Social Responsibility) on consumer purchase intentions in cellular industry shown that CSR having insignificant influence on consumer purchase intentions (Ali, Rehman, Yilmaz, Nazir, and Ali, 2010). This bring the question that in developed countries like U.S., France, the impact of CSD and CSR is influential as mentioned by Smith et al. (2010), but it is not that much in less developed countries as Pakistan (Ali et al., 2010). Current study examine this influence of CSD in individual investment decision in Pakistan to understand the societal and cultural differences in developed and less developed countries for social disclosure policies, practices, and individual investment perceptions.

This study contributes to the literature in worthy dimensions as it bridges the gap between literature recently indicated by Smith et al. (2010), as previous studies were conducted on business graduate students which serve as surrogates or proxy for actual individual investor, instead we take actual individual investor of stock markets of Pakistan as our target population to align and analyze more accurate results that could give a more comprehensive understanding of influence of CSD on individual investor decision. Secondly we take corporate social responsibility as moderating variable that will influence investment decision; it will help understanding an influential impact and relationship of CSD towards investment criteria of individuals as cultural differences in eastern and western countries differentiate.

Stakeholder theory is used as a base framework for our analysis, as it is tested in prior researches by (Smith et al., 2010). Experimental studies show that CSD impacts investment decisions (Belkaoui, 1980; Chan and Milne, 1999). We adopted a stakeholder scale to measure potential investor’s beliefs about the extent to which they value corporate social responsibility from (Smith et al., 2010). Total 113 respondents are taken as sample, which are actual individual investors in two different stock markets of Pakistan (Lahore, and Islamabad stock exchange).

Section 2 discusses the theoretical framework and background literature review and literature justification of hypothesis for exploring this relationship between corporate social responsibility, stakeholder view, investor beliefs, and investment decision. Section 3 explains the sample population, data collection procedures and analysis tools. Results are elaborated and presented along with discussion in section 4. Conclusion, limitations, and suggestions for future research are summed up in section 5.

**Literature Review**

Stakeholder’s theory seeks to recognize that what stakeholder group earns the main attention of managers. The foundation that constructs this study is the extent to which a corporation is responsive towards the societal norms and values that shape the individual beliefs and perceptions about the image of the corporation. The stakeholder beliefs influence the reporting practices of a firm or corporation such as CSD, and the individual investor behavior on his investing decision.

High corporate social disclosure heights a company’s competitive advantage as of their weighing and concentration of claims of different constituent in a social, fair, and rational responsible manner (Jones, 1995). CSD often represent an area of comparatively high managerial and stakeholder prudence, the instigation or annulment of intended social and environmental policies may influence on the availability of funds (McGuire, et. al., 1988). Prior studies explored the relationship between economic performance and financial performance and analytical forecast (Al-Tuwajjri et al., 2004; Aerts et al., 2007). Finding of these researchers indicates that CSD is desirable and esteemed by the investors. Experimental studies openly investigate the influence of CSD on the investment beliefs and perceptions of individual
investors (Hendricks, 1976). Other evidences of experimental studies also shows positive influence of corporate social disclosure on the invest behaviors of individual investors (Belkaoui, 1980; Chan and Milne, 1999). Corporate social disclosure is a main source of measuring the corporate social performance and its affections with the corporate financial performance and investment decisions (Orlitzky, Schmidt, and Rynes, 2003).

Firms having an increased level of CSP may utilize corporate social responsibility and disclosures as one of the informational indication upon which stakeholders (suppliers, banks, and potential investors) can make foundation of their appraisal of corporate standing under the situation of incomplete information (Charles, and Shanley, 1990). According to the prior researches, a firm’s communication with outside parties regarding its level of CSP can help in making a positive picture to its customers, potential investors, bankers, and vendors (Charles, and Shanley, 1990). This positive relation is also affirmed by various researchers stating that organizations with higher CSP and CSD status ratings may improve their relationships with banking sector and individual as well as institutional investors and thus ease their access to potential capitals (Barry, 1978).

It is evident from prior researches that two directional studies have been made in CSR and CSD. One is the market response studies or capital market exploration, where the reactions and responses of investors are considered by estimating stock market variables such as price and risk relative to CSP and CSD (e.g. Ullmann, 1985; Mathews, 1996). Such studies concentrated towards assessing the responses of market towards disclosure of social responsibility and disclosure measured through share prices, level of investments, and risk association. Some of the studies reported a positive association of CSR and CSD on risk, investment, and stock price, which educe a favorable market reaction (Anderson and Frankle, 1980; Belkaoui, 1976; Preston, 1978). On the other hand there are studies which reports that no market reaction is associated with such type of CSD and CSR (Freedman and Jaggi, 1982) or even negative market and investor reactions are found also (Ingram and Frazier, 1983).

The second type of research pattern which has been used to study investor perceptions and reaction to social disclosure is survey based. It focuses on the actual individual investors who in reality invest in the stocks depending upon the information available to him. However few researches have applied this methodology for determining such relationship.

After extensive review of literature, following hypothesis are developed:

**H1.** Stakeholder’s beliefs will have a positive influence on the individuals’ investment decision.

**H2.** Positive CSD (Corporate Social Disclosure) will positively influence the individual stock investment decisions.

**H3.** The impact of CSD on individual investment decision will be positively related to their scores on the stakeholder scale.
Methodology

Experimental study design

We have chosen the experimental study design to investigate the influence of CSD in investment decision as experimental studies are deemed to be more suited to indicate and interpret the actual results as compared to attitudinal study (Rikhardsson, Holm, 2008). The current experimental study design consists of two groups of actual investors who actively participate in two main stock exchanges of Pakistan. The cause / effect relationship of variables is explained in Fig. 1. As Fig. 1 shows that stakeholder’s beliefs and independent variable influence the individual investment decision that is dependent variable. The effect of individual decision regarding the investment is operationalized as the change in investment decision of individual after introducing CSD.

Participants

The population size of the study consisted of 113 individual investors taken from two cities of Pakistan (Lahore and Islamabad) who regularly participate in the stock market in short term and long term investments. This target population makes the study more powerful as actual investors will strengthen the results in a more accurate manner as compared to the previous studies, which use business graduate students as sample size that serve as surrogates to actual investors. Out of 113 respondents 17 questioners are eliminated from the study as they were not properly filled up and three of the respondents quit the experiment in the middle, so actual complete responses of 93 are included for interpretation of results. Beliefs of the stakeholders are measured through a stakeholder scale taken from the experimental study made by (Smith, et al.,
Other factors i.e. category of CSD (corporate social disclosure), sex, age, educational qualification, and experience and knowledge identified in previous research as having influence on investment judgment serve as moderating variables.

**The experiment**
The experimental study was divided into three sections. In first section contains financial information regarding net income, dividend per share, cash dividend, and earning per share on two companies: X and Y for the last five years is provided. All financial information is similar except company X’s net income and earning per share is more than company Y’s information for 4-7% per year almost. Then individual investors are asked to allocate Rs.200,000/- in above two firms on the basis of given financial information.

In section two CSD is introduced in terms of labor laws, practices, and policies followed by both firms. Where firm Y is more friendly and coherent as compared to firm X. After introduction of CSD investors are asked to now again allocate Rs.200,000/- in both firms considering the financial and CSD aspects.

Third section consists of demographic details such as, age, gender, marital status, and experience, and six perceptual questions. The results of these questions form the stakeholder scale.

**Results**
Descriptive statistics of respondents, Age, gender, working experience, and education is represented in table 1, which describes the frequency distribution of the respondents. Results show that as compared to western stock markets, eastern stock markets are mainly operated by male individual investors.

Table 1: **Respondents demographics.**

<table>
<thead>
<tr>
<th>Demographics</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
</tr>
<tr>
<td>- Male</td>
<td>97.8</td>
</tr>
<tr>
<td>- Female</td>
<td>2.2</td>
</tr>
<tr>
<td>Marital Status</td>
<td></td>
</tr>
<tr>
<td>- Single</td>
<td>15</td>
</tr>
<tr>
<td>- Married</td>
<td>85</td>
</tr>
<tr>
<td>Age</td>
<td></td>
</tr>
<tr>
<td>- 21-30</td>
<td>25</td>
</tr>
<tr>
<td>- 31-40</td>
<td>57</td>
</tr>
<tr>
<td>- 41-50</td>
<td>14</td>
</tr>
<tr>
<td>- 50 &amp; above</td>
<td>4</td>
</tr>
<tr>
<td>Experience</td>
<td></td>
</tr>
<tr>
<td>- 1-5</td>
<td>80</td>
</tr>
<tr>
<td>- 6-10</td>
<td>18</td>
</tr>
<tr>
<td>- 11-15</td>
<td>2</td>
</tr>
<tr>
<td>Education</td>
<td></td>
</tr>
<tr>
<td>- Bachelor</td>
<td>64</td>
</tr>
<tr>
<td>- Masters</td>
<td>36</td>
</tr>
</tbody>
</table>

Table 2 represents the stakeholders score card descriptive statistics of the 93 respondents. This comprises of mean, standard deviation, maximum and minimum range, and cronbach alpha.
The cornbach results show the reliability of the stakeholders score card is significant as it is 0.614 or 61.4%.

### Table 2: Stakeholder Score – descriptive statistics

<table>
<thead>
<tr>
<th>Stakeholder Score Card</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>3.0538</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>.43556</td>
</tr>
<tr>
<td>Variance</td>
<td>.190</td>
</tr>
<tr>
<td>Minimum</td>
<td>2.00</td>
</tr>
<tr>
<td>Maximum</td>
<td>4.00</td>
</tr>
<tr>
<td>Cronbach's Alpha</td>
<td>.614</td>
</tr>
</tbody>
</table>

Individual investor investment behavior is described in table 3. The results shows the individual investor’s behavior of investment before disclosure of CSD and after the introduction of CSD, and also the investment behavior in short term and long term investment decision.

### Table 3: Investment behavior – descriptive statistics

<table>
<thead>
<tr>
<th>Mean</th>
<th>S.D</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Long-term</strong></td>
<td></td>
</tr>
<tr>
<td>Before CSD</td>
<td>12.45</td>
</tr>
<tr>
<td>After CSD</td>
<td>13.03</td>
</tr>
<tr>
<td><strong>Short-term</strong></td>
<td></td>
</tr>
<tr>
<td>Before CSD</td>
<td>13.93</td>
</tr>
<tr>
<td>After CSD</td>
<td>13.69</td>
</tr>
<tr>
<td><strong>Investment Change</strong></td>
<td></td>
</tr>
<tr>
<td>Long-term</td>
<td>0.58</td>
</tr>
<tr>
<td>Short-term</td>
<td>-0.241</td>
</tr>
</tbody>
</table>

### Discussion

Descriptive statistics on investment change by the individual investor indicates a positive change in investment is related to the exposure of CSD and a negative change represents negative effect of CSD on investment. The mean values of investment in long term shows a small positive change in the individual investor’s decision to invest in the long term decision after disclosure of CSD, as mean before investment indicates 12.45 as compared to the mean taken after the disclosure of CSD which is 13.03. There is a negative influence of CSD on short term investment decision as mean before CSD exposure is 13.93 which comes to 13.69 after the exposure of CSD.

These results are common as compared to stockholders score card which comprises of scale attached in appendix A which shows in table 2. The mean of stakeholder score card is approximately 3 which shows as equal response near to neutral that is consistent with the investment decision of exposed CSD there is a slight increase in long term investment but it is also off-settled by short term investment which slightly decreases after the exposure of CSD.
Though it is observed as CSD influence the investor decision making positively this is consistent with the prior studies of Smith et al. (2010), but relatively this study do not indicate a strong positive influence of CSD as indicated before. This is also supported by the prior studies of CSD and CSR which state that there is not significant impact of CSR and CSD on customer and individual investor. Studies made in countries like Pakistan also indicated such insignificant relationship and impact such as Ali, et al. (2010). This low level of CSD influence might be due to the difference in developed and less developed countries as prior studies made regarding the influence of CSD on individual investor are made mostly in developed countries but Pakistan is a less developed country and this low significance of corporate social responsibility is also noticed by the recent researches made by Ali, et al. 2010.

Conclusion

The current study examines the impact of CSD on individual investment behavior. Results shows that null hypothesis 1 is accepted as individual investor belief positively effect the individual investment decision as discussed in the results there is a slight positive increase in long term investment decision though there is slight decrease in short term investment decision. But overall change in investment decision indicates a positive influence of CSD on individual investment decision, as the mean indicates overall influence of CSD as positively, so we accept the Null hypothesis. These results also lead to accept the null hypothesis 2 that positive CSD will influence positively the investment decision. This also supports the 3rd null hypothesis that impact of CSD is positively related to stakeholder scale.

Limitations and future research

Though this study indicates a number of practical implications that are important for corporate governance and social disclosure policy making and monitoring, but it still have some limitations. First of all this study covers only Pakistan, that can be further extend to cross national study in less developed countries like Nepal, Srilanka, and Bangladesh. Further current study sample consisted of 93 respondents which should be increased further. Third investment behavior after exposure of CSD should be measured in various sectors on stock market.
References


Mathews MR. 1996. Twenty-five years of environmental accounting: do we have much to celebrate? Presented at the Environmental Accountability Symposium, Canberra, 1996.


Appendix “A”

Please tick (√) the appropriate box.

1. Gender
   - Male ☐
   - Female ☐

2. Marital Status
   - Single ☐
   - Married ☐

3. Age:
   - 20 – 25 ☐
   - 25 – 30 ☐
   - 30 – 35 ☐
   - 35 – 40 ☐
   - 40 & above ☐

4. How long have you been trading in Stock Exchange?
   - 1 – 5 ☐
   - 5 – 10 ☐
   - 10 – 15 ☐
   - 15 – 20 ☐
   - 20 – 25 ☐

5. Education:
   - SSC ☐
   - HSSC ☐
   - BA/BSc ☐
   - MA/MSc ☐
   - MS/PhD ☐

Questionnaire

Note: you should answer all questions. (1) Refers to “Strongly Disagree” and (5) refers to “Strongly Agree”. Please select any one number from 1 to 5 in each question.

1. A corporation’s proactive policy on social responsibility, such as labor practices and environmental practices, would have a positive influence on my decision to invest in that corporation?
   - Strongly Disagree ☐
   - Strongly Agree ☐

2. It is the responsibility of the corporation to distribute the benefits and risks arising from corporate activities among all people or groups of people that are impacted by its operations.
   - Strongly Disagree ☐
   - Strongly Agree ☐

3. A corporation’s primary purpose is to maximize shareholder wealth.
   - Strongly Disagree ☐
   - Strongly Agree ☐

4. Corporations have a responsibility to actively monitor and take into account in their operations, the concerns of all people or groups of people that are impacted by their operations.
   - Strongly Disagree ☐
   - Strongly Agree ☐
5. A mutual fund’s policy to invest in corporations that have an established proactive social responsibility policy would have a positive influence on my decision to invest in that mutual fund.

Strongly Disagree        Strongly Agree
1          2        3   4  5

6. I would be willing to accept a lower return on my investment in a company if that company maintained a proactive social responsibility policy.

Strongly Disagree        Strongly Agree
1          2        3   4  5

Abstract
Using GMM technique, this paper investigates to what extent gender inequality in education affects economic growth. The results suggest that the gender inequality in education has a direct impact on economic growth because it lowers the average quality of human capital. Indirectly, this inequality lowers the productivity of physical capital, lowers availability of skilled labour force and increases growth rate of population. The analysis suggests that low investment in female’s human capital is not an efficient economic choice for a developing country like Pakistan.

Keywords: Female employed working age population; Generalized method of moment (GMM), economic growth

Introduction
Education plays an important role in human capital development which is a key to scientific and technological advancement. Education is also regarded as a sustainable route to economic prosperity, it combats unemployment, confirms sound foundation of social equity, awareness and cultural vitality. It raises the productivity and efficiency of individuals and produces skilled manpower capable for leading the economy towards the path of economic development. If there is a single indicator of a government’s commitment to social justice and economic development, it is its allocation of budgetary resources for education. Often governments are very quick to put policies and laws in place that promote education, but they seldom match this with the necessary budgetary allocations that actually translate the policies into transformation of people’s lives. That is why UNESCO (1992) has emphasized that investment in education should be 4 percent of Gross Domestic Product (GDP) of the country. However, during the last sixty years, education expenditure in Pakistan remained closed to only 2 percent of GDP. Further, although gender distribution of population is almost even in Pakistan (Pakistan Economic survey, 2006-07) yet there is a noticeable gender difference in acquisition of education. For example, the literacy rate for males is 65 percent in 2006 compared to 42 percent for females which is 23 percent higher than females. However, the encouraging is the fact that female literacy rate is improving over the years. During the last five years, male literacy rate improved from 58 percent to 65 percent while the female literacy rate improved from 32 percent to 42 percent.

Studies have shown that gender inequality in education has significant impact on economic growth and it appears to be an important factor in poor performance of human development in Pakistan (Shahnaz & Siddiqui, 2001). Gender inequality may also have adverse impacts on number of valuable development goals. For example, gender inequality in education may prevent a reduction of child mortality, of fertility, and an expansion of education of the next generation (Klasen, 1999).

Literature review
Before focusing on the benefits and obstacles of female education, we want to know the reason why parents tend to invest less in their girls’ education. Gertler and Alderman (1989) point out that there are three reasons why parents might invest more in the education and health of boys
than of girls. First, it may be that the return from girls' schooling may be lower than that for boys. This may be due to the fact that the labor of males and females are imperfect substitutes in some activities. Another possible reason is that even if the social returns to educating boys and girls are the same, parents expect more direct benefits from investing in sons’ education, as they provide food and shelter in their old age, while daughters tend to leave and become part of a different household economic unit. In this case, the wedge between private and social returns generates a market failure and the private decision to invest in girls' schooling is likely to be suboptimal. Third, parents may simply have a preference for educating boys over girls due to lack of job opportunity for girls or market failure.

In a developing country like Pakistan, female education can have direct as well as indirect effects on female labour force participation rates that could potentially promote economic development. Direct effects result from greater marketability of skills acquired through education. Indirect effects could arise due to declining fertility rates, which increase the women time to spend in the labour force. The studies have shown that female education also reduces corruption [Dollar, and Gatti (1999); Glick and Sahn (2000)] prevents diminishing return to capital [Barro and Sala-e-Martin; 1995] hence, average per capita income increases if the wage and productivity remain the same (Largelof; 1999).

However, if women find it harder to join formal sector, the labour cost would increase which could reduce the international competitiveness of the country (Largelof; 1999). The evidence [Khan (1985) and Schult (1993)] have shown that in developing countries, the rates of return on female education are higher than the returns on male education. A handful of literature has identified that many factors play important role in female education. The most important of these are: Parents’ own education [Irfan (1985)], household income (NIPS; 1992), single-sex school, cultural mores, household work, area of residence, distance to school, availability of better infrastructure, birth order of a girl in the children, household head (either male or female), availability of water and gas, family size, presence of children under five in a household (King et al, 1986). In addition, some studies have point out other factors like number of adult earners in the household and son preference (Dahl and Moretti, 2004; Sathar, 1993), indirect taxes (Malik and Sazib, 1985 & 1989), average per capita income (NIPS, 1992), labour market imperfections or less job opportunities for females, dowry and early marriages (Khan-Sirageldin, 1979), presence of private schools especially in the rural areas, urban rural wage differential (Khan, Siddiqui and Hussain, 1986), government spending policy (Khan at el, 1986), household resources [Burney and Irfan (1991), FBS (1998), Khan (1993), Sathar and Lloyd (1993)].

The above discussion and literature indicate that the gender differential in education has negative impact on economic growth. Using Generalized Methods of Moment Technique (GMM), this paper attempts to highlight the direct as well as indirect impacts of gender differential in education on economic growth in Pakistan.

Data and Econometric model

Following previous literature (for example Klasen, 1999) we construct a four equations simultaneous model after satisfying the order and rank conditions. The structural model is given below:

\[ GGDP = \alpha_0 + \alpha_1 GGDP + \alpha_2 POP + \alpha_3 GLF + \alpha_4 GFMH + \alpha_5 GIM + \epsilon_i \]  
\[ GK = \beta_0 + \beta_1 GGDP + \beta_2 POP + \beta_3 GLF + \beta_4 GFMH + \beta_5 GIM + \epsilon_i \]  
\[ GPOP = \gamma_0 + \gamma_1 GGDP + \gamma_2 POP + \gamma_3 GLF + \gamma_4 GFMH + \gamma_5 GIM + \epsilon_i \]  
\[ GLF = \delta_0 + \delta_1 GGDP + \delta_2 POP + \delta_3 GLF + \delta_4 GFMH + \delta_5 GEX + \epsilon_i \]

Where GGDP, growth in GDP; Gk, growth in capital stock as a proxy for physical capital stock; GPOP, growth in population; GLF, growth in labour force; GIM, growth in import; GEX,
growth in export; GFE-WAP, growth in female employed-working age population; GPRI, growth in primary enrolment level; GFMPRI, growth in female–male primary enrolment; GM, growth in middle enrolment; GFMM, growth in female-male middle enrolment; GHI, growth in high school enrolment; GFMHI, growth in female-male high school enrolment; GPC, growth in professional college enrolment; GFMPC, growth in female-male professional college enrolment; GAASC, growth in arts and science college enrolment; GFMAASC, growth in female-male arts and science college enrolment; GSVI, growth in secondary vocational institutions enrolment; GFMSVI, growth in female-male secondary vocational institutions enrolment; GUNI, growth in university enrolment; GFMUNI, growth in female-male university enrolment.

The data on import, export, population, Gross Domestic Product, Gross Fixed Capital Formation (Proxy for Investment) and enrolment at seven level of education was taken from Pakistan Economic Survey while the data on Civilian Labour Force was taken from labour force survey. The data on female employed-working age population was constructed manually. First we checked the stationarity of a series by correlogram and Augmented Dickey Fuller (ADF) test. All the variables were in growth form and stationary at level either at lag 0 or 1. GDP, import and export data were at constant prices of base 1980-81=100. We used two types of variables for education: the first variable would capture the impact of total enrolment (at various levels of education) and the second variable female-male enrolment (at various levels of education) capture the gender bias in education on all the four dependent variables.

Result of the model at Different levels of Education

The estimated results of total education and the gender biasness in education on the growth in GDP, growth in capital stock, growth in population and growth in labour force which are presented below. We estimated our model seven times for the seven levels of education.

Table 1. Results of the simultaneous model

<table>
<thead>
<tr>
<th>Dependent variables</th>
<th>GGDP (1)</th>
<th>GK (2)</th>
<th>GPOP (3)</th>
<th>GLF (4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>4.344173 *</td>
<td>-3.76737 *</td>
<td>23.12745 *</td>
<td>-1.99583 *</td>
</tr>
<tr>
<td></td>
<td>(7.169189)</td>
<td>(-6.81398)</td>
<td>(7.959515)</td>
<td>(-2.18629)</td>
</tr>
<tr>
<td>GPRI</td>
<td>0.029674</td>
<td>-0.067006 *</td>
<td>-0.053447</td>
<td>0.126888 *</td>
</tr>
<tr>
<td></td>
<td>(0.822155)</td>
<td>(-2.226265)</td>
<td>(-0.997425)</td>
<td>(2.069968)</td>
</tr>
<tr>
<td>GFMPRI</td>
<td>0.031784</td>
<td>-0.06414 *</td>
<td>-0.050046 *</td>
<td>0.081886 *</td>
</tr>
<tr>
<td></td>
<td>(1.027814)</td>
<td>(-2.191266)</td>
<td>(-1.991737)</td>
<td>(1.875572)</td>
</tr>
<tr>
<td>GM</td>
<td>-0.120091</td>
<td>-0.158683 *</td>
<td>-0.257523 *</td>
<td>0.063554 *</td>
</tr>
<tr>
<td></td>
<td>(-1.574889)</td>
<td>(-5.248545)</td>
<td>(-2.862321)</td>
<td>(2.083343)</td>
</tr>
<tr>
<td>GFMM</td>
<td>-0.169069 *</td>
<td>-0.033037</td>
<td>-0.142296 *</td>
<td>0.060254 *</td>
</tr>
<tr>
<td></td>
<td>(-2.599313)</td>
<td>(-1.191654)</td>
<td>(-2.217508)</td>
<td>(2.203758)</td>
</tr>
<tr>
<td>GHI</td>
<td>-0.201987 *</td>
<td>-0.223145 *</td>
<td>-2.036094 *</td>
<td>0.085462</td>
</tr>
<tr>
<td></td>
<td>(-1.710483)</td>
<td>(-3.343531)</td>
<td>(-3.398903)</td>
<td>(0.500102)</td>
</tr>
<tr>
<td>GFMHI</td>
<td>-0.016921</td>
<td>-0.006036</td>
<td>0.099871</td>
<td>-0.021012</td>
</tr>
<tr>
<td></td>
<td>(-0.545337)</td>
<td>(-0.336295)</td>
<td>(0.603417)</td>
<td>(-0.601761)</td>
</tr>
<tr>
<td>GPC</td>
<td>-0.061768</td>
<td>0.011064</td>
<td>-0.131345</td>
<td>0.087063</td>
</tr>
<tr>
<td></td>
<td>(-0.501121)</td>
<td>(0.203001)</td>
<td>(-1.268963)</td>
<td>(0.963255)</td>
</tr>
</tbody>
</table>
In regression 1 the dependent variable is growth in GDP. Only growth in female-male Arts and Science enrolment has a positive impact on economic growth, which highlights the importance of science and Arts education in the economic growth of the country. It also shows that if the gender differential in education is reduced, it may significantly increase economic growth. GFMM, GHI, GFMPC and GFMSVI all have a negative impact on the economic growth. The negative sign shows that the quality of education, expenditure on education and syllabus of education do not meet the modern requirements and skills needed by jobs (khan, et al. 2009). The ratio of female–male enrolment is increasing slowly over time but a wide gender gap in enrolments still exists at all levels. The above analysis shows that if male-female ratio is improved in education, expenditure on education is increased, and the curriculum is revised to meets the job requirement, the impact of each educational level can be positive and significant.

In regression 2, the dependent variable is growth in capital stock. GFMPC, GSVI, GFMSVI and GFMUINI have a complementary impact on the physical capital formation. Growth in primary, middle and high enrolments has not a complementary impact on physical capital formation. This may be due to the miss-match between education attainment and practical job requirement. The result shows that university and industry linkages can play important role in making education more productive and practical and improved female-male ratio may increase the efficiency of capital stock. For this purpose, government should create favorable environment in the country that increases education industry linkages. This will significantly improve human capital standard in the country and ultimately increase the physical capital formation and economic growth.

In regression 3, the dependent variable is growth in population. Most of the education levels have negative impact on the growth in population. The results are analogous to prior expectation and literature. The growth in female-male in primary, female-male in middle, high and secondary vocational enrolment has a negative and significant impact on population growth.
while the other educational levels also have a negative but insignificant impact on population growth. The possible reason for this insignificant impact may be due to cultural problems in Pakistan. For example, most of the families are male-headed, and therefore, the decision on the number of children more likely depends on male education. The results also show that the increase in ratio of female labour force participation leads to decrease population growth. It shows that the opportunity cost of female time increases due to labour force participation. Hence, labour market barriers such as more job opportunities for female and flexible working hours may be helpful in reducing the growth of population.

In regression 4, the dependent variable is growth in labour force. The result indicates that growth in primary, female-male in primary, middle, and female-male in middle and university enrolments has a positive impact on labour force growth. The result shows that education leads to more demand for labour increases. However, the growth in female-male in Arts and Science and secondary education has a negative impact on growth of labour force. The negative impact may probably due to labour market imperfections, less job opportunities for females due to gender biasness, cultural barriers and possibly due to less skills level of female (khan, et al. 2009). The above analysis indicates that to improve gender inequality is the only right and expeditious way to attain sustainable economic growth.

Conclusion

Economists are always interested to know what factors are responsible for rapid economic growth. In earlier production functions, physical capital and labour force were the two important factors of production. Later on technology was also introduced. But, in spite of having the same technology, some countries grew rapidly because they invested more to improve the skill of their people through training and education. In return due to adaptation of new technology, they grew much faster than others (Qaisar Abbas, 2001). Therefore, education came out to be the most important factor of economic growth. In this paper, we were not only concerned with the direct impact of education but also with the indirect impact through growth in physical capital input, growth in population and growth in labour force on economic growth in Pakistan. We estimated a simultaneous equations model to differentiate the direct and indirect impact of education and the gender bias in education. Our results confirmed that gender bias in education retards economic growth. We summarized here the impact of two variables such as growth in total education and the growth in gender biasness in education on the growth in GDP, growth in capital stock, growth in population and growth in labour force. The result shows that growth in enrolment has a positive contribution in economic growth. Growth in Professional, female-male in Professional, Secondary Vocational, female-male in Secondary Vocational, University and female-male in University enrolment are necessary to physical capital formation. Further, education significantly reduces population growth. The education, particularly of females has strong impact on labour force participation. The negative sign shows that the quality of education, expenditure on education and syllabus of education do not meet the modern requirements. The ratio of female –male is increasing over time but still there is a wide gap between the enrolments at all levels. Therefore, if gender differential in education at all level is reduced, the economy can move toward convergence and will achieve a high sustain growth and living standard. Concerted efforts are required to improve the skills levels of men and women without discrimination. The improvement of gender inequality is the only right and expeditious way to attain sustainable economic growth.

Policy Implication

A brief literature and the analysis of the study show that in Pakistan education was not given much importance in the past. Not only the government’s education budget remained inadequate
but its utilization also remained questionable and discriminatory. At all levels of education, gender differential is very high. Gender inequality in education is responsible for low level of economic growth, high population growth and wastage of human capital. To improve gender equality in education, following policy implications are recommended:

- The annual budget allocation for education in Pakistan is very low. Given the importance of education, particularly education of females as discussed in the study, it is necessary to give higher priority to this sector in public fund allocation.

- The ratio of female-male enrolment will only be improved if the government reduces direct as well as indirect costs of education for women. Incentives for female education, provision of female teachers in schools, transportation facility are all desirable and can have positive impact on female educational attainment in Pakistan.

- Human capital embodied labour effects positively and significantly to economic growth. The policy option may be to encourage investments in training programmes for labour and technical education. The university-industry linkage should also be promoted.


The Impact of Quality of Services
Provided by Peugeot Company on Customer Satisfaction

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Abstract
This study aims to highlight the relationship between the services provided by Peugeot Company and the customer satisfaction. The related data was collected through a questionnaire distributed on a sample of 100 customers representing the existing customers and potential customers. The findings of the study pointed out that there is a strong relationship between the provided services and the customer satisfaction.

Keywords: Impact; Quality; Services; Peugeot Company; Customer Satisfaction

Introduction
Nowadays, the factors affecting the customer behavior became more complex and multiple, technology revolution especially information and communication has a significant role in shaping the customer behavior. The manufacturers now are using the internet technology worldwide to showcase their products, including qualities, values and prices of these products, to provide the customer in front of him several options for a particular commodity. And it becomes more complicated in view of durable goods. Declaring a car for example, includes in addition to the previously stated; engine capacity, speed, the country origin, comfort and safety, fuel consumption, payment facilities and other information affecting the consumer's decision. This study aims at measuring the customer satisfaction by having a car "Peugeot", and the services provided by the Agency for Peugeot, in Jordan.

Problem statement and questions
The formulation of this study's problem goes as follows:
"The agency of Peugeot cars in Jordan, provides multiple services that increase the degree of customer satisfaction". This problem will be discussed according to the following questions:
1. Does the agent have a variety of cars and prices to suit the Jordanian consumer income?
2. Does the agency provide free maintenance for the car for a certain period after the sale?
3. Are spare parts available continuously in the market?
4. Are the maintenance and repair of the vehicle conducted by professionals' technicians, or by those who work in a manner of trial and error?

The importance of the study
In Jordan before forty years, cars were been considered as luxuries, but now, cars are considered as a necessary commodity, for different types of groups and individuals such as business organizations, hospitals, universities, government institutions, families, employees, university students, etc... And because the car is durable commodity which has a long useful life, it needs extra care related to maintenance and availability of its spare parts. Therefore, the Jordanian customers, especially those from low-income group will prefer to buy the car; that its agent could responding to their needs efficiently and effectively, through providing the right
maintenance at the right time. The importance of this study lies in the ability of the agent of "Peugeot" achieving customer satisfaction for the current customers and potential customers through services provided by the agency.

**The study objectives**

This study aims at discerning the level of customer satisfaction in Peugeot Company according to the following aspects:

- Pre-sale services such as communication with potential customers, the announcement of the payment facilities, and the quality of the car.
- After-sale services such as quality of maintenance and availability of spare parts.

**Theoretical background and literature review**

- A study by Laura Eboli and Gabriella Mazzula (2007) under the title "Service Quality Attributes Affecting Customer satisfaction for Bus Transit". The study aimed at measuring customer satisfaction in public transport, by using a structural equation model to explore the impact of the relationship between global customer satisfaction and service quality attributes. The study population was the students of University of Calabria who use the bus service to reach the campus from Southern Italy. The main findings of the study were: "An improvement of the service in terms of service planning and reliability can be more convenient for transport operators because the service planning and reliability latent variable has the greatest effect on global customer satisfaction". And the transport services represented by frequency of using the bus, information for users, number of complaints, bus stop furniture (comfort, and cleaning), over crowding, safety, cost, and environmental protection.

- A study by Myungsook, and Yonghwi Noh (2009) under the title "Airline Customer Satisfaction and Loyalty: Impact of In-Flight Service Quality". The study aimed to verify the impact of the quality of air transport services on customer satisfaction and loyalty from the perspective of passengers from two classes: Prestige (business) and economy. The results of the study showed that each class evaluates the quality of the services through different factors. Six services quality factors of importance according to the perspective of the business class; the availability of alcoholic and non-alcoholic beverage, responsiveness and empathy, reliability, assurance, presentation style of food, and food quality, while the economy class showed five important service quality factors ranked as follows: Responsiveness and empathy, food quality, alcoholic beverage, non-alcoholic beverage, and reliability. The benefit derived from these two studies to the current study is, that providing services to clients should be under a plan to ensure immediate response to the needs of all segments of customers.

- A study by V. Kumar, P.A. Smart, H. Maddern and R.S. Maull (2008) under the title "Alternative Perspectives on Service Quality and Customer Satisfaction: The Role of BPM. (BPM: Business Process Management). The study aimed to investigate the linkages between business process management (BPM) and Customer satisfaction. Also, to reduce the dominance of the customer contact perspectives, on service processes, and to build a more systematic focus on the totality of service design. The results recognized the role of satisfaction and elements of service quality, and this means that the satisfied employee is able to satisfy customers. Also, the study highlighted the importance of business process management (BPM) as critical factor in driving customer satisfaction.

- A study by Zima Liliana Adela (2009) under the title "Service Quality in the Automotive Industry". The study aimed at helping automotive companies to reduce the biggest single cause of customer dissatisfaction in the service department, which are customer comebacks. And to overcome this problem, it requires providing the good service from the first time. The study pointed out that comebacks generally arise because of problems in one of four basic
areas of operations: Training of employees, tooling and equipment, job system (procedures and manpower loading), parts operations. This study is very useful for the current study because it presents some suggestions that may reduce customer's complaints.

Review of Auto Industry

The automotive industry is one of the few industries; that have obvious continuous growth since their foundation. Even during the global economic recession following September 11th, the automotive industry managed to gather up a total of 55 million motor vehicle sales world wide, matching the sales of the previous year (2001) (Automotive Intelligence, www.autointell.com). In general, the automotive industry continued to be extremely dynamic industry in terms of its production techniques. The industry involves two main manufacturing sections; assembling the vehicle, and producing the components. While the automotive industry began with the belief that, an automotive manufacturer was required to produce absolutely all components related to the assembly of vehicles, since 1970, there has been a steady restructuring of the industry. Today's vehicles may consist of close to 12,000 parts, provided by a geographically broad network of suppliers who the majority of their production is outsourced. Moreover, the geographical base of the car assembly itself was widened, and the manufacturers of assembly plants are spreading all over the world (Automotive Intelligence, www.autointell.com).

Review of Jordanian auto market

The beginning of automotive market in Jordan was in the 1950s, when Shammout United Trade Co. entered the Jordanian market establishing a branch in Jordan, as one exclusive agent of Jianghuai Automobile Co. (JAC) and exclusive agent of BYD Auto (www.shammoutunited.com). After that, many of the agents, Jordanian, or others entered the Jordanian market with several kinds and types of cars. Those agents such as; Faoui Trading Company who represents Isuzu Motors in Jordan, Bustami and Saheb Trading Co. represents Nissan Jordan, Top Car Jordan, considered as a strong distributor for the most famous car brands such as Mercedes, BMW (www.arabo.com). For Peugeot car, the new dealer of Automobile Peugeot is AL-Khayyat Group, was established in 1996 under the name of AL-Khayyat Motors Est. since its beginnings, the group is working to re-enable a Peugeot car in the Jordanian market by offering a wide range of models to meet all the customer's needs, and support it with a reliable after sales services. The fruit of these efforts is to get Peugeot to third place in terms of new car sales in Jordan among all brands, number one selling among the European brands. In the year 2003 AL-Khayyat group joined Mazda cars to its business, and to change the name to be: Arab Resources Co.- AL-Khayyat United. One of the pre-sale services provided by the company is that the customer can use the company website to receive information about Peugeot related products and services through his email or his location. In order to provide the best quality of after sales services to the customers and to strengthen its position in the highly competitive automotive market, AL-Khayyat motors have activated its after sales services and facilities available in the recently inaugurated service center located in AL-Bayader. Advanced equipment and tools, are using to ensure that problems or requests are processed efficiently and effectively. Peugeot's owners can get a comprehensive range or services; light service maintenance, Peugeot fixed price offers Peugeot assistance, training center, body work repair and maintenance, Peugeot's genuine parts, Peugeot's network services. Also, AL-Khayyat Group was one of the first in Jordan to introduce of roadside assistance service for the customers (AL-Khayyat Group, website).

Jordan's automotive market information indicated that:
- 800,000 vehicles are registered in Jordan.
- About 30,000 vehicles registered yearly.
- Percentage distribution of cars in Jordan by the country of manufacture refers to 60% Korean, 20% Japanese, 15% European, 4% American and 1% Chinese.

The main challenges in the automotive market in Jordan are; Fuel prices, availability of spare parts, after sales service and used cars. From here, one can conclude that the Peugeot dealer in Jordan is selling the vehicle to the customers and at the same time providing the services associated with the vehicle.

**The definition of services**

The literature suggests that there are many organizations that sell a particular commodity, and this sale is not complete without service or a range of services provided by the organization itself or specialized organization. In this area, business dictionary pointed out that many businesses are selling a unique item including both a tangible or physical good and intangible service, where some times the quality of service is more important than the physical product, eating a meal in the restaurant for example, may explain this, there are plenty of customers interested in the method of presenting food for them more than their interest in food itself (Sims, 2007, P.5). In the context of his research on the factors influencing the decision to buy a car, (Shawawrah, 2006) indicated that service after buying is a significant factor for the study sample. Defining services requires a crucial understanding of what classifies something as service, managers, engineers and designers tend to deem that services are: intangible, perishable, experiential, and co-produced between customers and providers (Dolfsma, 2010). Intangibility is the main attribute of services, and this approach could be the sense of the definition of the economist magazine of services, where services were defined as "products of economic activity that you can't drop on your foot" (The Economist Magazine, 2006). Access to marketing literature, we note that there are several definitions of services according to their characteristics, the U.S Bureau of Economic Affairs (BEA) defines services as products that cannot be stored and that are consumed at the time of their purchase (http://bea.gov/bea/mp-nationa.html).

**Conceptual framework of service quality management**

In a turbulent environment and perpetual motion, are rising ferocity of competition among business organizations, whether organizations producing goods, or service providers. And with the entry of global companies to markets around the world, the process of selecting product or service has become more spacious for the customer, which called the attention of companies to increase the quality of their products either goods or services. Quality has an integral role in all managerial activities. The main goal of any business organization today is to maximize its profitability which enables it to continue. And managers became aware that maximizing profitability requires increased volume of sales, and this will not be without delivering high quality products and services on time. According to (Batagan, et. al. 2009), "there is a multidimensional relationship between the quality of a service and the organization that is providing that service". To highlight this relationship, let us assume that there is someone in front of two options, to get a doctorate degree in law, either from the Sorbonne University, or from a university in the Caribbean islands, if this person cares about quality of education, he will choose Sorbonne University, because it is an ancient university, and with a global reputation. From here, we can say that quality management is a way of doing business that allows an organization to design products and services that meet or exceed customer needs and build operational processes that achieve high levels of performance and quality (Massoud, 2010). While the quality of service defines as "the collective effect of service performances which determine the degree of satisfaction of a user of the service". This definition leads to consider the customer as the final judge on the service and its quality, because quality is the customer's perception of a delivered service (Doug, 2010).
Research methodology
This research was accomplished by using the descriptive analytical approach, in order to measure the level of customer satisfaction for services provided by the dealer of Peugeot cars.

Data Collection
Secondary data relating to the subject matter were collected through books, periodicals, previous research. Also, the internet has been used to gather data belonging to the Peugeot through the company website. The primary data, was collected through a questionnaire designed for this purpose, has been distributed to a sample of existing customers and potential customers.

Research Population and Sample
This research population is composed of the following categories:
- Existing customers of Peugeot.
- Potential customers of Peugeot.
In addition to the administrative manager, sales manager and maintenance manager in the company, the study sample included 50 from the existing customer and 50 potential customers, with different demographic characteristics such as; age, sex, education, and income.

Research hypotheses
This research was conducted under the following hypotheses:

HoA: There is no statistically significant relationship between the services provided by the company and the customer satisfaction. And this hypothesis is divided into the following sub-hypotheses:
- HoA1: There is no statistically significant relationship between quality and safety factors of Peugeot and the customer satisfaction.
- HoA2: There is no statistically significant relationship between the price of Peugeot and the customer satisfaction.
- HoA3: There is no statistically significant relationship between the maintenance efficiency and the customer satisfaction.
- HoA4: There is no statistically significant relationship between the prices of the Peugeot spare parts and the customer satisfaction.
- HoA5: There is no statistically significant relationship between the efficiency of the employees in providing the service and the customer satisfaction.
- HoA6: There is no statistically significant relationship between the methods of announcement and the customer satisfaction.
- HoA7: There is no statistically significant relationship between the spread of the car and the customer satisfaction.

The Research Model

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services Provided by the Company</td>
<td></td>
</tr>
<tr>
<td>• Quality of the car.</td>
<td></td>
</tr>
<tr>
<td>• Safety Factors.</td>
<td></td>
</tr>
<tr>
<td>• Price of the car.</td>
<td></td>
</tr>
<tr>
<td>• Maintenance efficiency.</td>
<td></td>
</tr>
<tr>
<td>• Prices of the spare parts.</td>
<td></td>
</tr>
<tr>
<td>• Employees' efficiency.</td>
<td></td>
</tr>
<tr>
<td>• Announcement.</td>
<td></td>
</tr>
<tr>
<td>• Spread of the car.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Customer satisfaction.</td>
</tr>
</tbody>
</table>
Statistical methods used to data analysis

Data were analyzed statistically by using SPSS program, where frequencies were calculated for the demographic characteristics of the member of the sample. The results of this analysis are shown in the following tables:

**Table 1: Frequency According to the Sex**

<table>
<thead>
<tr>
<th>Sex</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>38</td>
<td>76%</td>
</tr>
<tr>
<td>Female</td>
<td>12</td>
<td>24%</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

Males accounted for the vast majority of the respondents (76%).

**Table 2: Frequency according to the age variable**

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 25</td>
<td>14</td>
<td>28%</td>
</tr>
<tr>
<td>Less than 35</td>
<td>17</td>
<td>34%</td>
</tr>
<tr>
<td>Less than 45</td>
<td>15</td>
<td>30%</td>
</tr>
<tr>
<td>Less than 55</td>
<td>3</td>
<td>6%</td>
</tr>
<tr>
<td>Over 55</td>
<td>1</td>
<td>2%</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

Most of the respondents were of people aged between 25 to 35 years of age, with a percentage of 34% and the lowest frequency was for the people who were over 55 years old.

**Table 3: Frequency according to the income variable**

<table>
<thead>
<tr>
<th>Income</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 250</td>
<td>5</td>
<td>10%</td>
</tr>
<tr>
<td>Less than 500</td>
<td>21</td>
<td>42%</td>
</tr>
<tr>
<td>Less than 750</td>
<td>11</td>
<td>22%</td>
</tr>
<tr>
<td>Less than 1000</td>
<td>12</td>
<td>24%</td>
</tr>
<tr>
<td>More than 1000</td>
<td>1</td>
<td>2%</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

The highest percentage was for the individuals who earn a monthly income ranging between 250-500 JD, while the lowest was for individuals who earn a monthly income more than 1000 JD.

**Table 4: Frequency according to the purpose of using the car**

<table>
<thead>
<tr>
<th>The Purpose of using the car</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual use</td>
<td>14</td>
<td>28%</td>
</tr>
<tr>
<td>Collective use</td>
<td>36</td>
<td>72%</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

The majority of the respondents (72%) are using their cars for collective use.

**Hypotheses testing**

By statistical analysis, Pearson correlation test was used, and Table 5 shows the results of this test.

<table>
<thead>
<tr>
<th>Factors</th>
<th>Coefficient of Correlation</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>quality and safety-customer satisfaction</td>
<td>0.673*</td>
<td>0.000</td>
</tr>
<tr>
<td>price-customer satisfaction</td>
<td>0.743*</td>
<td>0.000</td>
</tr>
<tr>
<td>maintenance efficiency-customer satisfaction</td>
<td>0.598*</td>
<td>0.000</td>
</tr>
<tr>
<td>prices of spare parts-customer satisfaction</td>
<td>0.823*</td>
<td>0.000</td>
</tr>
<tr>
<td>efficiency of the employees in providing the service-customer satisfaction</td>
<td>0.561*</td>
<td>0.000</td>
</tr>
<tr>
<td>the spread of the car-customer satisfaction</td>
<td>0.877*</td>
<td>0.000</td>
</tr>
<tr>
<td><strong>Over all Dimensions-Customer Satisfaction</strong></td>
<td><strong>0.799</strong></td>
<td><strong>0.000</strong></td>
</tr>
</tbody>
</table>

*Significant at $\alpha \leq 0.01$
From the above results, there are positive and significant relationships between all quality of service dimensions (independent variables) and customer satisfaction, which means the rejection of all null hypotheses and accept the alternative hypotheses, so, the hypotheses of the study will be accepted as follows:

**HoA1:** There is a statistically significant relationship between quality and safety factors of Peugeot and the customer satisfaction.

**HoA2:** There is a statistically significant relationship between the price of Peugeot and the customer satisfaction.

**HoA3:** Statistically a significant relationship between the maintenance efficiency and the customer satisfaction.

**HoA4:** There is a statistically significant relationship between the prices of the Peugeot spare parts and the customer satisfaction.

**HoA5:** There is a statistically significant relationship between the efficiency of the employees in providing the service and the customer satisfaction.

**HoA6:** There is a statistically significant relationship between the methods of announcement and the customer satisfaction.

**HoA7:** There is a statistically significant relationship between the spread of the car and the customer satisfaction.

As we notice from table 5, the strongest relationship appears to be between the spread of the car and customer satisfaction, and the lowest one is between the efficiency of the employees in providing the service and customer satisfaction. All over quality service dimensions affecting customer satisfaction positively with a coefficient of correlation equals to 0.799 and in significant manner.

**Recommendations**

The study presents the following recommendations for Peugeot company to increase the level of customer satisfaction:

1. Need to focus on safety factors available in the Peugeot in the media and advertising.
2. To focus on the luxuries available in the car.
3. Reduction of car prices in general, and put a class of Peugeot cars in the market at prices suited to low-income people.
4. Reduce the prices of spare parts means greater in promoting of the car.
5. Need for finding the vehicle maintenance centers in major cities in the Kingdom.
6. The company must develop a plan for the periodic maintenance of the vehicle and distribute booklets for the customers.
7. Reduction the number of customer's comebacks for a given maintenance or repair.
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Organizational Commitment in Educational Departments

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Abstract
This study tries to appear what dimensions of Quality-of-work-life in university, can influence on employees organizational commitment and what is the role of Quality-of-work-life changes in this case. Three questionnaire surveys were developed and distributed to Mashhad University. In this study in order to test the hypothesis significance we used Pearson correlation coefficient. Analysis of the data shows a high rate of commitment in this society. We found that there is a significant relationship between QWL and organizational commitment and it shows that with increasing of QWL we will achieve to a higher level of organizational commitment in Mashhad University.

Keywords Organizational Commitment, Education, Service Organization employees

Introduction
One of the most important issues in management is the human capital in the organization and the way we safeguarding their interests. Paying attention to this issue shows the managements importance on this subject. The connection between workforce competence and customer service quality is conceptually strong since most service delivery or tasks are often performed by an organization's employees. After years of organizational restructuring and work re-engineering, management comes to recognize that a productive workforce is increasingly important to attain sustainable competitive advantages for business organizations on a global basis (Bohl et al., 1996). As the composition of workforce continues to change, companies offering better benefits and supportive working environments are expected to gain leverage in hiring and retaining valuable people.

QWL is a major issue for employees, and how organizations deal with this issue is of both academic and practical significance. Therefore, it is no wonder that thousands of studies revolved around the concept of job satisfaction, and stress as the core concepts of it. QWL and its relationships with employee health and performance became an explicit objective for many of the human resource policies in modern organizations (Dolan et al., 2007a, b).

A number of researchers, however, have raised concerns about the level of employee loyalty and commitment that can be expected in an environment of less secure and shorter term employment contracts (e.g. McClurg, 1999; Hartman and Bambacas, 2000; Gallagher and Sverke, 2005). Organizational commitment in this context remains important because of its potential effect on employees’ identification with the organization’s goals, the desire to retain membership with the organization and the level of effort exerted (Meyer and Allen, 1997; Hartman and Bambacas, 2000; Jaramillo et al., 2005; Van Breugel et al., 2005). Focusing on public universities, organizational commitment and QWL management approaches become crucial in order to reinforce their role in national innovation systems within the new economy for different reasons. On the one hand, because universities main inputs and outputs are basically intangibles and only a small part of these are identified and very limited instruments exist to measure and manage them, there is a main importance for measuring related indicators in this organizations. Due to this, we decided to conduct this research and search about the relation between these two important and effective issues on an sample organization, to develop a new way to improve the quality of our surrounding environment. The purpose of this
study has been to examine what dimensions of Quality-of-work-life in university, can influence on employees organizational commitment and what is the role of Quality-of-work-life changes in this case. However, not all the hypotheses were confirmed, we found that, there is a significant positive correlation between organizational commitment and Quality-of-work-life of Mashhad universitys employees. In recent years, numerous studies in the field of Quality-of-work-life or organizational commitment have been carried out. However, relatively few studies have addressed the specific relationship between this two variable in university.

Literature review

Commitment and Organizational Commitment

Many factors influence employee’s commitment. These include commitment to the manager, occupation, profession, or career (Meyer & Allen, 1997). Organizational commitment focuses on employees’ commitment to the organization. In explaining the significance of organizational commitment, Meyer & Allen (1997) refer to Morrow & McElroy's (1993) statement that organizational commitment is the most maturely developed of all the work commitment constructs. As part of their research, Meyer & Allen (1991) developed a framework that was designed to measure three different types of organizational commitment: (a) Affective commitment refers to employees’ emotional attachment, identification with, and involvement in the organization. Employees with a strong affective commitment stay with the organization because they want to. (b) Continuance commitment refers to employees’ assessment of whether the costs of leaving the organization are greater than the costs of staying. Employees who perceive that the costs of leaving the organization are greater than the costs of staying remain because they need to. (c) Normative commitment refers to employees’ feelings of obligation to the organization. Employees with high levels of normative commitment stay with the organization because they feel they ought to. In arguing for their framework, Meyer & Allen (1991) contended that affective, continuance, and normative commitment were components rather than types because employees could have varying degrees of all three. “For example, one employee might feel both a strong attachment to an organization and a sense of obligation to remain. A second employee might enjoy working for the organization but also recognize that leaving would be very difficult from an economic standpoint. Finally, a third employee might experience a considerable degree of desire, need, and obligation to remain with the current employer” (Meyer & Allen, 1997, p. 13). Even though the authors present this argument, they do not imply that there is a rationale for summing all the scales to obtain an overall score for organizational commitment. Consequently, for this research, the different scales will be referred to as types rather than components. Studies have linked organizational commitment to measures of effectiveness that are similar to those found when investigating the outcomes of relations-oriented and task-oriented leadership behaviors. Loui (1995), for instance, found that commitment was significantly related to trust, job involvement, and job satisfaction. Angle & Perry (1981) uncovered a relationship between commitment and turnover. Wiener & Vardi (1980) reported positive correlations between commitment and job performance. Research has also linked organizational commitment to leadership behaviors that are relations-oriented and task-oriented. Jermier & Berkess (1979) discovered that employees who were allowed to participate in decision-making had higher levels of commitment to the organization. DeCotitis & Summers (1987) found that when employees were treated with consideration, they displayed greater levels of commitment. Bycio, Hackett, & Allen (1995) reported positive correlations between the leadership behaviors of charisma, intellectual stimulation, individualized consideration, and contingent reward and affective, continuance, and normative commitment.
Organizational commitment provides a broad measure of the effectiveness of leadership behaviors. This relationship offers a way to further explore the subject of leadership. In general, organizational commitment is considered a useful measure of organizational effectiveness (Steers, 1975). In particular, “organizational commitment is a “multidimensional construct” (Morrow, 1993) that has the potential to predict organizational outcomes such as performance, turnover, absenteeism, tenure, and organizational goals” (Meyer & Allen, 1997, p.12). For example, in a study involving 109 workers, Loui (1995) examined the relationship between the broad construct of organizational commitment and the outcome measures of supervisory trust, job involvement, and job satisfaction. In all three areas, Loui (1995) reported positive relationships with organizational commitment. More specifically, perceived trust in the supervisor, an ability to be involved with the job, and feelings of job satisfaction were major determinants of organizational commitment. Angle & Perry (1991) undertook a study to determine the effect that organizational commitment had on turnover. The participants included 1,244 bus drivers. Findings revealed a negative relationship between turnover and organizational commitment. In short, employees who intended to leave the job were not committed to the organization. Wiener & Vardi (1980) looked at the effect that organizational commitment had on commitment to the job and career commitment. Their participants included 56 insurance agents and 85 staff professionals. The researchers reported positive relationships between organizational commitment and the two other types of commitment. Jermier & Berkes (1979) collected data on organizational commitment from over 800 police officers. The researchers were investigating the relationship between job satisfaction and organizational commitment. Findings revealed that employees who were more satisfied with their job had higher levels of organizational commitment. DeCotiis & Summers (1987) undertook a study of 367 managers and their employees. The researchers examined the relationship between organizational commitment and the outcome measures of individual motivation, desire to leave, turnover, and job performance. Organizational commitment was found to be a strong predictor for each of these outcome areas.

Commitment can be defined as the identification and the attachment to an organization and implies three elements: a strong belief/acceptation of the organization’s objectives and values, the willingness to exert strong efforts for it and the firm intention to stay within the organization (Mowday and al, 1982). It is the process through which the organization’s goals and the individual’s goals get more and more integrated (Hall et al, 1970). Several researchers have studied the link existing between commitment and loyalty. According to Kanter (1968), for example, commitment refers to the individuals’ willingness to give their energy and loyalty to social systems. For Hirschman (1972), being loyal to an organization is necessary to express one’s dissatisfaction in a positive way and to help the institution to progress instead of leaving it. As a consequence, loyalty has a major influence on the individual’s choice between « voice » (expressing one’s grievance) and « exit » (resigning).

Applying Hirschman’s theory, Cannings (1989) states that only the attachment derived from « voice » leads to a superior performance; attachment derived from barriers to exit, like age or lack of qualifications, covers only the last dimension of Mowday et al’s definition (intention to stay). Organizational commitment has been at the centre of studies into individual and organizational performance for several decades. If Swailes (2002) criticizes the fact that researchers have ignored the new context of employee-organization linkages when they investigate the issue of commitment measurement, he argues for its continued importance to understand the new deals signed between employers and employees.

Social psychologists have situated organizational commitment downstream from motivation. According to them, it causes the mobilization of all the capacities of the employee to achieve the goals laid down by the company and prohibits any separation between employee and organization. Organizational commitment must be differentiated from job satisfaction: whereas
job satisfaction results from an individual relation to work, organizational commitment controls and guides the person in the organization (Estay, 2001). Workers can be autonomous and can have integrational facilities, but they can use these faculties outside or against their company. For instance, autonomy can lead employees to quit their enterprises to find better remuneration. Organizational commitment can reduce this kind of turnover. It can also lead people to think in the direction of company interest and make decisions to develop their organization. We know that an employee’s commitment increases when he takes responsibilities and when he is empowered because he has the feeling that his work belongs to him (Matejka and Liebowitz, 1989). More precisely, organizational commitment is influenced by three categories of factors: worker characteristics (Mottaz, 1988; Meyer et Allen, 1990; Michel, 1989), job task characteristics (Mowday and al., 1974; Meyer and Allen, 1990, Thevenet, 1992) and structural characteristics (Rhodes and Steers, 1981; Morris and Steers, 1980; Steers, 1977; Gaertner and Nollen, 1989). We will only develop the two last categories because we are looking for the structural characteristics – and not the individual ones – which might impact organizations commitment in an innovative context. Job task characteristics cover task autonomy, task significance, opportunity for social interaction in completing tasks and skill variety. They also concern job scope – the more the job represents a challenge, is important to the organization and receives feedback the more the employee commits himself, clarity of objectives, which is positively correlated to involvement, and work overload, which reinforces commitment if objectives are clear and challenging but which decrease in situations of conflict or stress.

The organizational characteristics which are positively correlated with involvement cover distributive justice, participation in decision making, degree of formalization and degree of decentralization, opportunities for internal mobility and training, and employment security. We should mention that involvement also depends on career development. Mowday and al. (1982) identify three periods in an individual’s career dynamic: the period before the hiring process (what are the factors that encouraged the individual to make this choice?), the very first months within the company and the following period, where factors of involvement are linked to the representation the individual has on the “investments” he has done within the company. Meyer and Allen (1984) suggested a three-dimensional measurement of organizational commitment showing that this attitude could be better understood as a multidimensional concept. They defined the three dimensions as:

– Affective commitment, e.g. “positive feelings of identification with, attachment to, and involvement in the work organization”.

– Continuance commitment, e.g. “the extent to which employees feel committed to their organizations by virtue of the costs that they feel are associated with leaving (investments or lack of attractive alternatives)”.

– Morale commitment, e.g. “the employees’ feelings of obligation to remain in the organization”. Evidence generally supports the theory that affective commitment is positively associated with certain desired outcomes while continuance commitment generally has negative associations. Only preliminary studies have been conducted in the area of morale commitment. This knowledge reinforced the importance of studying the affective commitment of core and contract employees. More precisely, researchers showed that organizational commitment enhances the individuals’ performance (Meyer et al., 1989) and reduces turnover (Siegel et Ruth, 1973) and absenteeism (Patchen, 1965). But it also facilitates the acceptance of changes in a new environment (Handy, 1989, Thevenet, 1992). To conclude this part, we would like to clarify the links existing between psychological contracts and organizational commitment. Latest research in social psychology has confirmed that aligned and healthy psychological contracts contribute to enhanced commitment (including affective commitment which is positively related to higher performance), job satisfaction (which is related to higher motivation, lower workplace stress and
more satisfied customers) and intention to stay with the organization (retention). Indeed, according to Coyle-Shapiro (2002), perceived employer obligations explains the three dimensions of what is called “citizenship behavior”: helping, advocacy and, more important for us, functional participation. More precisely, psychological contract fulfillment is more strongly related to citizenship behavior directed at the organization than to citizenship behavior directed at one’s colleagues (Turnley and al, 2003). Flood and al (2001), who developed a causal model of the causes and consequences of psychological contract in leading high-technology software companies, found support for the idea that psychological contracts have a direct effect on employee commitment and intention to remain with the organization.

**Quality of Work Life**

Quality of work life appears to be a promising concept in helping managers to recruit talented individuals and to secure their engagement. It also appears as a promising concept to help them foster a high involvement culture and high organizational performance. However, there are many barriers to overcome in order to achieve this. The experience of Teknika Group provides a good illustration of such difficulties. Quality of work life (QWL) is a multidimensional construct usually referring to overall satisfaction with working life and with work/life balance, a sense of belonging to a working group, a sense of becoming oneself, and a sense of being worthy and respectable. Programs of QWL usually deal with the work itself – its design and its requirements, the working environment, the decision-making processes and supervisory behavior, and the working conditions, including the work and non-work balance.

The managerial practices that are associated with QWL depart positively from those associated with lean management practices (Niepce et Molleman, 1998). Based on the socio-technical systems design (Trist, 1981), managers do consider employees as human beings who have interests and dreams, motivations and expectations, strengths and weaknesses. In QWL organizations, work is meaningful, self-regulated, and usually done in a team arrangement. Its accomplishment also requires the use of complex skills. Decision-making involves those who are affected by its implementation and those who have the knowledge, skills and experience. This generates a participative management culture which promotes cooperation and conflict management, employee commitment, self-efficacy and organizational effectiveness.

In these types of organization, managers are concerned with the meaning of work for the employees and their working conditions. Morin (2003) has defined six factors that give meaning to work: the purpose of work, its moral correctness, autonomy, pleasure at work, recognition and positive relationships. When employees perceive these characteristics in their job, they tend to experience psychological well-being and effective commitment to the organization. Indeed, it is difficult to best conceptualize the quality of work life elements. Walton proposed eight major conceptual categories relating to QWL as (1) adequate and fair compensation, (2) safe and healthy working conditions, (3) immediate opportunity to use and develop human capacities, (4) opportunity for continued growth and security, (5) social integration in the work organization, (6) constitutionalism in the work organization, (7) work and total life space and (8) social relevance of work life. Several published works have addressed the constructs that make up the QWL domain and key elements of QWL programs.

Others such as Pelsma et al. and Hart found that psychological distress and morale contributed equally to teachers’ QWL. They determined that in the work climate of an occupation, QWL can be assessed by combining the amount and the degree of stress and the degree of satisfaction experienced by the individual within his/her occupational role. Winter et al. viewed QWL for academicians as an attitudinal response to the prevailing work environment and posited five
Quality of Work Life (QWL) is a philosophy, a set of principles, which holds that people are the most important resource in the organization as they are trustworthy, responsible and capable of making valuable contribution and they should be treated with dignity and respect. The elements that are relevant to an individual’s quality of work life include the task, the physical work environment, social environment within the organization, administrative system and relationship between life on and off the job. QWL consists of opportunities for active involvement in group working arrangements or problem solving that are of mutual benefit to employees or employers, based on labor management cooperation. People also conceive of QWL as a set of methods, such as autonomous work groups, job enrichment, high-involvement aimed at boosting the satisfaction and productivity of workers.

It requires employee commitment to the organization and an environment in which this commitment can flourish. Thus, QWL is a comprehensive construct that includes an individual’s job related well-being and the extent to which work experiences are rewarding, fulfilling and devoid of stress and other negative personal consequences.

**Methodology**

In this research we used descriptive methods and examined the correlation between commitment and QWL with two variable correlation method.

**Data collection Method**

According to the aim of this survey the best way of gathering information was using questionnaire, in order to achieve to this purpose we used three questionnaires described below:

1. General information questionnaire: including personal information, precedences like age, education level, career, marriage condition and sex.
2. Organisational commitment questionnaire: this questionnaire was according to allen and Meyers organizational commitment model, with 24 questions in three dimensions, using the likert scale.
3. Quality of work life questionnaire: on the basis of Waltons QWL model including 16 questions in 8 dimensions. In this survey we added 2 questions about welfare services. We used the likert scale in this part.

**Examining the validity and reliability of the questionnaires**

Using this questionnaires by researchers shows it validity. To examining its reliability among different methods we chose the cronbachs alpha. For second questionnaire we achieved 0.886 and for the third one 0.854, showing the reliability of these questionnaires.

**Population and statistical sample**

Population of this survey includes all employees in Mashhad university. According to the statistics their number is 543 persons working in three departments. We used a judicative sampling and chose 178 persons as sample and after distributing 180 questionnaires we got 163 of them back.

After gathering the data in order to analyze we used descriptive statistics to adjust data and show several parameters to draw different diagrams. By the way we used correlation coefficient to analyze the hypothesis.
Findings of the survey

Hypothesis Test

In this study in order to test the hypothesis one to five about their meaningfulness or non-meaningfulness we used Pearson correlation coefficient.

**Hypothesis 1**: there is a significant relationship between QWL and organizational commitment. Results of this hypothesis are given in table 1, and shows that in confidence level of 99% there is a significant relationship between QWL and organizational commitment and it shows that with increase of QWL we will achieve to a higher level of organizational commitment in Mashhad University.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Level of significance</th>
<th>Coefficient of correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>QWL and organizational commitment</td>
<td>0.021</td>
<td>0.297*</td>
</tr>
</tbody>
</table>

*: it is significant at 0.01 level

**Hypothesis 2**: there is a significant relationship between QWL and dimensions of organizational commitment. As shown in table 2 there is a significant relationship between QWL and dimensions of organizational commitment and among them the most significant dimension is between QWL and morale commitment. Now we decide to test the correlation between organizational commitment and dimensions of QWL, and in this way we presented the third hypothesis.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Level of significance</th>
<th>Coefficient of correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>QWL and morale commitment</td>
<td>0.000</td>
<td>0.181**</td>
</tr>
<tr>
<td>QWL and continuance commitment</td>
<td>0.023</td>
<td>0.423*</td>
</tr>
<tr>
<td>QWL and affective commitment</td>
<td>0.000</td>
<td>0.261*</td>
</tr>
</tbody>
</table>

**: it is significant at 0.01 level
*: it is significant at 0.05 level

**Hypothesis 3**: there is a significant relationship between dimensions of QWL and dimensions of organizational commitment. The results of this hypothesis are given in table 3. It shows that there is a significant relationship between safe and healthy working conditions and morale commitment, safe and healthy working conditions and continuance commitment, safe and healthy working conditions and affective commitment, social relevance of work life and morale commitment, social relevance of work life and continuance commitment, social relevance of work life and affective commitment, constitutionalism in the work organization and morale commitment, constitutionalism in the...
work organization and affective commitment, immediate opportunity to use and develop human capacities and morale commitment, social integration in the work organization and affective commitment, and the greatest relation belongs to the social relevance of work life and morale commitment.

Table 3: Relationship between dimensions of QWL and dimensions of organizational commitment

<table>
<thead>
<tr>
<th>Dimensions of QWL</th>
<th>Morale commitment</th>
<th>Continuance commitment</th>
<th>Affective commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>adequate and fair compensation</td>
<td>0.032*</td>
<td>-0.91*</td>
<td>0.425*</td>
</tr>
<tr>
<td>safe and healthy working conditions</td>
<td>0.098</td>
<td>0.276</td>
<td>0.287*</td>
</tr>
<tr>
<td>social relevance of work life</td>
<td>0.354</td>
<td>0.187*</td>
<td>0.286*</td>
</tr>
<tr>
<td>continued growth and security</td>
<td>0.276</td>
<td>0.198</td>
<td>0.276</td>
</tr>
<tr>
<td>constitutionalism in the work organization</td>
<td>0.265*</td>
<td>0.154</td>
<td>0.298*</td>
</tr>
<tr>
<td>Immediate opportunity to use and develop human capacities</td>
<td>0.276**</td>
<td>0.265</td>
<td>0.142</td>
</tr>
<tr>
<td>social integration in the work organization</td>
<td>0.186*</td>
<td>0.286*</td>
<td>0.376</td>
</tr>
<tr>
<td>work and total life space</td>
<td>-0.187*</td>
<td>0.131</td>
<td>0.441**</td>
</tr>
</tbody>
</table>

**:it is significant at 0.01 level
*:it is significant at 0.05 level

After we found that there is a significant relationship between organizational commitment and quality of work life, we decided to add two other hypotheses to our research in order to get a better result.

Discussion and Conclusion
Organizational communication, organizational commitment, job stress, and job performance have received substantial attention in past organization behavior research. These organizational behavior variables are significant to a company’s overall performance. For example, poor organizational communication has been found to lower organizational commitment (Kramer, 1999; Rodwell et al., 1998) resulting in the three basic components of organizational commitment, identification, involvement, and loyalty, being reduced. In addition, the level of organizational commitment has been found to positively influence job performance (Yousef, 2000) and negatively influence job stress (Sager, 1990). Although, the relationship between these variables has received attention in the USA, little is known about these relationships in non-western cultures (Honeycutt et al., 2001).
The purpose of this study has been to examine what dimensions of Quality-of-work-life in university, can influence on employees organizational commitment and what is the role of Quality-of-work-life changes in this case.

Results about organizational commitment in employees of educational departments in Mashhad with M=85.45 and SD=12.44 shows a high rate of commitment in this society. In this survey 7.6 percent of respondents are in low level of commitment and only 6.5 percent have a very high commitment level. In general this society has a good level of organizational commitment. As mentioned in Cuskelley, Graham & Boag Alistair's research organizational commitment is an important factor in preventing personnel's absence. Also Feldmann and Arnold in a survey about the relation between work values and organizational commitment in a multi national corporation in Singapore's electronic industry showed that variables such as job involvement and effort to achieve power had a greater positive correlation with organizational commitment rather than financial earnings of a job. According to this research's results 93.5 percent of this society with a mean value of 85.45 had a high and average organizational commitment and 91.3 of them with a mean value of 44.75 were in average and low level of work life level. We conclude that low and average level of work life quality results in average and high organizational commitment in this society. This survey shows that to achieve to a high level of organizational commitment policy makers should have organized programs and plans. We don't have to forget that there is a need to improve the quality of work life in this employees to gain a higher commitment. The results show that there is a negative and significant relationship between educational level and organizational commitment, and they vary in a reverse way. To solve this problem policy makers should use some motivations to motivate employees with higher educational level to achieve to a high organizational commitment.
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Gender Based Comparative Study of Post Traumatic Stress Among the Victims of Earthquake October 8, 2005 (Pakistan)

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Abstract
The present research was designed to study post-disaster stress in population affected by earthquake in Pakistan with their gender. A sample of N=90 adults residing in different villages of Mansehra District of NWFP, Pakistan was taken. It was hypothesized that the level of post-traumatic stress would be higher in females as compared with males. Impact of Event Scale by Horowitz et al (1979) was administered. The results verified the hypothesis and it was found that female sufferers of earthquake showed a higher level of post-traumatic stress when compared with affected male population. The research supports previous studies conducted in this regard by confirming that the element of gender is positively correlated with post-traumatic stress. The study further elaborated other factors as well which were involved in post-traumatic stress such as marital status, family loss, education and employment status.

Keywords: GENDER BASED; COMPARATIVE STUDY; POST TRAUMATIC STRESS; VICTIMS; EARTHQUAKE

Introduction
Stress is an inevitable part of life and some amount of stress is needed to live healthy and happy life. But if it exceeds the limit of the stress and goes beyond the tolerance level of an individual such as loss of loved ones, economic trauma, health related severe problems, etc. The most severe form of such stressors is the trauma that takes place in someone’s life that may be natural or man-made disasters which affect almost all the victim of disaster. Norris et al. (2002a) stated that in 94% of 49 studies which investigated the issue, female survivors of disaster were more seriously affected than were males. There are several possible explanations for this difference. For example low socioeconomic status is a risk factor for post-disaster psychopathology, and women more often live in poverty than men (Belle, 2003).

The gender difference may be in part explained by differences we often observe between the genders in the way psychological distress is expressed. In general, women are more likely than men to acknowledge psychological symptoms and to report them (Nolen-Hoeksema, 1990). After a disaster, males may suppress feelings of psychological distress because of the expectation that men must be strong and capable (Wolfe & Kimerling, 1997). The most commonly investigated post-disaster reactions are PTSD, depression, and other forms of anxiety. Substance abuse and other acting out behaviors, such as interpersonal violence, are seldom assessed. Men are more likely to express psychological distress through these kinds of behaviors, rather than reporting neurotic-type symptoms like depression and anxiety (Myers, Weissman, Tischler, et al., 1984).

Traditionally, women have been assigned the role of caregiver, a role that may lead to increased stress levels in the aftermath of a disaster. First, for women who are primary caretakers, the extra stress of caring for children and the home may fall disproportionately on them. Norris et al. (2002a) noted in their review of disaster studies that being a parent, especially a mother, was associated with higher disaster-related distress. In a study with...
survivors of the 1999 earthquake in Turkey, a higher percentage of women than men reported that their first thoughts were of their family (Yilmaz, 2004). Second, women may be more likely to provide care for others affected by disaster (Kaniasty & Norris, 1995; Solomon, Smith, Robins, and Fischbach, 1987). In a study with vicarious victims of the September 11th attacks, more than twice as many women than men reported engaging in collective helping behavior (Wayment, 2004). When women offer support to other people, not only can they be further exposed to the trauma through contact with others, but they also may be burdened by the stress of providing support in times of need (Solomon et al., 1987). A particularly devastating situation may be the one in which a woman provides support services to others in the aftermath of a disaster, but does not receive an equal amount of social support back.

METHOD

Sample
The sample consisted of N=90 (Mean=36.63, SD=12.757) adults residing in different villages of Mansehra District of NWFP, Pakistan. These included both females (n=52, Mean 36.08, SD=11.944) and males (n=38, Mean=37.39, SD=13.922) affected by the earthquake. Due to the non-availability or unwillingness from the population to respond to the questionnaire, purposive sampling technique was used and Impact of Event Scale was administered on individuals who willingly participated in the research process.

Instruments

Impact of Event Scale (IES) (Horowitz et al., 1979)
The IES was developed to measure subjective distress related to a specific event (Horowitz, Wilner, & Alvarez, 1979). The IES is a self-report measure designed to assess current subjective distress for any specific life event (Horowitz, et al 1979; Corcoran & Fischer, 1994). The IES scale consists of 15 items, 7 of which measure intrusive symptoms (intrusive thoughts, nightmares, intrusive feelings and imagery), 8 tap avoidance symptoms (numbing of responsiveness, avoidance of feelings, situations, ideas), and combined, provide a total subjective stress score. Items of the IES are anchored to a specific stressor (Horowitz, et al, 1979; Briere, 1997). Respondents are asked to rate the items on a 4-point scale according to how often each has occurred in the past 7 days. The 4 point on the scale are: 0 (not at all), 1 (rarely), 3 (sometimes), and 5 (often). IES can be interpreted according to the following dimensions i.e. 0 - 8 Subclinical range, 9 – 25 Mild range, 26 – 43 Moderate range and 44 + Severe range

Personal Information Schedule
It was designed to obtain demographic information including age, gender, marital status, educational level, employment status and number of family loss.

Procedure
The participants were individually approached by the researcher. They were residing in different Villages of Tehsil Balakot, District Mansehra of NWFP, Pakistan. Each respondent was interviewed individually to build a satisfactory level of rapport and to make him/her understand about the purpose of research. The Impact of Event Scale was administered to the respondents individually after collecting the demographic information. Since the instrument was in English that is why every subject was interviewed by a trained Psychologist in order to maintain uniformity of research. Both the subjects and the facilitators were thanked a lot for their cooperation.
Results

Table 1: Mean difference and t-value of Males and Females on Impact of Event Scale (N= 90)

<table>
<thead>
<tr>
<th>Group</th>
<th>N</th>
<th>X</th>
<th>SD</th>
<th>t-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>52</td>
<td>51.83</td>
<td>8.588</td>
<td>3.899</td>
<td>.0001</td>
</tr>
<tr>
<td>Males</td>
<td>38</td>
<td>41.68</td>
<td>15.864</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The table-1 shows significant differences on Impact of Event Scale in males and females. The result shows that women are more prone to post-disaster trauma than males. The scores reveal that the mean score of males is 41.68 which indicates moderate symptoms of Post traumatic stress while women fall in highly vulnerable group as their mean score is 51.83 which means they are severely affected by the traumatic event. The results are highly significant at p< .0001 level.

Table 2: Frequency and percentage of Males and Females on Impact of Event Scale

<table>
<thead>
<tr>
<th>Mild</th>
<th>Moderate</th>
<th>Severe</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>0 (0%)</td>
<td>9 (17.3%)</td>
<td>43 (82.7%)</td>
</tr>
<tr>
<td>Male</td>
<td>8 (21.1%)</td>
<td>11 (28.9%)</td>
<td>19 (50.0%)</td>
</tr>
<tr>
<td>Total</td>
<td>8 (8.9%)</td>
<td>20 (22.2%)</td>
<td>62 (68.9%)</td>
</tr>
</tbody>
</table>

Chi-Square Value= 15.692, df=2, p< .001

The table-2 shows the cross tab between the levels of severity of scores of males and females on the levels of severity of scores on Impact of Event Scale. The result shows that the higher number of female belonged to severely affected group as compared to males, as 43 females were severely affected by disaster where as only 19 males were severely affected by disaster. The frequency table is statistically significant at p<.001.

Table 3: Post-traumatic stress against “Marital Status” on Impact of Event Scale:

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>Mild stress</th>
<th>Moderate stress</th>
<th>Severe stress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>4 (16.0%)</td>
<td>5 (20.0%)</td>
<td>16 (64.0%)</td>
<td>25 (100%)</td>
</tr>
<tr>
<td>Married</td>
<td>4 (6.3%)</td>
<td>15 (23.8%)</td>
<td>44 (69.8%)</td>
<td>63 (100%)</td>
</tr>
<tr>
<td>Divorced</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
<td>1 (100%)</td>
<td>1 (100%)</td>
</tr>
<tr>
<td>Widow</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
<td>1 (100%)</td>
<td>1 (100%)</td>
</tr>
<tr>
<td>Total</td>
<td>8 (8.9%)</td>
<td>20 (22.2%)</td>
<td>62 (68.9%)</td>
<td>90 (100%)</td>
</tr>
</tbody>
</table>

Chi square value= 3.005, df= 6, p> .05

The table-3 shows the cross tab between married, unmarried, divorced and widow and the levels of severity of scores on Impact of Event Scale. The result shows that higher number of married group is severely affected by the disaster i.e 44 married subjects reported higher scores on Impact of Event Scale. The results are not statistically significant at p>.05.
Table 4: Post-traumatic stress against “Education” on Impact of Event Scale:

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>Mild stress</th>
<th>Moderate stress</th>
<th>Severe stress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No response</td>
<td>0 (0%)</td>
<td>1 (100%)</td>
<td>0 (0%)</td>
<td>1 (100%)</td>
</tr>
<tr>
<td>Illiterate</td>
<td>2 (7.1%)</td>
<td>3 (10.7%)</td>
<td>23 (82.1%)</td>
<td>28 (100%)</td>
</tr>
<tr>
<td>Primary</td>
<td>0 (0%)</td>
<td>6 (46.2%)</td>
<td>7 (53.8%)</td>
<td>13 (100%)</td>
</tr>
<tr>
<td>Secondary</td>
<td>3 (15.0%)</td>
<td>6 (30.0%)</td>
<td>11 (55.0%)</td>
<td>20 (100%)</td>
</tr>
<tr>
<td>College/University</td>
<td>3 (10.7%)</td>
<td>4 (14.3%)</td>
<td>21 (75.0%)</td>
<td>28 (100%)</td>
</tr>
<tr>
<td>Total</td>
<td>8 (8.9%)</td>
<td>20 (22.2%)</td>
<td>62 (68.9%)</td>
<td>90 (100%)</td>
</tr>
</tbody>
</table>

Chi square value = 13.907, df = 8, p > .05

The table-4 shows the cross tab between the different levels of education of the subjects and the levels of severity of scored on Impact of Event Scale. The result shows that the slightly higher number of illiterate victims of disaster reported severely higher scores on Impact of Event scale whereas those who attended college or university are also found to be severely affected by trauma. But the number of illiterate subject is comparatively higher i.e. n=23 subjects report severe symptoms of Post traumatic stress. The overall results are not statistically significant at p > .05.

Table 5: Post-traumatic stress against “Employment” on Impact of Event Scale:

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>Mild stress</th>
<th>Moderate stress</th>
<th>Severe stress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No response</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
<td>6 (100%)</td>
<td>6 (100%)</td>
</tr>
<tr>
<td>House wife</td>
<td>0 (0%)</td>
<td>6 (17.6%)</td>
<td>28 (82.4%)</td>
<td>34 (100%)</td>
</tr>
<tr>
<td>Student</td>
<td>1 (12.5%)</td>
<td>1 (12.5%)</td>
<td>6 (75.0%)</td>
<td>8 (100%)</td>
</tr>
<tr>
<td>Employed</td>
<td>5 (16.1%)</td>
<td>10 (32.3%)</td>
<td>16 (51.6%)</td>
<td>31 (100%)</td>
</tr>
<tr>
<td>Unemployed</td>
<td>2 (18.2%)</td>
<td>3 (27.3%)</td>
<td>6 (54.5%)</td>
<td>11 (100%)</td>
</tr>
<tr>
<td>Total</td>
<td>8 (8.9%)</td>
<td>20 (22.2%)</td>
<td>62 (68.9%)</td>
<td>90 (100%)</td>
</tr>
</tbody>
</table>

Chi square value = 13.548, df = 8, p > .05

The table-5 shows different status of employment of the subjects and the levels of the scores on severity of Impact of Event Scale. The result shows that higher number of house wives have reported high scores on Impact of Event Scale and shows severe stress. This frequency table is statistically not significant at p > .05.
Table 6:
Post-traumatic stress against “Family Loss” on Impact of Event Scale:

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>Mild stress</th>
<th>Moderate stress</th>
<th>Severe stress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No response</td>
<td>0 (0%)</td>
<td>2 (66.7%)</td>
<td>1 (33.3%)</td>
<td>3 (100%)</td>
</tr>
<tr>
<td>No family loss</td>
<td>3 (91.1%)</td>
<td>6 (18.2%)</td>
<td>24 (72.7%)</td>
<td>33 (100%)</td>
</tr>
<tr>
<td>1-3 members lost</td>
<td>4 (9.1%)</td>
<td>11 (25.0%)</td>
<td>29 (65.9%)</td>
<td>44 (100%)</td>
</tr>
<tr>
<td>4-5 members lost</td>
<td>1 (12.5%)</td>
<td>1 (12.5%)</td>
<td>6 (75.0%)</td>
<td>8 (100%)</td>
</tr>
<tr>
<td>&gt; 6 members lost</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
<td>2 (100%)</td>
<td>2 (100%)</td>
</tr>
<tr>
<td>Total</td>
<td>8 (8.9%)</td>
<td>20 (22.2%)</td>
<td>62 (68.9%)</td>
<td>90 (100%)</td>
</tr>
</tbody>
</table>

Chi square value = 5.414, df = 8, p > .05

The table-6 shows cross tab between number of family members lost during the disaster and the scores on severity of Impact of Event Scale. The result shows that higher number of earthquake victims who lost 1-3 family member report severe stress whereas 75% of those who lost 4-5 family members and those who lost six or more than six family members report 100% of severe stress. This frequency table is not significant at p > .05.

Discussion

Half of the population of Pakistan comprises of women. Women are responsible for bringing up children and taking care of the household activities and they are more sensitive about their families and family members. Studies have proved that women are more prone to mental health problems and there are higher rates of depression and most anxiety disorders among women than men (Myers et al., 1984), which enhances the probability of putting them at risk for disaster-related distress. Furthermore, there may be some experiences that women are more likely to have that may contribute to the development of PTSD post-disaster. The interaction of gender and various social/family factors highlights the interconnectedness of vulnerability factors. While men typically cope using individual and immediate decision-making, women use their social network to process and work through problems (Kawachi and Berkman, 2000; Taylor, Klein & Lewis, 2000). After a disaster, changes often occur in one’s social network (Kaniasty & Norris, 1997). In a study with victims of Hurricane Andrew, Norris, Perilla, Riad, Kaniasty & Lavizzo (1999) noted that nearly all of the events that were experienced in common by the sample were related to changes in the social environment. Women’s PTSD symptoms have been shown to increase as their available social supports decrease, a finding that was not true for men (Pulcino et al., 2003). Change in the social network, which may involve a decrease in available social support, may be more devastating for women than for men due to its negative effect on their coping ability.

The results of present research are also similar to the previously conducted studies and revealed higher level of post-traumatic stress in females than males. The study also elaborates some more relevant facts and shows that marital status, education, employment and family loss are not the factors that could create a significant difference among the level of post-traumatic
stress (tables 3 to 6). Single and married individuals were found almost the same on the levels of post-traumatic stress (table 3). Illiterate individuals were seemed to be more prone towards post-traumatic stress as compared with the educated ones; however the difference was not statistically significant (table 4). Employment (table 5) and family loss (table 6) were also not proven as significant factors in post-traumatic stress. Hence, the factor of gender showed highly significant difference and females were found more stressful than males.

Limitations and Suggestions
A few limitations were discovered while conducting the present study. The potential limitation of the study concerns the sample and generalizability of the findings. The sample size of 52 females and 38 males of earthquake victim may have been relatively small to allow the findings to be generalized to the population. Heterogeneity of the sample implies that results may be biased by wide variation in their professional and educational backgrounds. The study can be improved by including few more variables and investigating them thoroughly such as detailed psychosocial and health related complaints. It would be also worthwhile to also examine the relationship between the Post Traumatic Stress and Mental health problems.

Conclusion:
It is concluded from the present research that women have high vulnerability for developing symptoms of Post Traumatic Stress Disorder and they are more prone to be psychologically effected by the traumatic event in their lives. Vulnerability factors in individuals are inevitable such as age, gender, previous history of psychopathology and social support determines the level of psychological distress in victims.


META THEORETICAL ORIENTATION IN SOCIAL WORK PRACTICE:
THE RELEVANCE OF PSYCHODYNAMICS AND SOCIAL ECOLOGY
THEORIES TO SOCIAL WORK PRACTICE IN NIGERIA

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Abstract
This paper attempts to appraise the relevance of theoretical orientation to social work practice. Though it acknowledges the fact that there are other theories of social work profession, it lays emphasis on the psychodynamic and social ecology theories of social work practice in Nigeria. The paper appraise the tenents and principles of the psychodynamic and social ecology theories and posits that a combination of these two theories will positively enhance the profession of social work because while the social ecology theory emphasizes the importance of unique features and traits of the various ethnic groups, areas and cleavages in Nigeria, the psychodynamic theory emphasizes the importance of personality traits of individuals. The paper reviews the main currents and writers of these theories and concludes that the combination of these theories will enhance the social work profession and the output and skills of the social work professionals.

Keywords: Meta Theoretical; Orientation; Social work practice; Relevance Psychodynamics ; Social Ecology ; Theories ; Social work practice; Nigeria

INTRODUCTION

All disciplines that lay claims to being scientific usually have theories which are used as guide and tools for inquires into the nature, structure and impact of phenomena be they social or physical. Social works is a sub-discipline of the social sciences and hence there are social work theories which are useful tools for the practice.

A theory is an organized statement of ideas about the world phenomena (Malcolon Payne, 2005). A theory is a scientific statement which link two or more variables together in explaining a social phenomenon. Hare (1987) writes that we always have a theory that helps us decide why and how to choose between the alternatives even if we hide it from ourselves. Social work theories are ideas that try to explain why and how we should make decisions as social workers. This paper attempts to elucidate the theoretical orientation that can work in Nigeria context. Doing this, two theories will be examined and later, the applicability of these theories will be done and inference drawn there from.

PSYCHODYNAMIC THEORY

Psychodynamic theory is based on the interplay of opposing forces within a person as the basis for understanding human motivations (Goldenbery and Goldenbery.
Based on the Psychoanalytic model developed by Freud, wherein the therapist examines unresolved conflict from the past to understand and change the behaviours of the individual (Payne, 1991). This perspective is so infused in western culture that we are sometimes unaware that our thinking is influenced by it. The social work profession has also been significantly influenced by this meta theory which many saw as providing a scientific basis of social work practice (Greene and Ephoross 1991).

In his clinical observation, Freud found evidence for the mental mechanism of repression and resistance. He described repression as a device operating unconsciously to make the memory of painful or threatening events inaccessible to the conscious mind. Resistance is defined as the unconscious defense against awareness of repressed experiences in order to avoid the resulting anxiety. He traced the operation of unconscious processes, using the free association of the patients to guide him in the interpretation of dreams and slips of speech. Dream analysis led to his discoveries of infantile sexuality and of the so-called Oedipus complex which constitute the erotic attachment of the child to the opposite sex parents together with hostile feeling towards the other parents.

Psychoanalytic refers to a specific method of investigating unconscious mental processes and also a form of physiotherapy. The term as well refers to the systematic analysis of human behaviour based on the relations of conscious and unconscious psychological or mental processes. Sigmund Freud, a Vietnamese psychiatrist in the 1900s developed this theory. Freud work on the structure and functioning of both mind which have far reaching significance both practically and scientifically and it has continued to influence contemporary social thought and social work practice.

The first of Freud innovation was his reorganization of unconscious psychiatric processes that follow laws different from those that govern conscious experience. Under the influence of the unconscious, thought and feeling that belong together may be shifted or displaced out of context; images rather than expressed as absolute concepts and ordinary objects may be represented symbolically by image of other objects which may be far fetched. The law of logic does not apply to these modes of operation in the unconscious mental processes but makes it possible the understanding of such previously uncomprehensive psychological phenomenon like dreaming which according to Freud serves to protect sleep against unpleasant impulses and repressed emotions and desires.

In other words, unacceptable impulse, thought and emotions called the latent dream content are transformed into manifest dreams in such activities like sports, acting, soldiering and music. It is the view of this theory that repressed dreams, fantasies, and desires driven into unconscious finds outlet in slip of tongue and other behavioural traits.

This theory views the individual behaviour as the manifestation or product of these three factors according to Igbinovia and Ugiagbe (2005):
1. The process of child development i.e the side effect (positive and negative) of the process of socialization of the child which Freud called Development model of analysis of personality.
2. The structure of the mind i.e the relationship between the Id, ego and super-ego and how such relationship affects behaviour which Freud called Drive model of analysis.
3. Defense mechanism arising there from frustrating anxiety and emotional trauma are part and parcel of human existence.
The main functions of the superego are:

1. To inhibit the impulse of the Id particularly those of a sexual or aggressive nature, since these are the impulses whose expression in most highly condemned by the society.
2. To persuade the ego to substitute moralistic goals for realistic ones and
3. To strive for perfection. That is the superego is inclined to oppose both the Id and the ego, and to make the world over into its own image.

The ego always attempts to exercise control over the instincts. Unlike the ego, the superego does not merely postpone instinctual gratification. It tries to block it permanently.

Anne Westhues et al (1999) writes that a number of social work model stem from psychodynamic theory which includes humanistic model which focused on the here and now i.e. the individual self-awareness will lead the individual to choose to change. In the object relation model, the individual needs of relationship in defined as object seeking. Goldenbery and Goldenberg (1985) also subscribes to these assertions that young children who experience the loss of a parent or interpret their parents behaviour as rejecting are thought to internalize that rejection and to attempt in later life to make the significant individual in their lives to fit those roles.

Also Turner (1986) posited that as a result of defective socialization which may result in ego unable to function properly, it may over-defend or under-defend against life’s trauma which may lead to maladaptation. Hence, ego development according to him is the key to attaining the individual full capacity, Gestalt developed by Fritz Peris is also an important model of psychodynamic model. Gestalt deals with the present which is in consonance with the therapist role of helping clients overcome barriers that block awareness and return clients to the state in which they can use their own problem solving skills.

Strean (1986) described psychodynamic theory as heuristic that is, there is an objective reality which are interpreted subjectively. The focus of the psychodynamic is the individual as a person with little or no regards in principle to others. This person focused assumptions amongst others is that human beings are biopsychosocial who constantly attempt to make sense of their world (Anne/Westheus, 1999).

SOCIAL ECOLOGY PERSPECTIVE

The second theory is the social systems and Ecological Perspectives. The term ecology was first used by Ernst Haukel in 1808 to refer to interdependence among organisms in the natural world. In conventional usage, ecology means the interdisciplinary scientific study of the living conditions of organism in interaction with each other and with the surrounding organic as well as inorganic (Nuess, 1989:6).

(A) Ecology as a form of general system theory: Ecologist have always been system thinkers concerned with the relations among living entities and between entities and other aspects of their environments. Ecological perspective is concerned with the growth, development and potentialities of human beings and with the properties of their environment that support or fail to support the expression of human potentials.
By classifying the structure of the environment and the nature of its adaptive influence, the perspective appears to be admirably suited to the task of developing concepts and practice principles for intervening in the environment (Germain, 1979).

This theory views man as a member and hence an appendage of a large system which are not only over bearing but also overwhelm the individual in all its ramifications. In other words, the system theory posits that the individual is a part of a large system and caught up in the web of interactions and hence the totality of his being are affected in one way or the other by the system which he/she can not separate himself from the process of the society.

This theory uses the biological analogy of Darwinism as popularized by Spencer. This analogy sees all organism as systems, composed of subsystems and in turn part of super system (Malcohn, 2005). Thus, organisms and environments are regarded as a unitary system with different parts which, can only be understood in relations to its interdependence with the other parts. Applying this analogy, the theory posits that human beings as part of a system are likened to cell that make up the atoms and hence, organs and system. Thus, man is part of the basic building block of the family, then extended family, groups and then societies just like biological system.

In subscribing to the view of Harson (1995), the ecosystem theory emphasizes the value of system, networking and integration and hence, deals with the whole or total system rather than with parts of human behaviour in isolations. This is one of the positive sides of this theory. As Anderson et al (1999) rightly emphasizes, the system theory integrates the atomistic holistic continuum i.e the social worker should think about the social and personal elements in any social situation in the context of the social settings and other elements interfering with one another in the web of interactional processes within the whole (system society). This processes may be in form of reciprocity and symbiotic relationships between the individual and the society and even parasitic and predatory.

There is a comfortable fit between the science of ecology and social work profession in which the habitat is expressed us purposeful fostering health and interdependent transactions between persons and their environments. The individual is a product of the society and still part of the societal processes. Hence, the individualistic approach of casework orientation of the twentieth country was challenged and changed in consonance with ecology theoretical orientations (Ramsey, 1994; Wakefield, 1996). The result of this orientation was the movement from casework to social work which led to the incorporation of the family, group, community and organizational approaches to interventions in clients situation(s) (Carol Mayers, 1983:12).

As will be explained later, this ecological approach in my opinion seems to be the best for social work practice in Nigeria because of the communalistic lifestyle of Nigerian people. The individual is closely knitted with the family, group and community and because of the reciprocity between the individual and family, group and society they both are intertwined in web of complex relationships and interactions and one can not be dealt with alone without affecting the other. The other understanding of social ecological theory as it relates to social work practice was succinctly elucidated by Heoprey Greif and Arthur Lynch (1983) when they write that social workers understanding of ecology is an analogy to biological theories that explain adaptations of organisms to their environment. According to them, this means that as a person enters each new situation,
he or she usually adapts to its demands and his or her presence changes the situation at least structurally. In other words, a person is constantly creating, restructuring and adapting to the environment even as the environment affects the person.

In other words, from the perspective of determinism, an ecological perspective view human as active goal-seeking, purposive beings who make decisions and choices and take actions guided by memory of past experiences and anticipation of future possibilities in the social milieu of his environment. This assertion further adds credence to the analysis above that in Nigeria, individuals fortune or otherwise is closely tied to the situation or circumstance surrounding his family, group and larger society.

The criticisms, levied against this theory stemmed from the fact that it ignores the power structure relationship between the clients and the change agent (social worker). Furthermore, the assumption that the family power structure benefits all its members which is not totally true.

Also modernist argued that the theory does not explain why things happen or why connection exists nor is ecological theory sufficiently prescriptive to inform practice directly. It is overly inclusive, giving us little guidance about what is important to include in a general scheme. Further, it does not criticize the entropy of systems that are not viable, leaving unquestioned the value of some system as they exist. Finally, it is overly generalized and the language is too complex. These objections suggest that ecosystems or ecological theory as originally developed, overstate the importance of the parts of a system, change and institution. These criticisms leveled at ecological theory making it appear that homeostasis (system stability) is preferable to conflict and change and institution as partly the result of a systems solipsism that has no capacity to deconstruct its own cultural embeddedness. Although, not a panacea capable of addressing all these questions, social and deep ecological response to a systems-based ecology does offer a better understanding of the context and power of the social workers in transaction with those with whom he or she works. Ecological theory or perspective is still more useful, intriguing and more in agreement with the mission of social work in Nigeria than the individualistic psychoanalytic model of intervention.

Bronfenbrenner (1979) proved similarly useful to social work which as a progression relies in part on psychological theory to inform practice especially developmental psychology which places little importance on assessing a child’s environments as a causal factor in psychopathology. According to him the ecology of human development involves the scientific study of the progressive. Mutual accommodation between an active growing human being and the changing properties of the immediate settings in which the developing person lives, as this process is affected by relations between these settings and by this larger contexts in which the setting are embedded”. Bronfebrenner notes that although all behaviourists acknowledge that people and their environments interact, little attention is actually being paid to the social determinants of the phenomena under study. Only the most rudimentary attention is given to a critical conceptualization of the environment, instead, behaviourist homogenized the environment into a set of distinct variables associated mostly with a person’s social address. This practice contrasted with the subtle nuances systematically investigated by these same researchers in their studies of the human psyche. Only recently has there been evidence that more intensive ecological inquiry is both possible and necessary. For example, there is now sufficient evidence to hypothesize that
ecological forces at play in the world beyond the family affect a child’s development as much or more than the child’s interaction with parents (Rich 1988).

Nigeria is not only complex but also multicultural and peculiar society. The individualistic approaches like psychoanalytic will definitely not yield the desired result when applied alone. The more appropriate model or approach for social work mission in Nigeria will be the ecological model. This is because ecological perspectives on ethnicity, race, and gender in practice situations promise a more critical understanding of the power implicit in transactional processes. These perspectives, however developed rather modestly, did not initially challenge or deconstruct dominant values.

THE APPLICABILITY OF PSYCHODYNAMIC AND SOCIO-ECOLOGY THEORIES TO THE NIGERIAN CONTEXT OF SOCIAL WORK PROFESSION

The applicability of the meta-theoretical tools in appreciating social work practice in Nigeria context cannot be over-emphasized. The two theories that have been analyzed (psychoanalytic and socio-ecological theories) are very relevant to social work practice in Nigeria. The combination of these two theories will definitely provide a more vibrant and an all-embracing theoretical orientations for practice and research. This is because the positive and near universally accepted tenents of psychoanalysis which have proven effective in most societies in the western world coupled with the laudable and applicable tenents of social-ecological theory will provide the needed tools, directives and qualitative data that social work practitioners will need in Nigeria. As aforesaid earlier, Nigeria society is a multi-cultural, religious and ethnic society. This complex society with diverse personalities, family affiliations, belief systems, norms, values, socio-political and economic backgrounds and orientations, social milieu amongst others usually presents complex and formidable problems that are either personalized or induced by the society/communities circumstances. Hence, the problem may not be solved with universal approach i.e the panacea to one problem in community A in southern Nigeria for example may not be applicable and useful or effective in solving the same problem in community B or C in the same southern Nigeria. This is because of the differences in biodata and social-psychological economic and political indices and circumstances prevalent in each community which may be very different in dimension, vis-à-vis other communities.

Social Ecology model for example is very handy and relevant in dealing with the problems associated with various ethnic cleavages in Nigeria. This is in consonance with the assertion of Murray Bookchin (1921 and 1922) who put it quite simply that.

“Ecology deals with the dynamic balance” of nature, with the interdependence of living and non-living things. Since nature also includes human beings, the science must include humanity’s role in the natural world. Specifically the character, form and structure of human relationship with other species and with the inorganic sub-strata of the biotic environment. From a critical purview, the vast disequilibrium that has emerged from humanity’s split with the natural world, one of nature’s very unique species, homosapiens, has slowly and painstakingly developed from
the natural world. One of nature’s very unique species, homosapiens, has slowly and painstakingly developed from the natural world into a unique social world of its own. As both world interact with each other through highly complex phases of evolution, it has become as important to speak of a social ecology as to speak of a natural ecology.

The practice principles of social ecology enumerated by Michael Ungar (2002) here under presented will help us to know the philosophy, tenents and directions of social ecology theoretical orientation in social work practice.

1. Each individual has intrinsic value apart from the meaning or usefulness of the individual to others in his or her community.
2. The diversity of culture and social organization offers the potentials for solution to emerge to shared human challenges.
3. Structured alliances between communities and the services that provide for them must act to increase the diversity of resources that are directly, available to individual and families to help them help themselves.
4. A service delivery system that is managed by community stakeholders not bureaucracies is the least likely to contribute to social disintegration.
5. Human services delivery system works best when it is kept small.
6. Public policy is needed that expand the capacity of communities and their members to function.
7. What is good for individual and their communities is the benchmark of enlightened social and economic development.

And those who believe in the above points have ethical obligations to achieve them for their working environment.

The tenents of social ecology enumerated above will look more when customized or localized approach/therapy/interventions in social work profession. This means that the social-cultural/political and economic reality of an individual or group will inform the types intervention rather than a generalized approach or intervening processes to certain social problems in the society. For example, because of the socio-cultural and belief systems of the northern part of Nigeria, the approach or model or panacea possible in predominantly Christian communities in southern Nigeria, socio-cultural differentiation and other political and economic determinants may not work in favour of complete holistic approach rather localized approach of the ecological model is ideal.

According to German (1979) an ecological view practice is chixed toward improving the transactions between people and environment for all who function within them to carry out the professional purpose, requires a set of environmental interventions and a sit of interventions into the transaction between people and environment to compliment the set of available options for intervention in coping patterns of people.

The combination of the tenents of the psychodynamic and social ecology will definitely make social work practice in Nigeria a success. This is because the qualities of psychodynamics therapy in issues relating to the individual as a person, his/her subjective realities, thought process, emotion, feelings, psyche order, attitudinal and behavioural dispositions, choices and others. These issues and other maladjustments as a result of
his/her daily routines have been handled in the past, by social worker using the psychodynamics approach.

Germain (1979) writes that personality theories tend to be culture-bound in some respect and universal in other respects, for example, identity formation, autonomy, competence and relatedness to others seem to be universal. They are useful loci in considering adaptive capacities and pattern in an ecologically oriented practice. Human attributes like competence, relatedness, identity etc when understood in the context of multi-cultural society like Nigeria, will help the social worker perform his/her duties more effectively. If relatedness for example is understood as both biological, psychological and social by the social workers, then the social worker will know that the human infant cannot survive without the loving care of adults and this must continue over a long period of time for integration to fully take place. Most problems of adaptation and trust are fixation of early livelihood, hence Erickson (1963) writes that an infant who is not loved and cuddled before, he/she is three years may never trust the world and find fulfillment in his association with others. Hence, identity not only arises out of human relatedness but influence the nature of relationship thereafter.

These authors subscribed to Germain (1979) assertions that environment is complex but a conceptualization of the environment for social work practice must take into account physical aspects, social aspects and the interplay between them and the culture. Both the physical and social environments are affected by the cultural values, norms, knowledge, cosmology and belief system that pattern social interaction and determine how they are used and how they respond to the physical environment.

THE WAY FORWARD FOR SOCIAL WORK IN NIGERIA

Germain succinctly elucidated the tasks of social worker profession when he writes that the professional purpose of social work arises from dual, simultaneous concerns for the adaptive potentials of people and the nutritive qualities of their environments. The way forward for social work practice in Nigeria is to imbibe the philosophical traits/tenents of both psychodynamics and social ecology theories which will be directed toward improving the transactions between people as unique individuals and the environment which are equally unique in order to enhance adaptive capacities and improve the environment for the people therein. Knowledge of the tenents, postulations and limitations of these two theoretical orientations will unravel the complexities of not only individuals but also the over 350 ethnic groups in Nigeria.

As Germain (1979) rightly puts it, a knowledge required to understand the complexities of people, environments and the nature of that transaction that draw upon evolutionary environmental psychology, ethology and organizational theory as well as disciplines more familiar to social workers. The objectives as beautifully analyzed by Germains viz, releasing, developing and strengthening people innate and acquired capacity for growth and creative adaptations and removing environmental blocks and obstacles to growth and adaptation and positively increasing the nutritive properties of the environment. If these principles and objectives are adhered to and manifested social work in Nigeria will grow faster than expected.
CONCLUSION

In conclusion, these authors submit that the psychodynamic and social ecology theories are the best combinations that will provide the antidote and panacea for the task ahead for social work practice in Nigeria. This does not mean that other theoretical orientations are not useful but the psychodynamic and social ecology are special. Psychodynamics for example is rich in because its in-dept analysis of personality traits and their manifestations while the social ecology theory is excellent because of the laudable and practicable tenents, philosophy and propositions about the environment and locality of issues, problem and panacea. When combined, these two theoretical orientations will provide the needed tools for effective social work practice in Nigeria.
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Abstract
This study is an attempt to examine the empirical relationship between stock returns and trading volume in Pakistan. Trading volume captures the important information contained in the traders’ information signal and may be useful in interpreting information contained in prices. In this research, the empirical relationship between stock returns and trading volume in Pakistani market was studied and how both variables affect each other using correlogram, unit root (Augmented Dickey Fuller) test and Vector Auto Regression Model for the relationship and significance of the data. To fulfill the research, 5-year daily stock prices of KSE 100 index and 5-year daily data of trading volume was collected. All the data arranged in Microsoft Excel and measured with the help of Eviews software. Result shows that there was an overall positive relationship between the stock returns and trading volumes in the Pakistan.

Key words: Stock Returns, Trading Volume

1. Introduction
Many past studies and researches have been done in different countries about the relationship between stock returns and trading volumes. Stock market is an organized way for the people to buy and sell stocks and corporations to raise funds. Its role is very important in the operations of the country’s economics system (Ajayi, Richard & Mougue, 1996). Stock prices and returns normally change if there is change in trading volume. As with returns, trading volume mainly reflect the available set of relevant information to the market. It is evident form the past research that investor’s expectations always lead to an increase in trading volume, which therefore reflect the sum of investor’s reactions to news (Mediros & Doornik, 2002).

The study deals with the empirical relationships between stock returns and trading volumes in Pakistan. Blume, Easley, and O’Hara (1994) have highlighted that volume captures the important information contained in the quality of the trader’s information signals and be useful in interpreting information contained in prices.

The volume data indicates growth or decline of a particular contract. It can also measure shifts in the composition of future markets as can be illustrated by the enormous growth of financial futures compared. Together with the volume data, the price change is also a closely monitored statistics by market participants. The trading volume may be thought to carry information about the aggregate change in expectations about the assets. In addition, any relationship between returns and trading volumes may help devise profitable trading rules (Bhar & Harmori, 2001).

In Pakistan, not a great deal of analysis has been done on stock returns and trading volume. In this study, the empirical relationship between stocks returns and trading volumes is evaluated in Pakistani market by using sophisticated techniques such as Vector Auto Regression (VAR), Augmented Dickey Fuller (ADF test) for unit root test and correlogram test for data stationary.
1.1 Problem Statement

The study intends to investigate the empirical relationship between stock returns and trading volume in Pakistan.

1.2 Significance of study

This study will be of significant importance for investors, portfolio managers and analyst for investment decision making and analysis purposes respectively in the Pakistani stock market.

1.3 Rational of Study

Returns on stock and trading volume are two prime indicators of trading activity on a stock market. These factors jointly determined, by the same market dynamics and may contain valuable information about a security. The rational of this research is to facilitate Investors to understand that how stock returns and trading volume affects each other so that they can make the investment decisions accordingly.

2. Literature Review

Stock market is an organized way for the people to buy and sell stocks and corporations to raise funds. Its role is very important in the operations of the country’s economics system (Ajayi, Richard & Mougue, 1996). Many past studies and researches have been done in different countries about the relationship between stock returns and trading volumes.

Several theoretical models are proposed to explain this relation between two variables Osborne (1959), Westerfield (1977), and Rogalski (1978). These include mixture of distribution model for asymmetric information was proposed by Clark (1973), Epps and Epps (1976), Tauchen and Pitts (1983) and Harris (1986). Karpoff (1986) forwarded a theory that relates returns and volatility with volume traded, which resulted in a relationship between volume and price change. However, Karpof (1987) repeated the study empirically and found a weak evidence to support the relationship between volume and returns, and further suggested a model that relates trading volume, returns and volatility.

Trading volume and stock returns are studied by the large number of researchers and there is enough evidence to support their relationship like Ratner and Leal (2001) examined the Latin American and Asian financial markets and found a positive relation between returns and volumes in these countries except India. Similarly Lee and Rui (2002) used daily data of Shanghai and Shenzeh markets and found a consistently strong relationship between returns and volumes. As for the casual relation, they found little evidence of predictability of returns by volumes or vice versa either within the Chinese domestic market or in combination with the two overseas market considered. Hiemstra and Jones (1994) found a new result using VAR model. They found a significant positive relation going in both directions between stock returns and trading volumes. Basci et al. (1996), found strong evidence of relationship between the two variables. Granger, Godfrey (1963) and Morgenstern (1964) used daily data to examine the relation between returns and volumes and found the positive relationship between the two variables. Stock prices and returns normally change if there is change in trading volume. As with returns, trading volume mainly reflect the available set of relevant information to the market. It is evident form the past research that investor’s expectations always lead to an increase in trading volume, which therefore reflect the sum of investor’s reactions to news Mediros & Doornik, (2002). Harris (1987) brings the favorable results for NYSE stocks and Medeiros and Doornik (2002) significant relationship among the variables in Brazilian stock market.
However, Cornell (1981) and Bessembinder and Seguin (1992) extended the concept by providing evidence on positive relation between changes in volume and changes in prices in various futures market contracts. The volume data indicates growth or decline of a particular contract. It can also measure shifts in the composition of future markets as can be illustrated by the enormous growth of financial futures compared. Together with the volume data, the price change is also a closely monitored statistics by market participants. The trading volume may be thought to carry information about the aggregate change in expectations about the assets. In addition, any relationship between returns and trading volumes may help devise profitable trading rules (Bhar & Harmori, 2001).

This relationship is also studied within two important areas i.e. how far the returns volatility persists in market and does trading volume explain the information arrival to the market?. Huson Joher Ali Ahmed, Ali Hassan and Annuar M.D Nasir (2005) concluded that current volatility can be explained by past volatility that tends to persist over time. Saatcioglu and Starks (1998) used monthly data from six Latin American markets (Argentina, Brazil, Chile, Colombia, Mexico and Venezuela) to test the relation between price changes and volumes and found a positive price-volume relations and a causal relationship from volumes to stock price changes but not vice versa. Campbell, Grossman and Wang (1993) and Smirlock and Starks (1985) indicated that there is some link between stock returns and trading volumes and past trading volume might provide valuable information about a security. The empirical work on the stock price-volume relation focused on the study of relationship between stock returns and trading volumes. Vector auto regression model was used in the research for the analysis. Blume, Easley, and O’Hara (1994) have highlighted that volume captures the important information contained in the quality of the trader’s information signals and be useful in interpreting information contained in prices. Due to lack of information contained in prices, traders cannot obtain the full information signal from price and could use volume as an additional statistic to observe that signal. Market participants, therefore, condition their expectations about price movements on volume as well as price. Trading volume and stock returns both are tested and with each other in both ways but the significant number of researchers have supported that the trading volume could be used as an indicator for return calculations, Christos Floros and Dimitrios V. Vougas (2007).

As the relationship between the variables got enough evidence in its support researcher and analyst conduct the work on large sample size by involving multiple stock markets, Chen et al. (2001) conducted a comprehensive study examining casual relation between stock returns, trading volumes and volatility using daily data for nine major markets: New York, Tokyo, London, Paris, Toronto, Milan, Zurich, Amsterdam and Hong Kong, they documented strong evidence for the argument that return causes volume. However, they were able to uncover only limited evidence to suggest that volume causes return. Malabika Deo, K.Srinivasan and K. Devanadhen (2008) examines the interaction of stock market returns, trading volume and volatility for select Asia-Pacific Stock Market – India, Hong Kong, Indonesia, Malaysia, Korea, Tokyo and Taiwan. Their finding again supported the proposition and suggests that the returns are influenced by volume and volume is influenced by returns for most of the markets. Therefore, trading volume contributes some information to the return and volatility which after wards again hits the trading volumes. Gunduz and Hatemi-J (2005) investigated central and eastern Europe markets: Budapest, Istanbul, Moscow, Prague and Warsaw. They used weekly data on price indices, trading volumes. The authors reported link between price and volume in Hungary, Poland and some relationship in Russia and Turkey. However, no relationship was found between price and volume in Czech Republic. Pisesdtasalasi & Gunasekarage (2003)
investigates casual and dynamic relationship between stock returns and trading volumes for five South-East Asian markets. The finding indicates a significant causality running from stock returns to trading volumes for Indonesia, Malaysia, Singapore and Thailand and significant casual effect from trading volumes to stock returns was detected only for Singapore; for the rest of the markets, trading volumes did not add significant effect. Moosa & Al-loghani (1995) examined for Asian stock markets (Malaysia, Philippines and Singapore and Thailand) using monthly data for the eight-year period ending (1993). They found strong evidence running from volumes to price changes to volumes in all markets except Philippines.

Inspite of such a strong evidence in the favor of positive relationship in some cases the weak relationship is also observed between these two variables like Duffees (1992) found weak positive relationship between the both variables and Mestel, Gurgul & Majdosz (2003) in Australian stock market found only weak support for a dynamic relationship between stock returns and trading volumes, implying that forecasts of one of these variables cannot be improved by knowledge of the other. Gallant, Rossi & Tauches (1992) focused on the dynamic relationship between volumes and returns. They examined the dependencies between S&P 500 stock index returns and trading volumes on the New York Stock Exchange (NYSE). They found evidence for returns leading volumes and some relationship between them and N’dri Konan Léon (2007) proves with the help of data from Bourse Régionale des Valeurs Mobilières proves that volume has predictive power for stock returns volatility.

In the nutshell, the above literature shows that stock returns and the trading volumes have strong or weak positive relationship in most of the countries either moving from returns to volumes or from volumes to returns and in some cases in the both directions. The relationship and significance between the stock returns and trading volume has still many rooms for further studies in many countries especially like Pakistan.

3. Methodology

3.1 Development of Hypothesis

For the analysis of the relationship between stock returns and trading volume in Pakistan, two models are used; for testing the stationary of the data, using augmented dickey fuller test for unit root following hypothesis is formed:

\[ H_0 : \rho = 1 \]
\[ H_1 : \rho < 1 \]

If the data is stationary, alternate hypothesis will be accepted. Further VAR model will be applied on the data.

For testing the relationship and significance of the data using vector auto regression, following hypothesis is tested:

\[ H_0 : \beta = 0 \]
\[ H_1 : \beta \neq 0 \]

3.2 Theoretical Framework

Relationship between stock returns and trading volume

![Diagram](Stock returns --- Trading Volume)
3.3 Data Collection
To fulfill the requirements of the research, 5 year daily stock prices of KSE -100 index and 5 years daily data of trading volume of KSE -100 Index was collected. Data was collected for the period of January 01, 2002 to December 31, 2006.

3.4 Data Analysis
Microsoft excel sheet is used for arranging the data and calculating the returns of stock prices. For testing the stationarity of the data, correlogram and Augmented Dickey fuller models are used and by using vector auto regression model the relationship and significance is evaluated between stock returns and trading volumes.

- The first step was to calculate the stock returns and Microsoft excel was used to calculate all the daily returns of stock prices. And it was calculated through;
  \[ \ln\left(\frac{P_t}{P_{t-1}}\right) \]
  Where:
  \( P_t \) = current closing stock price
  \( P_{t-1} \) = previous closing stock price
  \( \ln \) = Natural Log

- In the second step, the data is required to be checked for stationarity before using vector auto regression model. For this purpose correlogram was used for stock returns, where as autocorrelation and unit root rest was used to check the stationary of trading volume.

- The third step was the application of VAR model for measuring the relationship and significance of stock returns with trading volumes.

4. Results & Discussion
- The result of the second step i.e. testing of stationarity of stock returns showed that data was stationary for stock returns. The data of trading volume showed the conflicting results in autocorrelation test as compared to stock returns. To check the results of autocorrelation the Augmented Dickey Fuller test was applied to reconfirm the results of the autocorrelation that showed the data was stationary. Hence, the second step it was concluded that data for stock returns was stationary which was proved with the help of autocorrelation and for trading volumes the auto correlation and unit root test were used to prove that data is stationary. Both stock returns and trading volumes are stationary there for we will accept the \( H_1: P< 1 \). Hence, all the data is then suitable for the VAR model.

- VAR model not only measured the relationship of both stock returns and trading volume but also with themselves. The R-squared for both variables are positive, and the F-statistics is high for trading volume and lower for stock returns but both are positive shown in table -1. According to the results for stock returns, t-statistics is greater than 2 in few lags and shows a positive relationship between stock returns and trading volumes. Results also show insignificant relationship in some lags because the t-statistics falls between -2 to 2 but show no negative relationship between the two variables. Similarly in case of trading volumes, the t-statistics again greater than 2 in few lags and shows a
positive relationship between stock returns and trading volumes with no negative relationship in any lag.

- The standard errors for stock returns and the trading volumes determine the volatility of the data; the greater the standard error, the greater would be the volatility, from the above results, there is a positive relationship between stock returns and the trading volumes, however it is not strongly positive but shows no negative relationships. The null hypothesis is rejected and alternative hypothesis is accepted i.e. $\beta \neq 0$

5. Conclusion

Based on the analysis it is concluded that there was an overall positive relationship between stock returns and trading volumes and vice versa. The vector auto-regression model shows positive relationship between stock returns and trading volume but not strong positive relationship. Insignificant relationship was also observed in some lags. However, there is no negative relationship in any lag and over all the relationship is positive between stock returns and trading volume. Evidence shows that movement of stock returns may affect the movements of trading volume and vice versa. The study proves that the stock returns and the trading volume may effect on the future prediction of each other and it is somehow significant for an investor to invest in Pakistan by relating the both variables and their information.

6. Recommendations

For recommendation, the future research on this issue could bring results that are more accurate of Pakistani stock market, if the data comprises of long period like a decade or more. More over the issue should apply with more powerful tools like ARCH i.e. autoregressive conditional heteroscedasticity and GARCH i.e. generalized conditional Heteroscedasticity.

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<td>0.204</td>
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<tr>
<td>1.86</td>
<td>13.3036</td>
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</tbody>
</table>

* SRET = stock returns
* D (TRADVOL) = Trading volume
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Moderating effect of adaptability on the relationship between two forms of market orientation and performance

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Abstract

This empirical study examines moderating effect of adaptability of small and medium sized firms on the relationship between two forms of market orientation - responsive market orientation and proactive market orientation - and performance, using data from a sample of diverse businesses. Data was gathered from small and medium sized firms and regression analyses were carried out to test the hypotheses. In the literature review part it is indicated that for any business to increase business performance, responsive market orientation and a proactive market orientation are not sufficient. Firms should have adaptability to achieve better result from being market oriented. That adaptability has moderating effect on the relationship between these two forms of market orientation and firm performance is supported empirically in this study. The study is hoped to be bases for future researches to gain insight into the effects market orientation forms and their interaction with adaptability on firm performance in the small and medium sized context. More studies need to be done to search the relationships mentioned in this paper.

Keywords: Responsive Market Orientation, Proactive Market Orientation, Adaptability, Firm Performance

1. Introduction

The marketing concept suggests that “to achieve organizational goals firms should act more effectively and efficiently than competitors in the task of identifying and satisfying the needs of target markets” (Kotler, 2003). Kohli and Jaworski’s (1990) theory of “market orientation” is considered as an implementation of the marketing concept in the markets. Narver and Slater (1990) became the first to operationalize the measure of market orientation and they demonstrated a positive relationship between market orientation and business profitability.

The works of Kohli and Jaworski (1990) and Narver and Slater (1990) were attempts to to research that investigated the antecedents and outcomes of market orientation applied by business in the 1990s. They made a comprehensive definition of what market orientation is. Most of the researches suggest that being market oriented is closely related with higher performance in one or more of the performance indicators, for example market share, sales growth, new-product success, etc. (Atuahene-Gima, 1995; Deshpande, Farley, & Webster, 1993; Han, Kim, & Srivastava, 1998; Jaworski & Kohli, 1993; Li & Calantone, 1998; Pelham & Wilson, 1996; Slater & Narver, 1994).

However, some academicians, based on the empirical measurement of market orientation in their studies, have questioned about the outcomes of market orientation. For example, it is suggested that being market oriented may hinder innovativeness (Berthon, Hulbert, & Pitt, 1999), may cause “myopic research and development (R&D)” (Frosch, 1996), or may “distract business
processes” (Macdonald, 1995). Christensen and Bower (1996) articulated that “firms lose their position of industry leadership because they listen too carefully to their customers.” The common point among the criticisms is that there is a penalty if firms just respond to customers’ wishes, which may make them blind about the changes in the environment.

Narver, Slater, & MacLachlan (2004) made an attempt to explain the reason why there are contradicting results about the same construct. They believe that it is about understanding market orientation too narrowly, so they suggest that market orientation has two dimensions—responsive market orientation and proactive market orientation. In their studies, they researched the effects of these two forms of market orientation on the innovativeness of the company and found out that while proactive market orientation has positive effect, the former had negative.

Narver, Slater, and MacLachlan (2000) posited that researchers seem to have an insufficient understanding of what it means to be market oriented because they mainly tend “to ignore its proactive dimension—the discovery and satisfaction of future needs of customer” (Kohli & Jaworski, 1990). Slater and Narver (1995) also argued that market orientation is “inherently entrepreneurial” because a market oriented firm is able to anticipate and respond to “the latent and emerging needs of their customers” (Jaworski, Kohli, & Sahay, 2000; Slater & Narver, 1998). Narver et. al. (2004) accept the two-dimensional view of market orientation is not controversial. They believe that market orientation has a proactive dimension and this has been overseen by the scholars so far. They also support their categorization with Atuahene-Gima and Ko’s study (2001) in which “a combination of market and entrepreneurial orientation improved the performance of product development” was found out.

Market orientation is seen as cultural values of some of the businesses. These values probably have many facets and needs explanation. Narver et. al. (2004) suggested two dimensions of market orientation and categorized them as “responsive market orientation and proactive market orientation”. The distinction between these two types of market orientation is based on the two types of needs—expressed and latent. The first is “responsive” market orientation, referred to as “customer led” in Slater and Narver (1998) and “customer compelled” in Day (1999). A business having this type of cultural values attempts to discover, understand, and satisfy the “expressed needs” of customers. The second organizational value is “proactive” market orientation in which a business attempts to discover, understand, and satisfy “the latent needs” of customers. To date, the satisfaction of latent has been searched in some studies but (Kohli & Jaworski, 1990; Narver & Slater, 1990; Slater & Narver, 1995) more systematic empirical analyses needs to be done to comprehensively understand the nature of it. In the literature so many researches have been done to link market orientation with other constructs. However, responsive dimension of market orientation has been the main focus in these studies. Thus, their findings might have fallen short to reveal to explain the relationships between the constructs.

Past studies have suggested that relationship between market orientation forms and firm performance might be moderated by some environmental variables, such as market turbulence, competitive hostility and market growth (Atuahene-Gima, 1995; Slater & Narver, 1994; Baker & Sinkula, 2007; Ledwith & O’Dwyer, 2009). In their study Slater and Mohr (2006) analyzed the moderating effect of strategy on the relationship between market orientation types and performance. Thus, to date no empirical analysis of the market orientation–performance relationship of which Narver and Slater (1990) and Kohli, Jaworski, & Kumar (1993) have utilized adaptability as the moderating factor on the relationship between market orientation forms and firm performance. This research is an attempt to expand on the past studies by
including adaptability of organizations as a moderating variable in the relationship between two forms of market orientation and performance of the firms.

2. Literature review

Customers have needs to be satisfied by the firms and expressed and latent are two forms of needs in which both customer needs and solutions exist (Leonard-Barton, 1995). This distinction forms the basis of the categorization of market orientation (Narver et. al., 2004). Expressed needs and expressed solutions are defined as the needs and solutions of a consumer of which the consumer is aware and, thus, can express. Thus, for instance, an expressed need is “hunger” for which one expressed solution could be “hamburger.” A consumer usually can easily utter such expressed solutions for their expressed needs when asked. “Latent needs and latent solutions can be defined as needs and solutions of which the consumer is unaware” (Narver et. al., 2004). Although it is difficult to discover latent needs, they are as important as the expressed ones. For example, at the beginning of the development of computers, the need for the benefits of a personal computer was a latent need. Expressed needs can be easily observed by every organization, and thus organizations trying to satisfy them may not gain a competitive edge. However, as discovering the latent ones is difficult, many organizations might fail to identify them. Thus those organizations which have the ability to discover them might gain competitive advantage in the market place.

Responsive market orientation refers “to the generation, dissemination, and use of market information pertaining to the current customers and product domain and focuses on expressed customer needs” (Jaworski et. al., 2000; Slater & Narver, 1995). In fact, researchers defined responsive market orientation as “the business’s attempt to understand and to satisfy customers’ expressed needs” and a proactive market orientation as “the attempt to understand and to satisfy customers’ latent needs”. “Firms might develop either expressed or latent solutions to the expressed needs of customers” (Slater & Narver, 1998). Developing latent solutions requires resources in terms of many features of organizations, such as human resources, financial resources, and maybe the most important one related with R&D capacity. In essence, to develop proactive market orientation culture, in addition to being close to the customers, being creative and open to innovation is highly necessary. As a result, in some cases, one organization might sacrifice its current products for the sake of satisfying the latent needs of customers (Jaworski et. al., 2000; Narver et. al., 2000; Slater & Narver, 1998).

In most cases, in order to discover and to satisfy the latent needs of customers, organizations might have to persuade the customers with the solutions they develop for them. Because it is widely known that innovation faces resistance and especially solutions for latent needs might face even more resistance. Hence, Narver et. al. (2004) describe “market orientation that leads customers rather than merely responds to them and label them as proactive market orientation”. Based on their suggestions it can be inferred that satisfying expressed needs with even very innovative and distinct product does not indicate that that organization is holding proactive market orientation values.

Recent researches (Atuahene-Gima, Slater, & Olson, 2005; Narver et. al., 2004) have suggested that a proactive market-oriented culture plays a more important role in the performance of the organizations than a customer-led culture-responsive market orientation is considered as a customer-led culture. The reason for it needs to be explained and in the literature some studies are trying to bring up explanations. However, as the concepts are at their birth more and complicated and interrelated more studies needs to be done to uncover some possible reasons.
Furthermore, Govindarajan and Kopalle (2004) suggest that firms having proactive culture a researchers sayings. In their studies, they have found out that a customer orientation focused on main customer segments is shown to inhibit the development of innovations, which supports the results of Narver et. al. (2004). Narver et. al. (2004) claim that “these two dimensions of customer orientation are not on opposite ends of a continuum but are independent of each other, suggesting that firms can develop both orientations simultaneously”. However, it might be difficult for the same organization to be proactive while acting responsively because each cultural value might require different organizational behaviors.

Organizations can be responsive by taking action using the information they reach and have. This indicates that learning organizations are more apt to develop responsive market orientation. Kohli et. al. (1993) suggest that organizational responsiveness is directly related with performance and those organizations taking action based on the information they acquire are good at coordination well, which impacts the performance positively. These suggestions are consistent with the approach of Levitt and March (1988), “examining the mechanisms used by firms to acquire any kind of knowledge developed by a competitor”.

Atuahene-Gima et. al. (2005) argue that “responsive and proactive market orientations may require different organizational conditions to ensure positive influence on firm performance due to the potential costs and risks”. A well working coordination mechanism is needed develop such organizational culture. The coordination is needed to identify both the latent and expressed needs of customers. In addition, as it has been argued in previous researches, the applicability of market orientation varies according to the environmental context (Cadogan, Cui, & Li, 2003; Rose & Shoham, 2002). It is relevant to say that organizations ability to fit to the organizations to the changing environment also plays an important role in the application of two forms of marketing orientation. In the past studies environment was analyzed as a moderator on the relationship between market orientation forms and firm performance (Tsai, Christine, & Jyh-Huei, 2008). However, some firms might adapt to the changing environment and make use of new opportunities and take necessary precautions to avoid from the threats better than others. It was suggested in the literature that “some other organization related factors should also be moderating the relationship between market orientation forms and firm performance”. It will not be enough for firms to successfully apply market orientation and to perform satisfactorily if they don’t have adaptability.

A fundamental topic in the literature on organizational change has been the attempt to identify the factors forcing organizations to adapt to environmental change. The contingency and resource dependency theories (Thompson, 1967; Pfeffer & Salancik, 1978), the strategic change literature (Ginsberg, 1988), and the organizational learning and evolution literature (Levinthal & March, 1993; Nelson & Winter, 1982) all try to explain organizational adaptation. Organizational adaptation is also explained with population ecology (Hannan & Freeman, 1984), institutional theory (DiMaggio & Powell, 1983), and studies on strategic decision-making process (Child, 1972; Daft & Weick, 1984).

Organization theories deal with adaptation and how firms adapt to the environmental changes. Moreover, they discuss the conditions that need to appear in organizations to be adaptable (Lawrence & Lorsch, 1967; March, 1988). Valle (2002) and Chakravarthy (1982) sees adaptation as the main feature of strategy by which organizations cope with the environment for the long term survival and growth. They describe adaptive abilities of a firm as the organizational capacity, which is related with spare resources of the organization. However, their
definition of organizational adaptation falls short to find explain the effect of adaptability on market orientation types.

Most researchers (Jankowicz, 2000; Koberg, Chesley, & Heppard, 2000; McKee, Varadarajan, & Pride, 1989) “consider the concept of adaptability as a useful organizational counterpart to the changing marketing environment”. Thus, it can be inferred that adaptable firms more likely to fit to the changing environment. Koberg et. al. (2000) suggest that adaptation includes various changes, including changes in organization’s control systems, allocation of resources, technology, and structure to changes in a firm’s strategy.

Managers deal with ongoing changes in the environments by applying various “adaptive responses” (Koberg, 2000; Valle, 2002; Johnson, 1995). As Sorenson (2003) suggests one of these responses is formation of the organization structure which plays an important role in the adaptability of organizations. Loose organization structure in which less hierarchy exists provides organization flexibility, and thus they can easily change when necessary. Miles & Snow (1978) typologies of strategic orientation might help in understanding the adaptation process and organizational adaptation. Their typologies might be used to explain both market orientation types and adaptability of firms. Miles and Snow (1978) postulate that “competing firms within an industry show patterns of behavior representative of four competitive strategy types: prospectors, defenders, analyzers, and reactors”. The prospectors constantly search for new products and markets and are more eager to change because they continually try to develop products and enter into new markets. The defenders, whereas, have a narrow and stable product range and market area and they try to protect their position in the marketplace. Therefore, they seldom make “major adjustments in their technology, structure, or products”. Thus they try to gain efficiency by doing so. Managers of prospectors to be proactive “spend more time on scanning its external environment and evaluating changes in the marketplace”. Therefore, they might develop proactive market orientation which will help them to achieve their goals.

An adaptive organization is defined as the one that recognizes rising marketing trends, identifies the threats and opportunities within a market, and adjusts to new environment conditions (Ginsberg & Venkatraman, 1995; Ginsberg & Buchholtz, 1990). As McKee et. al. (1989) suggest these firms do “market scanning, monitoring customers, cultivating customer loyalty via appropriate marketing programs, engaging in product development, monitoring competitor’s pricing, building an extensive distribution network, developing promotional programs, screening and training personnel, and lobbying various levels of government for action favorable for the firm”. These activities all help the organizations observe the changes and make necessary adjustments. In fact, these are the main marketing activities a firm should carry out to adapt a market and achieve its goals (Brenan, Turnbull, & Wilson, 2003).

Fey and Denison (2003) define adaptability as “being able to translate the demands of the business environment into action”. They suggest being adaptable requires “customer-driven actions, taking risks, learning from their mistakes, and creating change”. Denison (1990) suggests that the main three features of adaptability which impacts organization's performance are as follows. First, as they develop distinct abilities, they can easily to perceive and respond to major changes within the external environment the nature of competition. It might be easily observed within the literature that successful organizations (which achieve their goals and mission) are focused on their customers’ needs and their competitors’ strategic steps. Second feature of adaptable firms is their ability to respond to members of the organizations which are also called internal customers. This feature is especially needed to be responsible to the environment because organizations learn and apply their learned knowledge through their
employees. Third is the capacity to change the established attitude and behaviors of members within the organization. This capacity will even increase the flexibility of the organization and increases effectiveness. Hrebinak & Joyce’s (1985) definition of effectiveness supports this suggestion. Therefore, it is posited in many studies that adaptability of organizations impacts organizational performance to a large extent (Fey & Denison, 2003; Oktemgil & Greenly, 1997).

Moderating role of adaptability

Day (1994) suggested that “although a firm may be market oriented, the implementation of its market orientation may be weak relative to other firms”. This suggests that some other factors should interact with these market orientation types to increase the performance of the organizations. One of these factors is believed to the adaptability of the organizations, which expediate the application and development of these cultural values. However, it is not clear which interaction of adaptability is more effective on the performance. Change is needed to respond and be proactive in the market place. Adaptability provides the firms adjusting ability to the changing environment, and thus it goes hand in hand with market orientation types. Marketing forms are explained as cultural values of a firm. However, they do not explain if firms are able to act in accordance with such cultural values. It is posited that adaptability has moderating effects in the relationship between responsive and proactive market orientations and performance.

Based on the literature review following hypothesis have been developed:

H1: Responsive market orientation affects firm performance negatively.
H2: Proactive market orientation affects firm performance positively.
H3: Adaptability affects firm performance positively.
H4: The effect of responsive market orientation on firm performance becomes positive when the firm has high adaptability.
H5: The effect of proactive market orientation on firm performance is stronger when the firm has high adaptability.
H6: Proactive market oriented firms perform better than reactive market oriented firms as the adaptability of firms increases.

The model depicting the relationships among the constructs is below.

![Figure 1. Research Model](image-url)
3. Methodology

3.1. Sample and data collection

The sample was drawn from small and medium sized firms which are members of İstanbul Chamber of Commerce. This is a nonrandom sample in which firms were selected to comprise a broad spectrum of industries. Small and medium sized firms were chosen for the reason that most of the firms in Turkey fall in this category and they have a significant role in the business life in Turkey. To be able to make generalization, firms were chosen from various industries including finance, retailing, wholesaling, manufacturing, etc. This is relevant because the researched subject is not restricted to any industry. The owners or the senior marketing managers who are believed to have enough knowledge about the marketing activities and strategies of the firms to answer the questionnaire and are the decision makers in the firm are chosen as the respondents. The answers were obtained with face to face interviews. 450 Firms were chosen but some of them either could not be reached or rejected to answer the questionnaire. After reviewing the answered questionnaires, 406 of them were decided to be used in the analysis. The response rate is 90%, which is high enough to carry out the analyses. To test non-response bias, independent t-test to compare early and late respondents was carried out and no significant difference was found.

3.2. Measures

The respondents were told that the survey (titled ‘‘Firm Practices Survey’’) is designed to study practices in firms. There is no mention of market orientation forms and adaptability in the survey. The questionnaire used a five-point Likert-like scale for respondents to indicate the extent (from ‘‘not at all’’ to ‘‘to a very substantial extent’’) to which they agreed with the statements in the questionnaire. The reliability of these measures was calculated using Cronbach’s alpha; a coefficient alpha of greater than 0.7 was required (Nunnally, 1978). Responsive market orientation and proactive market orientation were measured with the scale developed by Narver et. al. (2004). Responsive market orientation was measured with 8 items and the reliability was 0.90. Proactive market orientation was measured with 7 items and the reliability of scale was 0.88. Adaptability of the organizations was measured with the 15-item scale developed by Fey and Denison (2003) and the reliability of the scale was 0.91. The items were computed and the dependent and independent variables were formed to be used in the analyses. The dimensions of performance used were return on investment, increases in sales, and overall performance evaluation. These dimensions were used in the scales developed by Dess and Robinson (1984), Pelham and Lieh (2004), and Brouthers and Xu (2002) and the reliability of the scale was 0.85.

3.3. Results

Construct means, standard deviations, and interconstruct correlations are provided in Table 1. The hypotheses were tested with a three-step hierarchical moderated regression analysis (Table 2). An initial regression was run to test the effects of responsive and proactive market orientations on performance (model 1). Adaptability of firms, which was accepted as the moderator, was added to the model (model 2). The squared terms for both responsive and proactive market orientation were added in Model 3. To get rid of the effects of multicollinearity caused by the linear relationship among the explanatory variables, variance inflation factor was applied. The results in Table 2 (model 3) show that the addition of the interaction terms to the main effects model increases R square by 8 percent (F-statistics 11.21, p<0.001). With respect to
the effects of responsive market orientation, H1 was supported ($\beta =-1.025$, $p<0.03$). The coefficient for the squared term of responsive market orientation is positive and significant ($\beta =1.524$, $p<0.04$). Therefore, H4 was supported, too. H2 was not supported as the significance is below the acceptable level ($p= 0.87$). Hypothesis 5 was not supported either because the interaction of proactive market orientation and adaptability is not related to firm performance ($p=0.85$). The results show that adaptability does not have positive effect on performance, so H3 is not supported ($\beta =-0.631$, $p<0.001$). A contradictory result was obtained about the moderating effect of adaptability and H6 was rejected. In the literature review, it was mentioned that proactive market oriented firms perform better than responsive market oriented firms when the adaptability is high. However, responsive market oriented firms are found to perform better, as the interaction of adaptability of firms and being responsive market oriented has positive effect on performance.

3.4. Discussion

Most of the results support the findings in the literature. Responsive market orientation has negative effect on performance, which is in alignment with results of most researches. Listening too much to customers might hinder firms to make innovation, and so effects the performance negatively especially in the changing environment. However, it was not expected proactive market orientation to have negative impact on performance. This might be explained with the nature of the sample which consists of small and medium sized firms. Such firms fail to proactively satisfy the latent needs of customers, which is an interesting finding of this research. Adaptability alone influences firm performance negatively and this result is also parallel with some of the researches. In these researches, it was found that “adapting to market change is likely to be costly, as implementing adaptability requires resource utilization, and there may be some loss of internal efficiency as an outcome of adapting to markets” (McKee et al., 1989). In these researches, it was found out that firms trying to achieve adaptability spend so much resource that in the short run they obtain negative performance results. Nevertheless, the interaction of adaptability and responsive market orientation causes better performance results in small and medium sized firms. On the other hand, even if the small and medium sized firms have adaptability, proactive market orientation doesn’t provide them with higher performance results.

4. Conclusion

A business to maximize economic value it creates must be market oriented to find needs and fill them rather than just to make products and sell them. Therefore, a business must be market oriented to achieve its mission and goals and have competitive edge. The relationship between a market orientation and firm performance has been tested formally in several researches. In the last decade, market orientation has been explained with two dimensions: “responsive market orientation,” in which a business responds to the expressed needs of its target customers and, by contrast, “proactive market orientation” refers to a business attempting to discover and satisfy customers’ “latent needs,” or opportunities for satisfaction of which a customer is unaware. In the researches effects of each form on firm performance have been proven. In some of the researches, it has been suggested that some other variables should be moderating this effect. In this research, adaptability, which is defined as the capability of a firm to adjust to the changing environment, is examined as the moderator.

This article has presented a review of the conceptual case of both proactive and responsive market orientation behaviors and the condition to apply these behaviors, adaptability. Empirical evidence supports that a business needs to have the ability to apply these market orientation
forms, which are considered as cultural values. The objective was to examine the empirical relationships between market orientation, adaptability and their interaction with firm performance. It was expected in the present study that the strength of the proactive market orientation relationship to firm performance would be higher when adaptability of firms increases. However, the results did not support these expectations.

Over the past decade, the value of being market oriented has received widespread attention, and many businesses have invested heavily in efforts to become more market oriented. However, market-oriented behaviors will not be enough to be successful in the changing market environment. Therefore, for any business to create and to maintain sustainable competitive advantage continually, it must support its proactive market orientation culture with firm capabilities.

Limitations and suggestions for future research

Although this study is believed to have relevant and interesting results, it is important to see limitations it has. First, the sample consisted of just small and medium firms; big firms would further strengthen the findings. Second, it was conducted within Turkish context; extending it to other geographical regions would be facilitated. Several authors have already gathered data using similar measures and indeed have reached some similar results; extending the study geographically should therefore be possible. Finally, firms from a variety of sectors were included in this research project, which can be criticized as various industries may reveal different results. Similar studies might be carried out in the context of larger firms and separately in various industries to be able to do comparisons.
References


Annexure

Table 1 Descriptive statistics and correlations

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
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<tbody>
<tr>
<td>RMO</td>
<td>3.89</td>
<td>0.87</td>
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<tr>
<td>PMO</td>
<td>3.82</td>
<td>0.85</td>
<td>0.85(**)</td>
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<tr>
<td>Adaptability</td>
<td>3.79</td>
<td>0.73</td>
<td>0.72(**)</td>
<td>0.72(**)</td>
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<tr>
<td>Performance</td>
<td>3.39</td>
<td>1.04</td>
<td>0.11(*)</td>
<td>0.15(**)</td>
<td>0.17(**)</td>
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** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

Table 2 Regression results

<table>
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<tr>
<th>Variable</th>
<th>Model 1</th>
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<th>Model 2</th>
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<th>Model 3</th>
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<tr>
<td></td>
<td></td>
<td>Standardized Coefficients</td>
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<td>RMO</td>
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<td>1.524</td>
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<td>RMOx Adaptability</td>
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<td>PMOx Adaptability</td>
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<td>Adjusted R²</td>
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<td>F-Value</td>
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<td>Significance</td>
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</table>
Epidemiological survey of Scabies Skin Disease among different migrants in Khyber Pukhthoonkhwa (Pakistan).

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ABSTRACT
Scabies caused by sarcoptes scabiei is common itching dermatosis in Pakistani less developed communities. Its epidemic study was carried out in internally displaced persons camps (the immigrant camps) of District D.I.Khan, District Hangu and District Bannu (Khyberpukhthoonkhwa). A total of 2500 patients out of approximately 22000 were found suspected for scabies, out of which 1928 cases were confirmed with the skin scrapping method as positive. Out of these 1928 positive cases, the overall prevalence, according to age, in children, adults and aged was 48.8%, 10.7% and 40.6% respectively. The seasonal prevalence recorded was 67% in the month of November, December and 33% in April; May. Prevalence noted according to gender was 74.6% for females 25.4% for males. The total percentage of the disease outbreak was 8.7%.

Keywords: Epidemic, Immigrants, Skin scrapping, Prevalence, dermatosis, KPK.

INTRODUCTION:
Scabies the dermal skin disease caused by infestation of sarcoptic scabiei, has been a common disease for at least 3000 years and was known in China, India, and the Middle East, although usually confused with lice (Anon., 1948). The scabies mite was first described by Avenzoar and his Students in Spain in the 12th century (Arene, F.O. and Ukaulor, A.L., 1985; Abdel-Hafeez et al., 2003; Andrew, J.R.H., 1991).

Sarcoptic scabiei is 0.3–0.5 mm in length and adult females are at the limit of visibility (Srivastava et al., 1980; Stanton et al., 1987). Away from their hosts, mites are able to survive and remain capable of infestation for 24–36 h at 21°C and 40–80% relative humidity (Suleman M and Jabeen N., 1989; WHO PFS report., 2008). Lower temperatures and higher humidities lengthen its survival (Alexander, J.O., 1984); For example, at 10°C and 97% relative humidity, mites remain capable of infestation for about one week (Stanton et al., 1987; Suleman and Jabeen N., 1989). However, at temperatures below 20°C, they are unable to move and cannot
penetrate the skin (Abdel-Hafeez et al., 2003). At 34°C; mites survive for fewer than 24 h, irrespective of environmental humidity. The mites’ infectivity decreases, the longer they are off their host (Stanton et al., 1987; Suleman and Jabeen N., 1989).

Scabies, caused by the mite Sarcoptic scabiei is transmitted mainly by interpersonal contact (Arlian, L.G., 1989). The life cycle begins as the adult female lays its eggs while burrowing into the skin. The eggs hatch to release larvae, which moult into several instars. The six-legged larvae hatched after 3–4 days and escape from the burrow by cutting through the roof. The larvae then dig short burrows (moulting pockets) in which they transform into eight-legged adult males and females. Mating occurs after a male penetrates the moulting pouch of an adult female. Impregnated females extend their moulting pouches into burrows, laying eggs as they go. Developments from egg to adult takes about 10–15 days and less than 10% of the eggs laid grow into mature mites (Alexander, J.O., 1984).

Transmission is by person to person and fomites, such as bedding and clothing (Arlian, L.G., 1989). Mites are predominantly found between the fingers and on the wrists. Rashes may occur on the abdomen, axillae, pubic area, knees, ankles, buttocks, elbows, and between the shoulder blades (Mellanby, K., 1985; Orkin M and Maibach, H.I., 1985; Porter, M.J., 1980). Mites hold onto the skin using suckers attached to the two most anterior pairs of legs.

A severe manifestation of the disease i.e., crusted scabies can occur which may predispose to streptococcal Pyoderma and the subsequent development of acute post streptococcal glomerulonephritis, acute rheumatic fever and rheumatic heart disease (Arlian et al., 1984). Due to unhygienic conditions, individuals get infected with ecto-parasites (Arlian et al., 1989; Arzensek, J. and Mayer, V., 1977).

Scabies is a widespread disease in many countries including Pakistan, where environmental and unhygienic conditions and encourage its growth and transmission. The disease is most prevalent in cold wet weather and spreads slowly during the summer months. The impact of the scabies on humans is on their general health and growth, but in severe infestation especially in children and elders, the disease may terminate fatally. The ectoparasitosis is endemic in resource-poor urban and a rural community throughout the world (Bakos et al., 2007; Burgess, I., 1994). Itching is commonly present and, due to subsequent scratching, leads to secondary infection (Bakos et al., 2007; Currie et al., 1994; Currie et al., 1997). Acute glomerulonephritis caused by nephritogenic strains of streptococci is a known complication, particularly in the tropics (Currie, B.J. and J. Carapetis, 2000; Currie, B. and U. Hengge, 2006; Downs et al., 1999). The ectoparasitosis is more common in younger age groups and infests millions of school-age children (Green, M.S., 1989), for instance, 58% of school children in Bristol (U.K.) and 50% of school children in rural Brazil were found to be infested (White et al., 2001). In deprived communities the prevalence may reach 20–40% in the general population (WHO, Pakistan, HCB. 2010). Overcrowding and the continuous availability of new cohorts of susceptible young children may maintain the infection cycle in communities where scabies is endemic, whereas during war, the most likely reason for outbreaks is the crowding together of scabies in adult populations (Hoy et al., 1996).

In recent years, the prevalence of scabies, caused by infestation with the sarcoptes scabiei var hominis, has increased due to heavy migration of the peoples from the war inflicted areas from South Waziristan Agency, North Waziristan Agency and Aurakzai agency of tribal areas to D.I.Khan, Bannu and Hangu respectively.

Reliable data on the prevalence and morbidity of scabies given in the report by WHO is 5% and 10% in 2009 and 2010 respectively for internally displaced persons in different migrant as well as local communities (Heukalbach et al., 2005; Mellanby, k., 1941). However, the migrants of North Waziristan, South Waziristan and Aurakzai agency were neglected in that report. In the present study the residents of the mentioned three camps were assessed through direct intervention in the community as well. Additionally, seasonal variation of scabies outbreaks as
well as other ecto parasites was also noted two times in a year. Although the least study has been carried out to find the prevalence of scabies in different migrant camps in Khyber pukhthoonkhwa, Pakistan. To carry out such sort of studies would be helpful in planning efficient and effective health care delivery to the migrants as well as disasters in time to come.

OBJECTIVE:
The objective of the study was to assess the occurrence and pattern of scabies among different migrant populations.

MATERIALS AND METHODS.
Study areas

The study was performed in three areas in District D.I.Khan migrant’s camp, District Hangu and District Bannu migrant camps situated at Khyber pukhthoonkhwa in Pakistan. The poor and resource deficient migrants along with their livestock were studied at their camps. The camps were close to the inhabitants of poor communities. The camps established in the above three mentioned areas were facing troubles of lack of electricity, lack of proper washing rooms, lack of pure and hygienic drinking water as well as over congestion in the specified camps.

Many camps are made up by establishing of plastic materials as well as light cloth rooms and do not have proper floors. Roads and paths were not paved properly in the encircled area. There were no back yards and usually the inhabitants were confined to their camps only. Waste collection was performed besides the boundaries of the camps, and rubbish of all sorts was scattered throughout the area. The hygiene conditions were precarious due to no public sewage system. In these aspects, the study area is comparable with the many other boweries in Khyber pukhthoonkhwa established camps.

Study design

In November 2009, D.I.Khan camp was inhabited by 10000 individuals belonging to 2000 households. A survey was carried out in November, and all households were again visited in May of the year 2010. The Bannu camp and adjacent areas was inhabited by 800 families with a total population of 4000. A survey was performed there in November 2009 and repeated in April 2010. The Hangu camp was inhabited by 1600 families with a total population of 8000. A survey was performed there in December 2009 and repeated in May 2010.

During a preparatory phase contacts were made with the camps inhabitant leaders and meetings were held with the Health personnel concerned of each study areas in which the objectives of the study were explained. Data were collected by door-to-door surveys. If family members were absent, their houses were revisited on two further occasions. Missing individuals were also invited to come to the local health centre. To reduce inter-observer bias, in each study areas the clinical examinations were performed by the same investigator.

Examination of patient

We thoroughly examined the affected skin patients of each family member and those found suspected for scabies were subjected to skin scrapings for differentiation whether suffered for scabies or psoriasis or impetigo. Diagnosis was made through skin scrapping as well as clinically. Genitalia examinations looking for lesions were not performed. Scabies was diagnosed clinically by finding the tunnels in the skin, erythematous papular, vesicular, pustular or bullous lesions through magnifying glass associated with itching and a positive family history (i.e. at least one other family member with similar symptoms). Other pruritic skin diseases were excluded.

Lymphadenopathy and secondary bacterial infection was also considered under observation. Secondary infection was defined as the presence of pustules, suppuration or ulcers. Study participants with an ectoparasitosis were asked to grade itching semi quantitatively as: Z, absent; W, weak; M, moderate or S, severe. To minimize subjective judgments, the same pattern was used in which the different degrees of itching were visualized.
Epidemiology of scabies in Khyber Pukhtoonkhwa Migrant Camps:

Prior to the studies, meetings with community health workers and community leaders were held and the objectives were explained. Informed oral consent was obtained from all adult participants and from the parents or legal guardians of the households. All study participants with scabies and family members were treated at the end of the study with topical use of rape seed oil 50ml each for patient satisfaction as well as to get information about its efficacy. This treatment scheme has been shown to be highly effective against scabies in ethno practices.

Results

During both winter and spring survey in month of November for D.I.Khan camp 81% of the total population was examined i.e.10000 individuals belonging to 2000 households (each family comprised of an average five members). In the Bannu camp and the adjacent community 91% of the population was examined for the presence of scabies in November and in the Hangu camp 85% of the population was examined in December. The individuals in each study area were grouped according to gender and age, as shown in Table II and figure-II

![Figure- I: Prevalence of scabies according to gender](image1)

![Fig-II:- Scabies Prevalence according to Age (individuals aged of 13-80 years)](image2)
Fig. I shows the prevalence of scabies by gender in all of the three migrant camps collectively. 74.6% of the female population was found positive for scabies, while 25.4% of the male population was positive male. Figure-II shows age wise prevalence. Prevalence in children, adults and aged were 48.8%, 10.7% and 40.6% respectively. While Fig-III, comparing prevalence according to season, indicates 67% collectively for November and December and for April, May indicates 33% prevalence.

Statistical analyses were carried out on the survey data using a one tailed test t-test assuming equal variances. In all the camps residents, more females than males were infected with scabies (P < 0.05) [Table-VII], and more children than adults were infested (both P < 0.05) [Table-V]. Scabies incidence was also significantly in aged (aged 51-80) in comparison to adults (aged 13-50) (p<0.05) [Table-V]. However, it was not significantly higher in old age people than children as (p> 0.05) [Table-V]. Scabies was endemic in these camps as well as in the adjacent communities. The prevalence of scabies in the total population and stratified by sex is shown in Table –I.

Scabiosis was more prevalent in children, no sex differences were observed. Scabies was more common in the old aged and children than adults, (P < 0.05) and is shown in Table-II. Seasonal-specific prevalence patterns showed a considerable seasonal variation of prevalence (Fig. III) &Table-III/IV. Prevalence of scabies was higher in November to December than in April and May and the results were statistically significant both at one tail and two tail test assuming equal and unequal variance as (P<0.05).The multivariate analysis of factors predicting the presence of scabies showed that all three explanatory variables (female, young and aged living in the migrant camps) besides season contributed significantly to being predisposed for infection. In both age groups, the axially as well as webs were the body part most commonly affected. The numbers of topographical sites affected were independent of age and sex. Morbidity attributable scabies is summarized in Table-I, II, III, IV. Secondary infection was much more frequent in individuals infested with scabies (11–17%).
Discussion:

Many previous studies have shown the epidemiological prevalence of different ectoparasites according to age, sex, season and communities. However, less was known about scabies before the current study was conducted. Infestation levels in our study area were comparable to those reported for internally displaced persons of Khyber pukhtoonkhwa, WHO, report, 2010 (Five percent), Pakistan Flood Situation Report, 2008. (Ten percent), Pakistan hujaj 2009, (9.9%), Swat/ Khyber pukhtoonkhwa, WHO report (5%). The prevalence of scabies found in our study areas was lower than reported in the general population from Pakistan (37%), (Schmeller,W. and A. Dzikus., 2001) and Egypt (19%), (Reid et al.,1990). In contrast, there are many studies on the prevalence of scabies in school children from virtually all parts of the world. As the diagnosis of scabies in our study was done by visual inspection as well as superficial skin scrapings, some individuals with low infestations may have been missed. Thus, the prevalence in the population may be slightly higher than observed. Our data confirm that scabies is most common in children then in old aged, but showed that scabies also occurs to an important degree in adults. This is of practical importance, as control strategies usually focus on treatment of school children, neglecting the family contacts. As a consequence, rapid reinfection is to be expected. Previous reports of gender differences in scabies are contradictory: One study reported females being more affected than males, (Nair et al., 1977 and Green M S.,1989) whereas two other studies, respectively, showed male predominance and no gender differences (Sharma R S., 1984; Srivastava et al.,1980). We found significant gender difference in both populations studied. In temperate climates, seasonal variation of scabies has long been known, with a higher prevalence in the colder months (Tuzun Y et al., 1980). This is usually attributed to temperature differences causing people to stay indoors during winter, which would result in a higher host density as compared with summer. In war inflicted areas as there is untoward situation the migrants does not find suitable environment to survive, there is dampness’ as well as severe unhygienic condition. At least in developing countries, and particularly when there is war rampage, access to water is restricted, poorer personal hygiene and a lower frequency of washing and changing clothes during the cold season could be contributory factors.

In addition, mite survival on and off the host is prolonged in a cooler environment (Tuzun Y et al., 1980). These factors may explain why a clear seasonal variation of scabies prevalence has not been described in tropical countries. The increased number of cases identified at the school after November may reflect the seasonal variation in the incidence of the disease noted in previous epidemics: an increase in the fall and winter followed by a decrease in the spring and summer (Meloney k; 1976). Our study showing occurrences of seasonal variation confirms similar findings from Poland. (Shelly, F. et al., 2006).

It is possible that secondary infection of the skin is treated early after appearance in the common communities, but is left untreated while there is war like condition. In fact, disease perception and health-seeking behaviour with regard to parasitic skin diseases are different in the different weathers.

The topographical distribution of lesions observed in our populations was similar to those described previously, typical predilection sites being the trunk, arms and axillae (Mellanby K., 1941; Orkin M and Maibach H I., 1985; Porter M J., 1980). Infestation of the genitals seems to occur mainly in certain high-risk groups. As during the door-to-door survey privacy could not be guaranteed, the genitals were not examined. It has been noted that in infants and small children the distribution of lesions is often atypical, with infestations of the face, neck, scalp, post auricular area and soles (Mellanby K., 1941; Orkin M and Maibach H I., 1985; Porter M J., 1980). In our study, infants showed disproportionately more lesions on the claws, soles and axillae, whereas in older children and adults the axillae and the hands were affected almost twice as frequently.
In both populations, study participation was high. However, in the longitudinal study we cannot rule out a certain non-participation bias, especially in the November survey when only 81% of the target population was examined. As adult males, the subgroup with the lowest prevalence of scabies, were under-represented the true population prevalence might actually be lower than reported. Another bias which may have interfered with the data from the second survey is that infested individuals might have sought treatment scabies after they had been informed of the respective diagnoses. In this case the lower prevalence’s of scabies observed at the second survey would be the result of an indicator of changing environmental factors. However, a previous study in a similar setting has shown that parasitic skin diseases are neglected by the affected individuals and do not causes people to present for treatment at the primary health Care. Young, female and old aged living in camps were found to be independent determinants for scabies mites, indicating that demographic, behavioural and environmental factors contribute to secondarily bacterial infection in resource-poor settings.

In Khyber pukhthoonkhwa, scabies is commonly treated with topical benzyl benzoate or pyrethroid. Ivermectin is registered as an oral drug for both ecto and endoparasitic diseases. In resource poor settings, mass treatment with oral Ivermectin, which after millions of administered doses did not show significant adverse events, may be an approach to control parasitic skin diseases (Heukelbach. et al., 2005)

Acknowledgments.

This study was part of my PHD program sponsored by Pakistan Higher Education Commission, Islamabad. We are thankful to the residents of D.I.Khan, Bannu and Hangu as well as the Health personnel’s contacted and the immigrant’s cooperation.
References.


WHO/Pakistan Flood Situation Report#1-2008(March-April 2008).

### TABLE-I:  Sex wise prevalence of scabies between the age of 13-80 years

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<td>120</td>
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<td>Bannu Camp(NWA)</td>
<td>139</td>
<td>40</td>
<td>179</td>
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<tr>
<td>Hangu Camp(Aurakzai Agency)</td>
<td>268</td>
<td>91</td>
<td>359</td>
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<tr>
<td>G.T.</td>
<td>737</td>
<td>251</td>
<td>988</td>
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### TABLE-II:  Age wise prevalence of scabies between 1-80 years.

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<th>Age(51-80)</th>
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<td>350</td>
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<td>Hangu Camp(Aurakzai Agency)</td>
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### TABLE-III: Season Wise Effect of Scabies in Different Migrants Camps

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### TABLE-IV: The combined effect of two different seasons

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### Table-V: Statistical analysis of Age wise prevalence

#### A: child/old

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#### B: adult/aged

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#### C: child/adult

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### Table VI: Statistical analysis of Season wise prevalence

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### Table VII: Statistical analysis of Sex wise prevalence

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THE ROLE OF WATCH – DOG INSTITUTIONS IN ENFORCING ETHICS AND ACCOUNTABILITY IN THE NIGERIA PUBLIC SERVICE

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Abstract
The Nigerian Civil Service is saddled with the responsibility of implementing the policies and programmes of government. The calibre of the public officials and the quality of their ethical behaviours as well as their level of accountability have great implication on the socio-economic development of the nation. Successive administrations in Nigeria have made frantic efforts to deal with unethical practices within the Public Service through several anti-corruption crusades, as well as putting in place institutions to serve as watch dog. Such institutions include Code of Conduct Bureau, Code of Conduct Tribunal, the Ombudsman, Public Service rules, specialized and Adhoc Bodies and Public Account Committee. This paper, which examines the role of Watch Dog institutions in enforcing ethics and accountability in the Nigeria Public Service, traces the history of unethical behaviours in the country’s Public Service from 1960 when Nigeria became independent till the present time (2010). The Watch-Dog institutions have been playing remarkable role in the fight against unethical behaviour in the Public Service, but most measures put in place have failed because they were introduced in an overall political and policy environment that was not sufficiently conducive to enable the success of the measures. The paper shows that despite government’s efforts to bring sanity to the Public Service, unethical behaviours and corrupt practices still persist in the system. This paper concludes that the watch dog institutions have the potentials to bring sanity to the country’s Public Service if given the right political atmosphere and the needed institutional support as well as the involvement of all and sundry in the society to fight against corrupt practices.

Key words: Civil Services, Public Service, Ethics, Accountability, Corruption, Watch-Dog Institution.

1 Introduction
The Public Service is characterized by privileges and obligations basically essential in the conduct of public affairs. Membership of the Public Service arises from a voluntary choice of employment. By becoming a public servant, a person assumes these obligations, which include administering laws to which his duties pertain, rendering faithful service to affect the aims and objectives of the government, implementing lawful decisions, advising his political master and above all serving the public diligently and impartially.

Public officers have ethical obligations to observe which create and maintain standards which constitute the atmosphere in which public servants work and live. Against these backgrounds, the Public Service in Nigeria looks different. Public servants are not always objective, administration is often than not diffuse rather universalistic ascriptive rather than achievement focused. Rules are not always taken seriously. Sometimes, they are applied ad hoc and worse yet, discarded altogether according to convenience- all in the name of failing of ethics and morality of the Public Service.

Since Nigeria became independent in 1960, there have been so many reported cases of corruption, betrayal of public accountability and ethics against the Nigerian state. In the view of Osoba (2000) corruption is one of the legacies handed over to the Nigerians by the departing colonial officials as they collaborated with some citizens presided over a fraudulent and corrupt
accumulation system. The desire of Nigerians who took over from the departing colonial officials necessitated their throwing caution into the winds and jettisoning the principle of public accountability and ethics. The lack of accountability, unethical behavior and corrupt practices have become so pervasive and even institutionalized norms of behavior in Nigeria, to the extent that one may conveniently speak of a crisis of ethics in Nigeria Public Services.

The issue of ethics, accountability and its attendant corruption has been a vicious circle since colonial administration to the present date. The realization of the negative effect of poor level of accountability, ethics and corruption in the Nigerian Public Services and the consequent effect on the socio-economic development in Nigeria led to the government to put in place some anti-corruption policies and agencies to serve as watch-dog for upholding administrative sanctity.

It is not that corruption has not been recognized as the “enemy within” it is however, that the political will and the necessary institutional support to tackle this problem have been virtually absent except for the military regime of Muhammadu Buhari / Tunde Idiagbon (1983-1985) and the civilian administration of President Olusegun Obasanjo. Past futile interventions against corruption include the corrupt practices Decree of 1975. The public officer (Investigation of Assets) Decree No. 5 of 1976, supplemented by the Code of Conduct Bureau and Code of Conduct Tribunals as provided for in the 1979 constitution; Shehu Shagari’s Ethical Revolution (1979-83), with a minister of cabinet rank in charge of national guidance. “The war against indiscipline” (WAI) campaign under Buhari/Idiagbon regime in 1984-1985, which was to some extent the only serious intervention, and the national Committee on corruption and other Economic crimes under Ibrahim Babangida regime (1985-93). The Babangida regime also came up with the Corruption Practices and Economic crimes Decree of 1990. This Decree expanded the definition of corruption to encompass the private sector. It also avoided unnecessary technicalities and provided stiffer penalties. However, that government did not really take the issue of corruption seriously. It could actually be argued that corruption in Nigeria became institutionalized during this period. Even Sanni Abacha regime (1994-98) came up with its own anti-corruption Decree: the “indiscipline, corrupt practices and economic crime (prohibition) Decree 1994” which was largely a replica of the Babangida 1990 decree on Corrupt Practices And Economic Crimes.

In order to have an in-depth examination of the role of the watch-dog institutions in curbing corrupt practices in the Public Service, the paper focuses mainly on three institutions, these include the Code of Conduct Bureau (CCB). Independent corrupt Practices and other Related Offences Commission (ICPC) as well as Economic and Financial Crimes Commission (EFCC). For proper explication, the study proposes the following basic assumptions.

- Unethical behaviour in the Nigerian Public Service is certainly not a problem of psychological disposition, character deficiency, or even one of morality, but a problem of the character of the state and its relations with the society and conflicting legitimacies.
- In Nigeria, corruption has become more entrenched as politicians see politics as a business investment which must be recouped and yield profit for them at the expense of the welfare and development of the people.
- There is need to adequately empowered the various Commissions that are put in place to serve as watch-dog institutions for upholding administrative ethics in the Nigerian public offices.

The objectives of the study therefore, are to analyze the resurgence of interest on Nigerian government in preventing all forms of unethical practices in the public sector. It also assesses the performance of the institutions put in place by the government to eradicate corruption in the Public Service. The rest of the paper is divided into four sections. Section one examines the review of relevant literature. Section two deals with the analysis of watch-dog
institutions. Section three discusses why measures put in place by government to fight unethical behaviours seem unsuccessful; section four deals with the ways forward, and the final section is the concluding remarks.

II. Review of Relevant Literature

Civil Service: The word civil service commonly means belonging to the general public and not to the army. Literally, civil service connotes public or government service. It is a body of officials employed to serve the public in a civil capacity (Olagboye, 2005). All over the world, the civil service is a permanent body of officials employed to implement the plans and decisions of government. Adebayo (1986), is of the opinion that the civil service is the entire service of government which is divided into department and in which civil servants work.

The Nigerian civil service evolved from the colonial service which was established by the British authorities as the administrative machinery for governing Nigeria. The amalgamation of the then Northern and southern protectorates as Nigeria in 1914, under Lord Fredrick Lugard, led to the establishment for the first time, of what seemed like a unified service. The upper echelon of the colonial service was dominated by European on who were concentrated executive, judicial and legislative powers. Traditional rulers were also co-opted into the colonial power structure.

Following the creation of the three regions, North, East and West in 1954, were three regional civil services. A Public Service Commission was also established at the centre and in each of the three regions within the same period the federal and regional services, thereafter nurtured a career service within their respective domains. The creation of states to replace the regions, (12 in 1967, 36 plus FCT since 1996 to date), witnessed unprecedented growth to match the increasing responsibilities of the Federal and State civil services.

The Public Service is regarded as the pivot of the executive arm of the government responsible for the implementation of policies and projects enunciated by government (Olaopa 2008). The public office occupied by these public servants has its environment, its ecology, its culture, its language and its nuances.

Ethics for the Nigerian public servants includes some trait and attributes like discipline, good conduct, ideas, punctuality, loyalty, tidiness, kindness, good attitude to public fund, honesty, neutrality, politeness, courage, cooperation, courtesy, good dressing, tact, helpfulness, avoidance of delay etc.

The Nigerian Public Service is now plagued by indiscipline and poor work ethics including corruption, insensitive and lack of prompt response to demands of members of the public, flaunting of contract procedures and looting of the treasury, ghost name syndrome, false bills, export tax fraud, payment for letters of recommendation, nepotism favoritism, tribalism, inability to collect and account for government revenue, divided loyalty, rigging of election results, misuse and abuse of political office, conversion of public facilities for personal uses, wealth acquisitions through financial impropriety.

Administrative ethics can be conceived of as rules and regulations public officials are expected to conform to in the discharge of their official obligation (Grade 1995). It is often the breach of these sets of rules in the discharge of their official duties under public authority that constitutes corruption or unethical conduct in Public Service.

Ethics in any Public Service is expected to focus on what is considered the right and proper behavior of all public officials- civil servants as well as political officers. Among being just fair, ethics ought to provide the basis for accountability, while the concept and practice of accountability is expected to make public officials responsible for their actions and inactions. It is rather unfortunate that the essential ethical values have been eroded in the Nigeria Public Service in such a way that there is utter ethical decay.
Accountability

Accountability is the obligation to answer for a responsibility that has been conferred. According to Olowu (1993) public accountability is the requirement that those who hold public trust should account for the use of the trust to citizens or their representatives. He postulated further that public accountability signifies the superiority of the public will over private interests and tries to ensure that the former is supreme in every activity and conduct of a public official. While Ayo (1994) sees accountability as a faithful discharge of one's duties so that one is not found wanting.

The prevailing value system of the community therefore is the mirror of the expected behavior of its public employees. Therefore, the widespread corruption in the Public Service in Nigeria is a reflection of the decadence values or morality of our society.

Ekiyor (1994) further postulated that “the increase of materialistic way of life in Nigeria has resulted in declining social and moral standards”. The pursuit for wealth by public official and employees in the private sector has increased the desire to look for loopholes to cheat the government. Nigerians care less to probe into the source of individual wealth. The rich are much respected for being wealthy. Therefore cheating the government is considered a justifiable procedure. This act amongst others has resulted to corrupt practices among public officials.

Corruption

According to Nwabuzor (2003) corruption can be classified into two broad categories of materialistic and non-materialistic corruption. He argued further that non-materialistic corruption has to do with service or benefit unjustly received. According to Falana (2007) Corruption involves deviation from laws and formal procedures that may have been rational or even socially functional. Into this vacuum in the rule of law came a rapid divestment of state assert. Official corruption is theft form the nation. It robs the citizens of their potential aspiration for a brighter future, a better education, better health care, better access to housing, safety of life and properties, food, water and other subsistence needs.

The political bureau established in 1987 attributed the failure of the politics and governance in Nigeria basically to corruption. Also, the British department for international development (DFID) maintains in its Nigeria country strategy paper for the year 2000, that poverty persists in Nigeria because of the mismanagement of the resources and corruption found particularly but not exclusively in the public sector (Ayua 2000). In this regard, many public officials in Nigeria have not discharged their duties as expected. Some of them corruptly enrich themselves by undue inflation of contracts, and over-invoicing, flagrantly embezzling public money thereby betray the public trust in them.

III Analysis of Watchdog Institutions

This section examines and analyzes the selected watchdog institutions.

Code of Conduct Bureau

The Nigerian Constitutions of 1979, 1989 and 1999 made adequate provisions for the establishment of a body known as the “Code of Conduct Bureau”.

The body is to deal with complaints of corruption by public servants for the breaches of its provisions and ensuring that public office holders are made accountable in the discharge of their duties. So, also the body is to maintain a high standard of morality in the conduct of government business and to ensure that the actions and behavior of public officers conform to the highest standard of morality and accountability.

Functions

The bureau is expected to perform the following functions in line with part 1 of third schedule of the 1999 constitutions.

- receive asset declaration by public officer in accordance with the provisions of this act.
examine the asset and declaration ensure that they comply with the requirements of this act and of any law for the time being in force.

- take and retain custody of such asset declarations and
- receive complaints about non-compliance with or breach of this Act and when the bureau considers it necessary to do so, refer such Complaint to the code of Conduct Tribunal established by section 20 of this act in accordance with the provisions of sections 20 to 25 of this act. Provided that where the person concerned makes a written admission of such breach or non – compliance, no reference to the Tribunal shall be necessary.

According to part 1 of the fifth schedule of this constitution:

1. A public officer shall not put himself in a position where his personal interest conflicts with his duties and responsibilities.

2. Without prejudice to the generality of the foregoing paragraph, a public officer shall not:
   a. receive or be paid the emolument of any public office at the same time as he receives or is paid the emolument of any other public office or
   b. expect where he is not employed on full time basis, engage or participate in the management of any private business, profession or trade but nothing in this sub – paragraph shall prevent a public officer from engaging in farming (FRN 1999: 151 – 152)

Other highlights

i. That public office holders shall not ask or accept property or benefits on account of anything done or omitted to be done in the discharge of their work.

ii. Nobody should offer a public officer any property, gift or benefits of any kind as inducement or bribe, that public officer should not abuse their position.

iii. Every public officer should declare his asset and liabilities before and after occupying public office alongside those of his unmarried children under the age of eighteen years. Any public officer found contravening any aspect of the code is to face the Code of Conduct Tribunal that is equally established by the constitution.

The body is responsible for ensuring that public office holders are made accountable in the discharge of their duties. The Code of Conduct Bureau in principle seems adequate for curtailing corruption and sharp practices but in practice it seems inadequate. The assets and liabilities declaration of public officers has not been seriously enforced since its establishment. In some cases, public officers had declared assets far above what they owned as their declaration could not be sustained. A case of anticipatory declaration, some public officers did not declare some of their properties they acquired while in office, while the issue of ownership of foreign accounts and late declarations was treated with levity. It is doubtful if anybody declares his assets and liabilities while leaving the public office. The activities of the Code of Conduct Bureau also appears to be ineffective as it is widely belief that most public officers are living quite above their income and besides it tends to assume that corruption is entirely a public sector affair as it nearly leaves out completely any initiative on the private sector. So also, during the administration of President Olusegun Obasanjo, the code of conduct tribunal seems to be “joker” against the state governors adjudged to be corrupt, but mostly those who have strong sympathy for Vice President Atiku who alleges persecution by the president. Embattled vice president Atiku and many Governors were dragged before the code of conduct Tribunal to face charges of corruption during the Obasanjo civilian administration (Sowore, 2006).

Independent Corrupt Practices Commission (ICPC)

ICPC was established by President Olusegun Obasanjo led administration in July 1999 to prohibit and also punish bribery, corruption and other sharp practices by public office holders. The failure of almost all laws promulgated by successive government to fight corruption, uphold integrity and ensure accountability among Nigerians led to sponsoring of the bill for a law to prohibit and also punish bribery, corruption and other sharp practices by Public Officers by Olusegun Obasanjo. The bill was not passed by the national assembly until almost after a year.
because of their selfishness and security. The signing of the bill to law also generated reactions by some state governments. For example, Abia and Ondo state challenged its legality on the ground that the 1999 constitution does not make provisions for such and that ICPC Act negated the principles of Federalism, as its powers would encroach on the tiers of government other than the federal. However, the seven supreme court judges, including the Chief Justice of the federation who gave the lead judgment confirm the constitutionality and legality of the ICPC Act 200, except for two provision which they considered unconstitutional (The Guardian June 8, 2002)

The Supreme Court judges found sections 26(3) and 35 defective and they were declared null and void. Section 26(3) prescribed a time frame within which prosecution of criminal offences under the Act must be concluded. This section in the opinion of the Judges, infringed on the principle of separation of powers and it was accordingly voided. Section 35 of the Act empowered ICPC to arrest and detain any person who failed to obey summons until such a person complied with the summon. This section was struck out as contrary to the provision of the 199 constitution. The ICPC Act 2000 came into force in June 13, 2000 (ICPC2002:5).

Powers and duties of the Commission.

Section (6) of the act stipulates that

a. It shall be the duties of the Commission, where reasonable grounds exist for suspecting that any person has conspired to commit or has attempted to commit or committed offence under this act or any other law prohibiting corruption, to receive and investigate any report of the conspiracy to commit, attempt to commit or the Commission of such offence and in appropriate cases, to prosecute the offenders;

b. To examine the practice, system and procedures of public bodies and where in the opinion of the Commission, such practice, system or procedures and or facilitate fraud or corruption; to direct and supervise a review;

c. To instruct, advice and assist any officer, agency or parastatal on ways by which fraud or corruption may be eliminated or minimized by such officer, agency or parastatal;

d. To advice heads of public bodies of changes in practices, system or procedures compatible with the effective discharge of duties of the public bodied as the Commissions thinks fit to reduce the likelihood of incidences of bribery, corruption and related offences;

e. To educate the public on and against bribery, corruption and related offences; and

f. To enlist and foster public support in combating corruption (ICPC 2000:16).

The Commission has been exercising its functions as specified by the enabling Act. Many political office holders, like governors, senate president, ministers and others has been prosecuted by the ICPC. However, the constitutional immunity granted some political office holders against criminal prosecution during the period the person is performing the functions of the office seems to be one of the major problem of the Commission. These are those holding the office of the President, Vice-President, Governor and deputy governors. In most cases of allegation of corruption against some governors, such governors cannot be prosecuted or made to answer charges preferred against them. Offences and penalties under the Act seems not to be adequately enforced. There can be no justification as to the extent of serving as Watch-Dog institution in situation where some public officers are treated as sacred cow or as being special and seen as being above the laws of the land. There are cases of official moves to shield certain former political office holders from prosecution for corruption and related offences. Some of these former political office holders have obtained exparte orders to restrain the Commission from arresting, investigating and prosecuting them in any manner whatsoever and however. In addition to this, is the problem of funding which does not allow the Commission to have offices in all local government headquarters and state capitals of Nigeria for ease of operation. The situation of inadequate coverage does not give enough room for the Commission to effectively
act as watchdog institutions. So also, the activities of the Commission is difficult to separate from political interference.

**Economic and Financial Crimes Commission (EFCC)**

The Economic and Financial Crimes Commission was established by the Obasanjo administration probably as a result of ineffectiveness of the ICPC. In June 2004, the national assembly enacted the EFCC (establishment) Act. This Act repealed the Financial Crimes Commission (Establishment) Act 2002. EFCC is responsible for the enforcement of all economic and financial crime law (Tell June 13, 2005). This include the money laundering (prohibition Act) 2004, the Advance Fee Fraud and other related offences Act 1995, the failed banks (recovery of debts) and financial malpractices in Banks Act (as amended) the miscellaneous offences Act and even Laws such as the criminal and penal codes as they relate to economic and financial crimes.

The Commission achieved some degree of efficiency and effectiveness. This is due to the economics power and authority bestowed on it by the enabling Act. The powers and responsibility of the Commission are similar to that of Nigerian Police, in that it is empowered to investigate and arrest criminals. It also has the power to investigate the ownership of a property if in the opinion of the Commission the lifestyle of the owner is not justified by his income. It has power to enforce all relevant laws dealing with the finance sector of the economy, as well as power of independent prosecution without involving the office of the attorney – General. The structural organization of EFCC also assist it to perform effectively. The Commission is headed by an Executive Chairman Waziri Farida who took over from Nuru Ribadu atop board of twenty members comprising the heads of relevant and powerful government agencies like the central Bank of Nigeria (CBN), National Drug Law Enforcement Agency (NDLEA), State Security Service (SSS), National Deposit Insurance Corporation (NDIC),Nigerian Communication Commission (NCC) Ministries of Finance, Foreign Affairs, Justice and other. The composition of the Commission’s Board affords it unhindered access to records, facts and figures with which to support itself during prosecution. The former chairman of the Commission Ribadu corroborates this as he notes that;

> The composition is obviously not accidental. The composition of the board has aided the Commission in doing its jobs more efficiently. In dealing with cases in the different sectors of the economy, all Commission need to do is to solicits the helps of the relevant member of the board and the job is easily done. (Ribadu, 2005; 28)

The Commission has successfully investigated arrested, prosecuted and jailed people who were hitherto seen as too high and mighty to be arrested let alone prosecuted. The EFCC made some spirited attempts at continuing corruption especially in the public sector from 2000 when it began operations. It was able to secure some judicial convictions of some highly placed state officials, including a serving inspector general of Police. Even so, the efforts were paralyzed by their inversion by Obasanjo himself. His well publicized threat at an open campaign at Akure, Ondo State in February 2007 to send the EFFC after Dr. Olusegun Mimiko, erstwhile Minister for Housing and Urban development for the latter failure to heed his directive not to run for office as governor.

This particular motive does paralyzed the EFCC as a watch-dog for combating corruption in the society but rather as bulling and a tool of political vendetta. In a similar vein, the spirited attempts to rein in vice President, Atiku Abubakar on corruption charges an effort that was thwarted by the assistance of the Nigerian Judiciary. This also is a figmatization of attempt to see the EFCC as watch – dog institution in the process of combating corruption menace in
Nigeria. However, the EFCC has not been able to live above this image of partisanship ever since.

Another similar prominent example of the above, is the case of Chief. James Ibori, a former governor of Delta State who was alleged of money laundering. As a result of which a British Court frozen its accounts. The freezing order was however lifted on the strength of a letter written by the Honorable Attorney General of the Federation who insisted that he has not requested for the freezing of the ex-governor’s asset pursuant to his power Under the Agreement between Nigeria and the Northern Ireland concerning the investigation and prosecution of crime and the confiscation of proceeds of crime. The handling of the case by EFCC does not justify the institution as a watch-dog but a toothless one. However, the former governor Ibori is now again in the net of law as his arrest had been made possible by the British Metropolitan Police Interpol. (Tribune 21 may, 2010). Nigerians awaits the handling of his case by the EFCC.

Despite the outstanding performance of the EFCC, some Nigerians are of the opinion that the Commission was just a weapon in the hands of Obasanjo’s Administration to fight his perceived opponents, as they believe that the Commission was selective in its assignment.

IV Why have these measures been generally unsuccessful?

These measures in the first instance, have failed because they were introduced in an overall political and policy environment that was not sufficiently conducive to enable the success of the measures. When grand corruption is rampant at the top level of government and politics, the nature of governance has basically remained undemocratic, unaccountable and patrimonial, and where patronage systems have remained intact, one can hardly expect to enforce measures against unethical behaviour with any degree of seriously or that the enforcement systems and institutions will be left to function without interference. Thus, the nature of the state and governance and commitment at the highest political level are crucial prerequisites for any successful drive to curb and punish ethical violations.

The measures that have been introduced have been partial in nature, focusing mainly on sanctions. So also many of the institutions that were established to promote ethics and accountability often lacked the resources, public visibility, impartiality and public support that are critical for their success. It is also no secret that many corrupt ex-officials have the influence and resources to thwart the best efforts of the Commission to bring them to justice.

In addition, some of the delays in investigation and prosecution of cases are attributable to serious short falls in personnel for quick response to established complaints and clues. The state of affairs is further compounded by shocking delays in the trial of suspects. Is justice delayed the same as justice denied? Ironically, the tortoise pace system is aided and abetted by members of the Nigeria Bar Association, especially senior advocates, who manipulate their knowledge of the judicial process to stall the swift dispensation of justice.

The degree of the task to deal with corrupt practices and to promote ethics and accountability in the Nigerian Public Service is not to be underestimated. Despite set-backs experienced in this regard, it is still possible to score gains in a meaningful manner.

V The Way Forward

The various Commissions that are put in place to serve as Watch-Dog institutions for upholding Administrative sanity in the Nigerian Public offices should live up to expectation and up to its slogan that “nobody is above the law”. Moreover, appropriate sanctions should be imposed on those found to be engaged in various activities that could result to corruption to serve as deterrents to would – be criminals. Our leaders should live by example, there should be adequate provision for legal tools to prosecute offenders while the fight against unethical behaviour should be handled individual and collectively. There should be removal of the acute feeling of job insecurity among civil servants which creates the temptation to protect oneself when thrown out of a job quite often for reasons unrelated to one’s performance and conduct. There should be a programme of mass education with the purpose of increasing the awareness of
what the public could contribute in fighting these unethical practices. Such programme could be implemented through workshops, seminars and the news media including television.

There must be adequate salaries/compensation for public officials to discharge their basic family responsibilities while the press must be given free hand to report/expose cases of corruption. There must be “carrot” and “stick” approach to governance, that is reward for conformity and sanction for deviant behaviour. There is the need to foster and promote enabling condition to service to enhance professional and ethical standard. There must also be need for mass education campaigns on the extent and cost of corruption and unethical behaviour so also affirming and advancing sound policies on recruitment, training and public personal management as well as fostering popular participation to ensure the responsiveness and accountability of governance will go a long way to expose and fight corruption. In addition, there should be encouragement of Public Service associations to play a catalytic role in institutionalization professional values and defending occupational interest.

The political insecurity arising from the alienation of the state from society impels them to monopolize power often in a personal way. Once there is personal rule at the top, it bends the bureaucracy by all the means- which are antithetical to bureaucratic organization. For instance in the bid for General Babangida and Abacha to make themselves life president they made policies and change the rules ad hoc, commit the government on impulse to projects which have not been budgeted, re-write the national budget in speeches at whistle stops to the charging of officials. In most countries in Africa, the political class is still crystallizing. It is still prone to intense political competition in which politics is a zero-sum game, while the Public Service is merely the victor’s booty. One reflection of this is that politicians in power use administrative rules, public enterprises, the power of appointments, and promotion of senior public servants as their own political and economic resource and thus undermine the performance of the Public Service. It is not only the state that has to change but politics as well. Performance will not improve very much unless we can solve the problem of extreme scarcity, increase productivity, and the size of the economic surplus, and improve its distribution. That is not to say that if we can generate more economic growth, we will solve the problems of our Public Service. My contention is that economic growth is a necessity, though by no means a sufficient condition for solving the problems simply because there is no chance at all that the civic virtues and civic culture at issue will thrive amidst a rising tide of poverty.

Concluding Remarks

Countries in the world experience some degree of ethical behavior among public officers. But in Nigeria because of special circumstances the extent of unethical behavior, especially corruption, can best be described as a crisis and should be addressed as such with the sense of urgency which the problem demand.

The issue of ensuring adequate Ethics, Accountability, and eliminating corruption among public servant need a big push with a coordinated front operating on several fronts at once. These could be in form of massive move in form of a moral revolution. Every citizens of the country should join hand together to fight unethical behaviour leading to corruption and other social vices in the society. The fight should not be seen as that of the president, alone. Agencies like the Nigeria police, the army, customs department, private sector, the press, the educational system, churches, mosques as well as individual public servants, should not be left out to the fight.
References


Abstract

This study attempts to examine the relationship between student satisfaction and academic performance in the institutions of higher learning. A total of 309 undergraduate students are taken from one of the public universities in the southern regions of Malaysia with questionnaire being personally distributed to these respondents. Both the Assumption of Normality and the Discriminant Analysis are used to test the above relationship. Findings indicate that student satisfaction is normally distributed. The conceptual framework characterizing the two most important variables to current Internet namely student satisfaction and academic performance are found to be significant but rather weak in their relationship. These two factors also show the significant results in this study. One interesting finding demonstrates that students who feel more satisfied are more likely to obtain lower CGPA academic performance than those who are less satisfied.

Keywords; Student satisfaction, Academic performance, Discriminant analysis, Malaysia

Introduction

The academic performance is the level of knowledge and development of abilities and skills that an individual has achieved at a certain level of education [1]. In educational institutions, success in studies is measured by academic performance, or how well a student meets the standards set out by local government and the institution itself [2]. It has been argued that academic performance generally refers to how well a student fulfills his or her scholastic duties. According to [3], one of the factors that determine the level and quality of a student is academic performance. Grades are most often a tallying or average of assignment and test scores that can often be affected by such factors as attendance, presentation skills, and instructor opinion of the student.

Numerous researchers have focused on the effects of psychological factors on academic performance [4]. In this context, one of the most cited psychological factors reported in the literature is student satisfaction. The concept of student satisfaction is a vital consideration for many higher educational institutions today. The outcomes of students assessment in relation to their campus experiences may be understood by their post-study behaviors, such as their intentions of recommending the institutions they had attended as well as the level of their support as an alumni and practicing professional [5]. These factors could be among the determinants that affect academic performance.
Must higher educational institutions study the association between student satisfaction and academic performance in order to manage better its existing and new academic products and services? Undoubtedly, student satisfaction and academic performance are two inextricably related educational experiences. To the best of the authors’ knowledge, there are limited empirical data examining the relationship between student satisfaction and academic performance particularly in the Malaysian context. This study specifically highlights the higher education industry as research interest due to the mushrooming of new public and private universities in the country offering business and management programs. Competition among these providers is growing intensely.

LITERATURE REVIEW

Reference [6] conducted an empirical study that examines the relationship between achievement motivation and satisfaction among traditional and non-traditional students in colleges. They found that traditional and nontraditional students differ in the pattern of correlations between their satisfaction with the college experience and achievement motivation. Besides that, the relationships between individual dimensions of achievement motivation and that of college satisfaction were supported by correlational analysis. Similarly, another empirical study done by [7] on the relative academic performance in relation to facet and overall satisfaction with interactive telecourses found that students exhibiting the highest level of relative academic performance were those who were (1) most satisfied with the technological aspects of the courses, and (2) most satisfied with the promptness of material exchange with students enrolled in college-level telecourses. These findings will be predictive of the relative academic performance of those students.

Reference [8] suggest that that students who recorded higher scores on personal academic satisfaction and school importance rated their academic performance higher than students with lower scores on the foregoing variables. In this study, social and academic integration is defined as the quality of students' intellectual development, peer group and faculty interactions. On the contrary, an empirical study by [9] to investigate activities and academic achievement among first-year undergraduate students in Hong Kong reported a non-significant relationship between interaction with faculty and expected grade point average.

In [10]’s study, he found that the student/teacher relationship is of particular importance in ensuring academic success. According to him, some of the necessary quality conditions in the classroom such as teachers allowing their students to know them and, hopefully, like them, will lead to students working harder that will in turn result in academic success. Similarly, the findings of another study by [11] that investigates the relations among academic achievement, self-concept, and student-faculty interactions show that student-faculty interactions were predictive of students' academic performance and scholastic self-concept.

According to [12], curriculum and the curriculum experience that parallel the ‘development readiness’ concept make schooling a more satisfying experience for students. To take the concept a step further, if students have positive and satisfying experience, their academic self-concept and success will likely to be enhanced. Reference [13] conducted an empirical analysis to examine the characteristics of positive and negative one-to-one student-faculty interactions with non-traditional and traditional undergraduates. One of their findings show that students who had a positive one-to-one interaction with a professor felt that the interaction affected their student rating of instructors and their academic performance. However, in another empirical
study by [14] to assess undergraduate satisfaction with an academic department, he researchers found that student grades are not related to overall student satisfaction.

Reference [15] conclude that students with low academic performance are characterized by more of the use of surface learning, less of deep learning and less satisfaction with educational environment than students with high academic achievement. Another study conducted by [16] study indicates a significant relationship between grades and students' academic performance and retention. Reference [17]'s study, on the other hand, provides evidence for the positive association between educational experience and academic performance.

Reference [18] evaluated the academic experience and satisfaction of students enrolled in the dual PharmD/MBA degree program by the South Carolina College of Pharmacy and The Citadel's School of Business Administration. They found that students enrolled in the dual degree program did better academically than their counterparts and indicated an overall high level of satisfaction with the program. Reference [19] measured students' perceptions of their teachers' caring, concern and discipline. Their findings suggest that there are no significant differences between academic performance and intellectual ability, and self-report measures such as students' global self-worth, satisfaction about reading and behavior, and relations with teachers.

Methodology

Sample

A total of 350 questionnaires were personally administered to the students during their lectures in a business and management faculty in one of the public universities in the Southern region of Malaysia. Unfortunately, 41 out of these questionnaires (11.7%) could not be used because they were not answered or incompletely answered, or irrelevant (e.g., nationality, marital status, etc.). As a result, only 309 or 88.3% (309/350 * 100%) were usable for data analysis.

Table 1 shows that there were less male students compared to female graduates (26.9% versus 73.1%). The demographic profile also indicates that there is a greater representation of Malaysian students (95.68%). This is viewed as being reflective of the accessibility to respondents. As expected, most of the respondents were still unmarried (96.1%). Students who entered the university with A-level & equivalent were found to have largest percentage of respondents (56.6%), followed by diploma (26.2%), matriculation (13.3%) and others (3.9%). As for financial aid, approximately 78% of the students received financial aid compared with those who did not received financial aid (21.7%).

Profile of respondents

Measurements

The measure for student satisfaction was adapted from Lee et al.’s (2000) study with the modifications necessary to reflect local conditions. The instrument comprises of three items. The respondents were asked to rate the satisfaction level with the program, institution and services on a 5-point Likert scale (1 = “Strongly Disagree” to 5 = “Strongly Agree” for first item), (1 = “Very Dissatisfied” to 5 = “Very Satisfied” for second item), and (1 = “Very Bad” to 5 = “Very Good” for third item). The scale proved to be uni-dimensional with a Cronbach α reliability
value of .742 Subsequently the average score was used to aggregate these three items to indicate the level of student satisfaction. As for academic performance, three levels of cumulative grade point average (CGPA): (1) $3.00 > \text{CGPA} \geq 2.00$, (2) $3.67 > \text{CGPA} \geq 3.00$ and (3) $\text{CGPA} \geq 3.67$ were used to conceptualize students’ academic achievement.

### Statistical Method

Discriminate analysis was used to distinguish CGPA levels based on linear combinations of measures [20]. The dependent variable, which was also called group membership variable was the students’ CGPA. To meet the assumption associated with the significance test for discriminant analysis, the quantitative variable of this study: student satisfaction must be normally distributed. To achieve the normality assumption, student satisfaction must have skewness and kurtosis index should not be more than 2.5 times the standard error [21]. Skewness is used to determine if the curve is nonsymmetrical, whereas kurtosis helps to tell the shape of a curve (flat or peaked).

### FINDINGS

Table II shows that index of skewness and kurtosis for student satisfaction was found not more than 2.5 times of their standard error. Based on these results, we conclude that the variable of student satisfaction did not violate the assumption of normality.

<table>
<thead>
<tr>
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<th>Frequency</th>
<th>Percent</th>
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</thead>
<tbody>
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<tr>
<td>Male</td>
<td>226</td>
<td>73.1</td>
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<td>Marital Status</td>
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<tr>
<td>Single</td>
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<td>96.1</td>
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<tr>
<td>Married</td>
<td>10</td>
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<tr>
<td>Others</td>
<td>2</td>
<td>0.6</td>
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<tr>
<td>Nationality</td>
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<td>96.8</td>
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<tr>
<td>Non-Malaysian</td>
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<td>Entry Qualification</td>
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<tr>
<td>A Level &amp; Equivalent</td>
<td>175</td>
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<td>Diploma</td>
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<tr>
<td>Others</td>
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<tr>
<td>Financial Aid</td>
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<td>Yes</td>
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<tr>
<td>No</td>
<td>67</td>
<td>21.7</td>
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</table>

<table>
<thead>
<tr>
<th>Skewness</th>
<th>Kurtosis</th>
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<td>Statistic</td>
<td>Std. Error</td>
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<tr>
<td>Student Satisfaction</td>
<td>-.287</td>
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</table>
TABLE II. RESULTS OF DISCRIMINANT ANALYSIS

<table>
<thead>
<tr>
<th>CGPA</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Valid N (listwise)</th>
<th>Function Eigenvalue</th>
<th>% of variance</th>
<th>Cumulative %</th>
<th>Canonical Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.00&gt;CGPA≥2.00</td>
<td>3.403</td>
<td>.607</td>
<td>125</td>
<td>.041a</td>
<td>100.0</td>
<td>100.0</td>
<td>.199</td>
</tr>
<tr>
<td>3.67&gt;CGPA≥3.00</td>
<td>3.148</td>
<td>.686</td>
<td>126</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CGPA≥3.67</td>
<td>3.109</td>
<td>.670</td>
<td>58</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3.244</td>
<td>.663</td>
<td>309</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. First 1 canonical discriminant functions were used in the analysis

The discriminant analysis was performed to predict which of a number of categories or groups the respondent will belong to. In this study, academic performance was the dependent variable and student satisfaction as predictor variable. Table III indicates that student satisfaction was able to significantly discriminate among the three levels of students’ CGPA. Student satisfaction was also compared among these three CGPA levels using group means. The group mean of student satisfaction for students obtained 3.00>CGPA≥2.00 was higher than those who obtained 3.67>CGPA≥3.00 and CGPA≥3.67.

The canonical correlation was 0.199, when squared implied that this model could only explain 4% of the variance in the CGPA. The Eigenvalue was rather low, whereas the Wilk’s Lambda was moderate at 0.960. Univariate ANOVAs revealed that three categories of CGPA: 3.00>CGPA≥2.00, 3.67>CGPA≥3.00 and CGPA≥3.67 differed significantly on student satisfaction. A single discriminant function was calculated. The value of this function was significantly different for the three levels of CGPA (Chi-square=12.36, df=2, p<0.005). The group mean of student satisfaction for students obtained 3.00>CGPA≥2.00 was higher than those who obtained 3.67>CGPA≥3.00 and CGPA≥3.67, suggesting that students who were more satisfied were more likely to obtain lower CGPA than those who were less satisfied.

Discussion & Implication

This study is the few attempts to examine the effects of student satisfaction on students’ academic performance by using discriminant analysis approach in the Malaysian context. In line with several other studies conducted outside Malaysia [8], [10] & [11], the findings suggest a significant relationship between student satisfaction and academic performance. One interesting finding found was that students who were more satisfied were more likely to obtain lower CGPA than those who were less satisfied. In other words, this significant relationship suggests two variables moving in inverse or opposite directions. The lower the academic performance in terms of CGPA of a student, the higher the level of his/her satisfaction in the learning process. Such interesting research phenomenon could be due to several reasons.

Students with lower CGPA may be attributable to the behavioural aspect rather than the intelligent quality of their personality. They are more liberal in attitude towards their study ideology. Good tertiary education experience derives from more than academic performance. The extent to which a university student is satisfied depends not only on single dimension i.e.
CGPA but a combination of factors such as interaction among peers, relationship with academic and administrative staff, university policies, infrastructure and facilities as well as learning perception. The relationship between CGPA and students’ learning perception is more controversial than expected. Students with lower CGPA do not necessarily imply that they have actually learned lesser than those with higher CGPA. Thus, it is not surprising to understand why students with lower CGPA do not bother about their academic performance when displaying a high overall satisfaction during their studies in the university.

This study provides useful implications for policymakers and administrators in the higher education industry. Both classroom-based and examination-oriented education system is not the catalyst of student satisfaction. Government should initiate a more liberal higher education policy to prompt university administrators in promoting campus-based learning environment. This means students are encouraged to involve classroom and extra curriculum activities across faculties, branch campuses, and universities. In this regard, student’s academic performance in terms of CGPA is determined by more flexible and practical assessment methods such as case studies, role play presentation, internship, coaching, and mentoring. It is argued that this interactive teaching-learning system would be contributory to the improvement of student’s academic performance while further enhancing their personal satisfaction in the campus.
References

CHILDREN’S’ USE OF COMPUTER AT HOME: PERCEPTION OF PARENTS

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ABSTRACT

The study aimed at investigating the effects of computer technology on Pakistani children from the perspectives of their parent. Participants of the study were 110 parents of children studying in 11 schools of Rawalpindi and Islamabad. 10 parents from each school were approached for data collection. A questionnaire consisting of 17 items was used to collect the data. Semi-structured interviews were also conducted with eight parents. Pilot testing was done to ensure the reliability and validity of the tool. The degree of reliability was calculated and validity was ensured by expert opinion. Data was analyzed with the help of SPSS version 15.0. Descriptive statistics (Percentage) was used to draw conclusions from the collected data. The findings of the study revealed that majority of the parents didn’t fix the timings of their children for using computer at home. Majority of the children had free access to internet and use the computer for entertainment purposes such as playing games, listening music and watching movies. Most of the parents’ asserted that excessive use of computer make their children less social, aggressive and isolated. The study suggests that children should be taught to limit their computer use to reasonable lengths of time. They should be supervised appropriately while using computers in order to avoid access to inappropriate material and wrong practices.

Key Words: Parental Perspectives, Home, Games, Entertainment, Pakistani Students

INTRODUCTION

It is the era of scientific development and hallmark of information technology. All the inmates of the world are baffled and in the trap of gripping IT semantic and pragmatic web. Everyone regardless of age and sex particularly the children, studying at primary level, are more inclined to use computer. Undoubtedly, it’s a good omen that our young ones are getting acquainted with the latest advancements like computers which are enhancing their knowledge and inquisitive skill but as they say, Excess of everything is bad so parental care is direly needed to keep a watch and check on their children especially at such a tender age. Use of computer has useful as well as harmful impact on the mind of a child. Nobody can deny that computer usage have significant impact on the cognitive development and learning outcomes of the child. Clements (1999) have highlighted that the use of computer helps the students to solve their problems in real lives and enhance their mathematical skills and promote scientific attitude among them. Turow (1999) concluded that parents provide the home computer and internet facility to their children to assist their learning and to prepare them for the age of technology and information.
Subrahmanyam (2000) recommended that there is a dire need to assist the parents as well as policy makers to ensure the constructive use of computer by the children and to reduce the frequency of computer usage for unenthusiastic purposes to minimize the negative impact of it. Subrahmanyam et al. (2001) argued that if children spend moderate time on computer, it can enhance their social skills. Communication skills can be developed by spending time on net, such as surfing time on the use of e.mail service. Kraut et al. (1998) explored that the excessive use of internet makes the teens and adults less social. Greenfield (1996), Okagaki & Frensch (1994) and Subrahmanyam & Greenfield (1996) suggested that playing video games enhance the spatial skills among the children. Buchman & Funk (1996) argued that there are several types of video games available which are nonviolent in nature but majority of the children like to play violent games on computer. They have reported that 59% of girls studying in grade four and 73% of boys studying in grade four play violent games as their favorite games. Bushman & Anderson (2002), Subrahmanyam et al. (2000) and Gentile et al. (2003) concluded that playing violent games promotes aggressive and negative thoughts among children and express the most aggressive behavior whenever they come across a disagreement by any person around them. Gentile et al. (2004) wrote that the use of aggressive video games for extensive periods of time by the students leads towards low academic performance in schools. Gentile & Anderson (2003) claimed that frequently accruing atrocious acts in the video games on computers may increase antagonistic attitude among students. Walsh (2000) have conducted a research on the students studying in grade 8 to 12 and concluded that 90% parents have no check upon the children’s purchase of video games. Anderson & Dill (2000) expressed that video games help the children to identify and select their favorite personalities as the characters of the games. This role playing guides the children towards the imitation of their favorite characters in their real life. In other words this leads them towards the idealism. Subrahmanyam et al. (2000) wrote that conceptualization and replication of presented staff on computer makes the child hard to adjust in the real world and child can’t differentiate the real life from the word of imagination. Gentile et al. (2004) have explored the timings of playing video games on computer by the young girls and boys and have concluded that the young girls spend an average of 5 hours in a week on playing video games on computer whereas these timing increased up to an averaged of 13 hours in a week in case of young boys. Subrahmanyam et al. (2000) that spending amplified amount of time on Internet get raises the feelings of isolation and desperation among children.

The objective of the study was to examine the effects of computer technology on Pakistani children from the perspectives of their parent. Study was delimitated only to the private schools located in urban areas of Rawalpindi District, and capital Islamabad of Pakistan.

METHOD OF THE STUDY

The study was qualitative as well as quantitative in nature. The mixed method approach was followed because “to expand an understanding from one method to another, to converge or confirm findings from different data sources” (Creswell 2003).

All the parents of children studying in grade four in private schools of Rawalpindi and Islamabad were considered as the population of the study. Sample of the study was selected in two phases:

In the first phase, through random sampling technique, eleven private primary schools were chosen. In the second phase, through purposive sampling, from each school, ten students of grade four who had a computer at their home were selected. Finally parent of those students were approached for the purpose of data collection.

A self-developed questionnaire consisted of seventeen items was used to collect data from the parents. The questionnaire have two portions, one was developed on five point-Likert scaling system whereas the other was included the statements offering a number of options to the
respondent for giving the reply to the statement. Eight semi structured exclusive interviews were also conducted to highlight the issue more in lightning way.

Reliability of the tool was ensured by pilot testing. Twenty-five parents of the students studying in grade four were requested to fill the questionnaire in the process of pilot testing. Data were coded and internal consistency of the questionnaire was observed 0.84 with the help of Cronbach’s Alpha formula on SPSS version 15.0. For the purpose of tool validation, experts’ opinion was sort out by five experts in the area of education and research. Questionnaire was modified and amendments were made in the light of their suggestions to make it more valid and authenticated.

DATA ANALYSIS AND DISCUSSION

A brief description of the data analysis presented in tables 1-5. Table 1 shows the computer literacy by the parents. 7% parents have a very little knowledge about computer. 81% parents knows computer to some extent where as 12% parents claim that they have command over the functions of computer. This shows that majority of the parents have knowledge of computer functioning to some extent. It shows that majority of the parent knows the functioning of the computer to some extent. While Table 2 shows the time spend by the children on computer. The analysis shows that majority of the parents (56.4%) don’t fix the timings of children for computer usage during home hours. Majority of the children (52.7%) use computer for 2-3 hours during week days whereas 47.3% students use computer for 3-4 hours during weekend. In the light of above findings, it can be concluded that huge number of parents did not fix the timings of computer use for their children during home hours and children use the computer from 2-3 hours during week days as indicated in figure 1. Figure 1 show the hours of computer usage by the children during weekend.

Moreover, Table 3 shows the effect of computer usage on the development of children with their parents’ perspectives. 74.5% Parents’ disagree by the statement that computer makes their children social and 50.9% parents claims that due to the use of computer at home their children become isolated. 58.2% parents are of the view that computer usage make their children aggressive. 53.6% parents responded that computer usage help their children to improve their vocabulary.

In the light of above findings, it is concluded that majority of the parents claim that excessive use of computer make their children less social and isolated (Kraut et al. 1998, Subrahmanyam et al. (2000). Aggressive behavior is prevailing among children due to playing violent games (Buchman & Funk 1996, Bushman & Anderson, 2002, Subrahmanyam et al., 2000 and Gentile et al., 2003).

Table 4 shows the purpose of computer usage by the children at home. 58.2% children prefer computer games in home whereas 41.8% students prefer outdoor games during home stay. 70% students have free excess to internet. 57.3% students use computer mostly for games playing, 29.1% watch movies whereas 13.6% children listen music as shown in figure 2. Figure 2 shows that children prefer computer games more than outdoor games for playing at home with their parents’ perspective. While Figure 3 shows that children use computer mostly for entertainment purposes whereas some children use computer for learning purpose such (home work, assignments etc.). In Figure 4 it was indicated that majority of the children mostly use computer
for plays games, second preferable interest are the movies whereas some of the children prefer to listen music on computer.

Table 5 shows that majority of the parents (50%) are remained aware to some extend by the activities of their children on computer, 37.3% parents do not bother the activities of their children on computer and were able to mention the last task that their child done on computer. 61.8% parents have a little check on the purchase of games, movies etc by their children whereas 33.6% parents have no check on the purchase on their children. 57.3% parents guide their children about the constructive use of computer whereas 32.7% parents never guide their children about the constructive purposes.

CONCLUSION

No body can deny the benefits of computer usage on the development of a child but there are some shortcomings or disadvantages arouse with the excessive timings spend on playing computer games, free excess to internet, miner check on child’s purchase of CDs of games and movies, underprivileged observation during computer usage at home hours. There is a small line between the use and misuse of computer and internet that has to be kept in mind by the parents. All of these limitations refer to the role of parents to safeguard guide their children from the constructive usage misuse of computer. As this study revealed that parents did not care much about involvement of their kids in computer and internet. It was recommended that parents and have a sound check on the activities of their children during computer usage at home hours and the most important thing is that the parents should fix the timing of the children for computer use to minimize the level of excessive use of it. Parents should have computer literacy to have a clear vision about the benefits and limitations of computer usage on the development of the children as the majority of the children prefer computer games instead of participating in outdoor activities. When parents were asked that if they keep themselves aware by the activities of their children during computer usage at home, and if they have a proper check on the purchase of their children of computer CDs of games and movies and if they guide their children about the constructive use of computer? Majority of the parents answer “Some times” not “Always”.
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Committee on Commerce, Science, and Transportation, United States Senate, Retrieved
### Table 1: Parents Literacy of Computer

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<th>Times</th>
<th>Percentage</th>
<th>Frequency</th>
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<tr>
<td>Computer Literacy by the parents</td>
<td>Very Little</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>To Some Extent</td>
<td>81</td>
<td>89</td>
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<tr>
<td></td>
<td>Very much</td>
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<td>13</td>
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### Table 2: Time Spent on using Computer

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<td>Times for computer use</td>
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</tr>
<tr>
<td></td>
<td>Unlimited</td>
<td>56.4</td>
<td>62</td>
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<tr>
<td>Use of computer during week</td>
<td>1-2 hours</td>
<td>31.8</td>
<td>35</td>
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<td></td>
<td>2-3 hours</td>
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<td>58</td>
</tr>
<tr>
<td></td>
<td>3-4 hours</td>
<td>13.6</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>Above</td>
<td>1.8</td>
<td>2</td>
</tr>
<tr>
<td>Use of computer during weekend</td>
<td>1-2 hours</td>
<td>3.6</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>2-3 hours</td>
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<td>33</td>
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<td>3-4 hours</td>
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<td></td>
<td>Above</td>
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### Table 3: Effect of Computer on Child Development

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<th>Statements</th>
<th>Expressions</th>
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<th>Frequency</th>
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<td>Computer makes children social</td>
<td>Disagree</td>
<td>74.5</td>
<td>82</td>
</tr>
<tr>
<td></td>
<td>Undecided</td>
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<tr>
<td></td>
<td>Agree</td>
<td>15.5</td>
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<tr>
<td>Computer makes children aggressive</td>
<td>Disagree</td>
<td>26.5</td>
<td>29</td>
</tr>
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<td></td>
<td>Undecided</td>
<td>15.5</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>58.2</td>
<td>64</td>
</tr>
<tr>
<td>Computer games makes children isolated</td>
<td>Disagree</td>
<td>31.8</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>Undecided</td>
<td>17.3</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>Agree</td>
<td>50.9</td>
<td>56</td>
</tr>
<tr>
<td>Computer use improves the vocabulary of the child</td>
<td>Disagree</td>
<td>21.8</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>Undecided</td>
<td>24.5</td>
<td>27</td>
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<tr>
<td></td>
<td>Agree</td>
<td>53.6</td>
<td>59</td>
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### Table 4: Purpose of Computer Usage by the Children at Home

<table>
<thead>
<tr>
<th>Variables</th>
<th>Uses</th>
<th>Percentage</th>
<th>Frequency</th>
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<tr>
<td>Child preference</td>
<td>Computer games</td>
<td>58.2</td>
<td>64</td>
</tr>
<tr>
<td></td>
<td>Outdoor games</td>
<td>41.8</td>
<td>46</td>
</tr>
<tr>
<td>Use of Internet</td>
<td>Yes</td>
<td>70</td>
<td>77</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>30</td>
<td>33</td>
</tr>
<tr>
<td>Purpose of computer use</td>
<td>Entertainment</td>
<td>75.5</td>
<td>83</td>
</tr>
<tr>
<td></td>
<td>Learning</td>
<td>24.5</td>
<td>27</td>
</tr>
<tr>
<td>Computer place in home</td>
<td>Personal</td>
<td>70</td>
<td>77</td>
</tr>
<tr>
<td></td>
<td>Common</td>
<td>30</td>
<td>33</td>
</tr>
<tr>
<td>Task mostly done by children on computer</td>
<td>Movies</td>
<td>29.1</td>
<td>32</td>
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<td></td>
<td>Games</td>
<td>57.3</td>
<td>63</td>
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<tr>
<td></td>
<td>Listen Music</td>
<td>13.6</td>
<td>15</td>
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### Table 5: Guidance and Awareness by the Parents, about Children activities related to Computer (Interview Questions)

<table>
<thead>
<tr>
<th>Statements</th>
<th>Expressions</th>
<th>Percentage</th>
<th>Frequency</th>
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</thead>
<tbody>
<tr>
<td>Parents awareness about their child activities on computer</td>
<td>Never</td>
<td>37.3</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td>Sometimes</td>
<td>50.0</td>
<td>55</td>
</tr>
<tr>
<td></td>
<td>Always</td>
<td>12.7</td>
<td>14</td>
</tr>
<tr>
<td>Check on child’s purchase of games and movies</td>
<td>Never</td>
<td>33.6</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>Sometimes</td>
<td>61.8</td>
<td>68</td>
</tr>
<tr>
<td></td>
<td>Always</td>
<td>4.5</td>
<td>5</td>
</tr>
<tr>
<td>Guidance by the parents to use computer for constructive purposes</td>
<td>Never</td>
<td>32.7</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>Sometimes</td>
<td>57.3</td>
<td>63</td>
</tr>
<tr>
<td></td>
<td>Always</td>
<td>10.0</td>
<td>11</td>
</tr>
</tbody>
</table>
Figure 1: Use of Computer by the Children during Weekend

![Use of Computer During Weekend](chart1)

Figure 2: Children Preference for Plying at Home

![Children Preference](chart2)

Figure 3: Purpose of Computer use at Home

![Purpose of Computer Use](chart3)
Figure 4: Task Mostly Done by the Children on Computer
ANXIETY LEVEL OF STUDENTS AT ENTRY LEVEL: A CASE STUDY FROM ALLAMA IQBAL OPEN UNIVERSITY PAKISTAN

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Abstract
Output of education largely depends on input made by the potential of learner. Environment of learning, aptitude of: learner, tutor, resource person, peer group have significant impact in determining anxiety level of the learner. This study investigated the anxiety level of M.Phil Education students of Allama Iqbal Open University Islamabad, Pakistan at entrance level in the program. Rating scale was used as a tool. Findings of the study revealed that on receiving study material, students’ interest increased motivated feeling of relationship. However, some symptoms of anxiety like impaired hearing, impaired vision and over eating were detected. The study recommended that an introductory positive orientation letter may be served to the students with mailing package; first session of workshop may be devoted to anxiety relaxation techniques. Further anxiety level of students may also be assessed after first semester so remedial treatment may be employed to the needy students.

Keywords: Anxiety, psychological symptom, Allama Iqbal Open University, distance education.

Introduction
Education is considered a process as well as a product and is supposed to prepare one for better life while teaching and learning process is concerned with the promotion of desirable behaviour. Development and reshaping of attitudes is an important aspect of learning. Thus education has to focus on the conditions that provide bases for learning.

Attitudes associated with programmes and subjects have impact on the student participation level and achievement. Researches examining the psychological effects found that a students’ self concept of his ability to perform in subject is positively correlated with the achievement " (American Psychiatric Association, 1994, p.56).

Anxiety is an unpleasant state which is associated with feelings of un-easiness and apprehension. Both anxiety and depression are weeds that grow from the fertile soil of insecurity. It is uneasiness over an anticipated situation or object that typically would produce discomfort in rational individuals (Kendall & Hammen, 2000; Clark & Wells’, 1995). Anxiety is usually considered to be highlighted physiological state which has cognitive semantic, emotional and behavioral components (Seligman, Walker & Rosenhan, 2001). All these components may combine to create feeling of uneasiness. The anxiety state usually carries heart palpitation, nausea, pain, and headache or digestion disorder. Every one of us may feel anxiety at one or other time in one’s life. Usually this is the result of stressful situation so anxiety is part of our life. Smith, et al. (2009) view anxiety as today’s way of warning hence it is adaptive.
prepares a person to face threat. When anxiety is prolonged, intense, distressing and unwanted, it turns into anxiety disorder. Anxiety disorder hinders oneself from normal life functioning.

**REVIEW OF RELATED LITERATURE**

What ‘anxiety’ actually refers to and how can we identify its types and causes are also important questions to understand the concepts and aspects of anxiety.

Anxiety is a psychological construct, commonly described by psychologists as a state of apprehension, a vague fear that is only indirectly associated with an object (Scovel, 1991). Psychologists make a distinction between three categories of anxiety: trait anxiety, state anxiety, and situation-specific anxiety. Trait anxiety is a relatively stable personality characteristic, ‘a more permanent predisposition to be anxious’ (Ellis, 1994) while state anxiety is a transient anxiety, a response to a particular anxiety-provoking stimulus such as an important test (Horwitz, 2001). The third category, situation-specific anxiety, refers to the persistent and multi-faceted nature of some anxieties (MacIntyre & Gardner, 2001). It is aroused by a specific type of situation or event such as public speaking, examinations, or class participation (Ellis, 1994). In simple anxiety is something we all experience from time to time. It is a normal response to situations that we see as threatening to us.

Types of anxiety include “signal anxiety, anxiety trait, anxiety state, free floating anxiety. Signal anxiety is anxiety to an anticipated event. A distance student who is normally relaxed before he receives bulk of study material first time, but after receipt of study material, he is anxious, this is signal anxiety while anxiety trait is “component of personality which means it is present over a time period. This can be measured by using observational techniques. An anxiety state occurs as a result of a stress situation in which a person loses his emotions. Free floating anxiety is that which is always present and accompanied by a feeling of dread. A person may exhibit ritualistic and avoidable behaviour. Severity of anxiety may be normal, acute, chronic and panic. Normal anxiety is of small degree and it motivates the student. Acute anxiety interferes with ones’ ability to think and creates extreme nervousness (Terry, 2007). It usually occurs suddenly but lasts over a small period. Chronic anxiety may sustain for months or years. Panic activity is severe form of anxiety which disintegrate the personality.

Hamilton (2001) and Buss (1999), by factor analyzing anxiety scores obtained from psychiatric patients, obtained two factors (‘psychic’ and ‘somatic anxiety’) which accounted for the major portions of the variance in anxiety questionnaire scores. Schalling, Cronholm & Asberg (1995), having extensively reviewed the literature, hypothesized that anxiety is made up of cognitive and somatic components.

**Symptom /Effects of Anxiety**

Anxiety can be evaluated in terms of several criteria (e.g., behavioral, physiological and psychometric measures). Psychological symptoms of anxiety include irritability, lack of concentration, strange thoughts, mood swings etc.

According to Joseph (2007), some of the possible symptoms of effects may be a rise in blood sugar, muscular tension, dry mouth, rapid heartbeat or palpitations, headaches, fatigue, impotence, colon spasms, diarrhea or constipation, insomnia, poor concentration and a general feeling of apprehension and dread. People with generalized anxiety disorder may also experience depression at some point. Excessive anxiety must have at least three of these symptoms:

- Restlessness
- Easily fatigued
- Muscle tension
- Sleep disturbance
Anxiety symptoms range from mild uneasiness to intense condition, a certain amount of anxiety may raise arousal level and might improve performance. Common complaints of anxiety include persistent tension, nervousness, heart palpitation, swelling, trembling, dizziness and concentration problems. McFarland and Wasli (1992) listed 16 factors which may cause anxiety. Symptoms of anxiety may range from state of euphoria to panic and are also grouped into five levels as given below:

- **Level 0:** Euphoria: an exaggerated feeling of which are not directly proportionate to a specific situation.
- **Level 1:** Mild Anxiety: positive experience with increase ability to learn, motivated feeling of restlessness, may not be able to relax.
- **Level 2:** Moderate anxiety: narrows down the perception, voice tremors, increased, physiological changes.
- **Level 3:** Severe anxiety: perception reduced, focus on small details inability to communicate clearly, decreased intellectual thought process, feeling of purposelessness.
- **Level 4:** Panic state: complete disruption of ability to perceive, disfiguration of personality and loss of control. Panic attacks may last over 15-30 minutes.

**Types of Anxiety**

Anxiety may be of many types. Paul Tillich and Freud see anxiety as Trauma of non being. Test anxiety is uneasiness, apprehensions or nervousness felt by students who have fear of test. Parker (2000) identifies that student may experience: association of grades with personal worth, embracement by a teacher, taking a class that is beyond their ability, feeling of alienation from parents or friends, time pressures, feeling a loss of control, dizziness, headaches, racing heartbeats, nausea, fidgeting and drumming on a desk. Terry (2007), explains anxiety related problems can range from chronic shyness and low self-esteem to disorders involving how we think, feel and act-shown in the five main types of classified disorders; generalized anxiety disorder (GAD), panic disorder, phobias, obsessive compulsive disorder and post traumatic stress disorder. Generalized anxiety disorder (GAD) is characterized by excessive exaggerated anxiety and worry about every day life events. People suffering from GAD remain worried about their health, business, education, family etc. Here worry is not pseudo rather disturbs daily life. Symptoms of GAD might include these “excessive, on going worry tension, unrealistic view of problems, restlessness or feeling of being “edgy”, irritability, muscle tension, headaches, sweating, difficulty in concentrating, nausea, frequent bathroom, tiredness, trouble in sleeping, teaming and easy started”( Clinger, Martin and Guze, 1981; Forgersen, 1988; Kendall and Hamnen, 2000).

Obsessive Compulsive Disorders (OCD) is that type of anxiety disorder which is characterized by unwanted thoughts or behaviours and this seems not to be stop or control i.e. recurring worry that I have forgotten to switch off lights, heater, washing hand over and over etc. Separation anxiety is normal part of child development, which occurs when a child is away from home or parents. Social anxiety or social phobia is anxiety when one has a feeling of humiliated in public, one might experience extreme shyness. Performance anxiety is most common type of social phobia.

**Causes and Risk Factors**

There are a number of causes which contribute to the anxiety disorders. Environment family structure, brain chemistry, genetics, financial problems, marital problems. But the important thing is that no single factor alone leads to anxiety disorder. Anxiety might have four theoretical perspectives, biological, psychodynamic, behavioral and cognitive. There are at present 700 identified phobias. Some psychologists measure state and trait anxiety through physical signs: heart rate, respiration skin conductance and bio chemistry.
Sometimes anxiety can go on and on, and become a lifelong problem. There can be a number of reasons for this: If someone has an anxious personality and is a worrier, then they will probably be in the habit of feeling anxious. Sometimes people have ongoing stresses over a number of years which means they develop the habit of being anxious. It is expressed in the following diagram:

![Diagram of Reasons of Anxiety]

Anxiety may be found in the students as they might not be well prepared of heavy study package, as anxious student and complex subject matter combine to create a difficult environment of learning. Such environment may create the following four problems:

1. Anxiety blocks the normal thought process.
2. Anxiety favours a passiveness to material rather than interaction with it.
3. Anxiety is associated with a general sense of incompetence.

Foreign Language Anxiety

Horwitz, & Cope (1986), considering language anxiety with relation to performance evaluation within academic and social contexts, drew parallels between it and three related performance anxieties: (1) communication apprehension (CA); (2) test anxiety; (3) fear of negative evaluation.

a) Communication Apprehension (CA)

Communication apprehension (CA) is “a type of shyness characterized by fear or anxiety about communicating with people” (Horwitz, & Cope, 1986). McCroskey’s (2006) conceptualizes this while describing CA as “an individual’s level of fear or anxiety associated with either real or anticipated”. Communication apprehension obviously plays a large role in second/foreign language anxiety. People who are apprehensive speaking in dyads or groups are likely to be even in more trouble when doing so in a second/foreign language class, where “in addition to feeling less in control of the communicative situation, they also may feel that their attempts at oral work are constantly being monitored” (Horwitz, & Cope (1986). This apprehension is explained in relation to the learner’s negative self-perceptions caused by the inability to understand others and make himself understood (MacIntyre & Gardner, 2005).

b) Test Anxiety

Test anxiety, as explained by Horwitz, & Cope (1986), “refers to a type of performance anxiety stemming from a fear of failure”. Test anxiety is quite pervasive in language classrooms because of its continuous performance evaluative nature. Unfortunately,
for highly anxious students, second/foreign languages, more than any other academic subject, require continual evaluation by the instructor – the only fluent speaker in the class (1986). It is also important to note that oral testing has the potential to provoke both test and oral communication anxiety simultaneously in susceptible students.

c) Fear of Negative Evaluation

Fear of negative evaluation is an extension of the second component (test anxiety) of second/foreign language anxiety because it is not limited to test-taking situations; rather, it may occur in any social, evaluative situation, such as interviewing for a job or speaking in second/foreign language class (Horwitz & Cope, 1986). It is also broader in the sense that it pertains not only to the teacher’s evaluation of the students but also to the perceived reaction of other students as well (Shams, 2006).

Horwitz & Cope (1986) believe that, although communication apprehension, test anxiety, and fear of negative evaluation provide useful conceptual building blocks for a description of second/foreign language anxiety, it is more than just the conglomeration of these three components: “we conceive foreign language anxiety as a distinct complex of self-perceptions, beliefs, feelings, and behaviors related to classroom language learning arising from the uniqueness of the language learning process”. What makes language learning a distinct and unique process is its interaction with the concept of ‘self’.

OBJECTIVES OF THE STUDY

Objectives of the study were to:
1. Identify different types of anxiety in the students.
2. Find out the anxiety level of students.
3. Identify possible reason of anxiety among students

POPULATION

Students enrolled in M.Phil Education programmes of Allama Iqbal Open University Islamabad in spring 2008 and 2009 i.e. 183.

SAMPLE

The participants of the study consisted of 138 students enrolled at Allama Iqbal Open University.

METHOD OF THE STUDY

The study was descriptive in its nature, after survey of related literature an anxiety, a scale on 4 points was designed and developed. The draft obtained was validated by five psychologist and five educators. After professional judgmental validation, face sheet was placed on the scale.

This scale was served to the students when they came to attend the orientation workshop of the program in 2008 and 2009. These workshops were conducted just after the receipt of the study package by the students. This study package consisted of books entitled Trends and Issues in Education 3701, Trends and Issues in Distance Education 3705, Trends and Issues in Special Education 3709, Trends and Issues in Teacher Education 3704, Trends and Issues in Educational Planning and Management 3702 Computer Applications in Education 3705 and Educational Statistics and Research 3706 along with two assignments of each course.

Analysis of Data

Out of 180, 138 students responded i.e. 77%. Data collected was tabulated and mean score was calculated. A summary of the data is presented in below table 1:
DISCUSSION

The item 26 increased interests have mean score of 3.42 the highest. Next mean score is of statement No.25 “motivated” with mean score 3.39. Next mean score is 3.13 of statement “relationship with university” i.e. item No.15. The lowest mean score is of statement 19 “impaired hearing” is 1.14 next higher mean score of item 20 “impaired vision”, is 1.29 while the next higher mean score of statement of 34 “over taxing” is 1.43. The all other statements lie between these extremes.

17 statements are at .05 above mean score 2.00. This reflects that most of the students are level 1 mild anxiety i.e. level 1: positive feeling; relationship with university, motivated while lower mean score reflects level 2 moderate anxiety state: narrows down the perception; impaired hearing and level 3, severe anxiety, abnormal pain while 22 responses were below mean score 2. This reflects that just after receiving the study material of first semester more than half of the students i.e. 57% were at moderate anxiety i.e. level 2. Probably this is due to different mode of transaction as most of the students enter this system for the first time of their educational career.

RECOMMENDATIONS

It was recommended that:

1. Before actual mailing of study material to the students, an introductory positive oriented letter may be mailed to the student to make them prepare to receive the study material.
2. Students might receive the study material just after the receipt of introductory “welcome” letter.
3. First session of workshop at main campus may be devoted to anxiety relaxation techniques so that moderate and severe anxiety may be overcome.
4. Anxiety level of students may also be assessed after the first semester examination so that difference of both levels may be judged.
References


Annexure

Table 1 Summary of Data analysis

<table>
<thead>
<tr>
<th>S.No</th>
<th>Statement</th>
<th>To large extent</th>
<th>To some extent</th>
<th>To a little extent</th>
<th>No effect</th>
<th>Mean Score</th>
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<tbody>
<tr>
<td>1.</td>
<td>Irritable</td>
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<td>24</td>
<td>18</td>
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<tr>
<td>2.</td>
<td>Anxious</td>
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<td>30</td>
<td>24</td>
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<td>Aggressive</td>
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<td>6</td>
<td>36</td>
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<td>1.35</td>
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<td>Lost of cognitive activity</td>
<td>6</td>
<td>12</td>
<td>18</td>
<td>90</td>
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<td>5.</td>
<td>Forgetness</td>
<td>6</td>
<td>12</td>
<td>24</td>
<td>84</td>
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<td>6.</td>
<td>Disturbance of mood</td>
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<td>18</td>
<td>30</td>
<td>66</td>
<td>2.00</td>
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<td>Depression</td>
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<td>6</td>
<td>36</td>
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<td>36</td>
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<td>Hopelessness</td>
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<td>12</td>
<td>30</td>
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<td>10.</td>
<td>Agitated</td>
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<td>24</td>
<td>24</td>
<td>90</td>
<td>1.52</td>
</tr>
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<td>11.</td>
<td>Self anger</td>
<td>6</td>
<td>30</td>
<td>24</td>
<td>78</td>
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<td>12.</td>
<td>Loss of initiative</td>
<td>12</td>
<td>0</td>
<td>24</td>
<td>102</td>
<td>1.43</td>
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<td>13.</td>
<td>Reduced interest</td>
<td>12</td>
<td>18</td>
<td>12</td>
<td>96</td>
<td>1.61</td>
</tr>
<tr>
<td>14.</td>
<td>Sensitive to M.Phil/ Ph.D</td>
<td>54</td>
<td>12</td>
<td>30</td>
<td>42</td>
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<tr>
<td>15.</td>
<td>Relationship with university</td>
<td>66</td>
<td>42</td>
<td>12</td>
<td>18</td>
<td>3.13</td>
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<tr>
<td>16.</td>
<td>Avoidance</td>
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<td>12</td>
<td>42</td>
<td>78</td>
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</tr>
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<td>Muscular aches</td>
<td>24</td>
<td>24</td>
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<td>78</td>
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<tr>
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<td>12</td>
<td>102</td>
<td>1.43</td>
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<td>19.</td>
<td>Impaired hearing</td>
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<td>6</td>
<td>6</td>
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<td>Impaired vision</td>
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<td>6</td>
<td>6</td>
<td>108</td>
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<tr>
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<td>Relaxed</td>
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<td>18</td>
<td>30</td>
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<tr>
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<td>12</td>
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<td>30</td>
<td>60</td>
<td>1.95</td>
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<td>23.</td>
<td>Anger</td>
<td>0</td>
<td>48</td>
<td>42</td>
<td>72</td>
<td>1.59</td>
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<td>24.</td>
<td>Indifferent</td>
<td>12</td>
<td>24</td>
<td>12</td>
<td>72</td>
<td>1.80</td>
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<td>25.</td>
<td>Motivated</td>
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<td>30</td>
<td>18</td>
<td>6</td>
<td>3.39</td>
</tr>
<tr>
<td>26.</td>
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<td>30</td>
<td>18</td>
<td>6</td>
<td>3.42</td>
</tr>
<tr>
<td>27.</td>
<td>Aroused</td>
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<td>12</td>
<td>42</td>
<td>30</td>
<td>2.59</td>
</tr>
<tr>
<td>28.</td>
<td>Reduction body tension</td>
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<td>36</td>
<td>36</td>
<td>2.48</td>
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<td>29.</td>
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<td>30</td>
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<td>1.74</td>
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<td>Increase in arousal</td>
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<td>30</td>
<td>36</td>
<td>2.40</td>
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<td>31.</td>
<td>Pushed forward internally</td>
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<td>24</td>
<td>36</td>
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<td>3.05</td>
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<td>30</td>
<td>36</td>
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<td>2.55</td>
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<td>Increased hunger</td>
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<td>12</td>
<td>18</td>
<td>90</td>
<td>1.59</td>
</tr>
<tr>
<td>34.</td>
<td>Over eating</td>
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<td>6</td>
<td>108</td>
<td>1.32</td>
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<tr>
<td>35.</td>
<td>Accepted by other</td>
<td>30</td>
<td>36</td>
<td>60</td>
<td>6</td>
<td>2.68</td>
</tr>
<tr>
<td>36.</td>
<td>Gain approval</td>
<td>36</td>
<td>24</td>
<td>42</td>
<td>18</td>
<td>2.65</td>
</tr>
<tr>
<td>37.</td>
<td>Realized one’s own potential</td>
<td>66</td>
<td>36</td>
<td>12</td>
<td>30</td>
<td>2.96</td>
</tr>
<tr>
<td>38.</td>
<td>Boredom</td>
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<td>12</td>
<td>42</td>
<td>66</td>
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</tr>
<tr>
<td>39.</td>
<td>Fear</td>
<td>24</td>
<td>24</td>
<td>30</td>
<td>54</td>
<td>2.14</td>
</tr>
</tbody>
</table>
The impact of terrorism on Lahore stock exchange

During 2003-2010

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Abstract:
Terrorist attacks around the world in the last few years, had elevated the worldwide consciousness of danger of terrorism and its multifaceted impacts on the financial markets. Besides the injuries and loss of life, terrorism also has some political and real economic cost. When there is a wave of uncertainty related to terrorism, traders and investors hold back or withdraw their investments affecting the stock market negatively. This paper sets out to examine the effects of terrorism on Lahore Stock Exchange (LSE). Using events study methodology we identified twenty (20) terrorist attacks that had taken place in Pakistan since 2003 to 2010. Findings reported here indicate negative correlation among terrorist attacks and stock market performance.

Key words:
Terrorism, Stock Market performance, Lahore Stock Exchange (LSE)

Introduction:
Terrorism refers to all those fierce acts which are projected to produce fear, committed for spiritual, political or dogmatic goals, and are carried out by non-governmental agencies to disrespect the wellbeing and security of civilian. Terrorism is often used to take advantage of coercive powers by weaker party in a conflict.

A stock market is a public unit, where shares and derivatives of companies are traded at settled price; it is mere a network of transactions and does not have any physical existence. The role of stock market in measuring economic growth is indispensable. Stock market stimulates allocation and utilization of savings, a decisive function, for economic growth. It is sensitize to terrorism activities and shows immediate changes. Enisan and Olufisayo(2008) developed stock market has a positive effect on economic growth in long run. Some international
terrorism attacks have an effect on stock markets all over the world. Jackson (2008) found that the already prevailing instability of U.S economy was escalated after 9/11 attack. Besides international brunt of terrorism, stock market reflects the changes caused by national terrorism attacks. When there is a wave of uncertainty, because of terrorism, the traders and investor hold back or withdraw their investments affecting the stock market negatively. Tribune Business News (2004) stated that stock market of Spain was affected by a terrorist attack, and went down by 130 points.

There are three stock exchanges currently operating in Pakistan. Lahore Stock Exchange is the first automated stock market of Pakistan. It was founded in Oct, 1970 and is considered to be the second largest stock exchange of Pakistan. It has 519 listed companies, covering 37 sectors. Pakistani stock markets are very responsive to terrorism activities. Mahmood/CentralAsiaOnline(2009), Stated that during 2008-2009, political precariousness and terrorism caused a loss of $19 billion to Pakistani stock market.

National as well as some international terrorism activities specifically suicide attacks, target killing etc, influence the trading behavior of investors.

This study aims at analyzing the brunt of terrorism activities occurred in last 9 year, on Lahore Stock Exchange. The main focus of the study is whether terrorism activities negatively affect the stock market or positively.

**Literature Review**

Johnston & Nedelescu (2005) analyzed the impact of terrorism on financial markets and found that liquid, sound and diversified financial markets are competent in absorbing the distress given by the terrorist attacks and they remain functional.

Liargovas & Repousis (2010) conducted an event study and analyzed the stock of Greek’ banks to see the impact of terrorism. They considered three major terrorist attacks (attack in New York 2001, Madrid train bombing 2004 and London train bombing 2005). He found that only one of these attacks affects Greek banks’ stock negatively and consequently bring significant negative return.

Christofis et al., (2010) analyzed the impact of Istanbul bombing on the Turkish stock markets. Findings indicated that the terrorist activities cause significant negative returns in the Turkish stock markets.

Schmeling (2009) found that markets with less reliability and countries where people have culture of overreaction are more open to sentiments.

Nikkinen & Vahamaa (2010) conducted a research on terrorism and sentiments of investors. They analyzed the behavior of FTSE 100 index in the wake of terrorist attacks. They found adverse impact of terrorism on the sentiments of investors. They concluded that terrorist attacks cause index level to go down and increase stock markets’ uncertainty.

Alexander (2007) said that terrorist attacks complicate business activities, resulting in exit of many businesses.

Melnick and Eldor(2010) stated that terrorist assaults cause economic damage and this damage escalates with media coverage.

Baumert (2007) studied the effect of New York attack, Madrid bombing and London bombing on global stock markets. He found that the reaction of financial markets to these types of incidents is negative because investors quickly perceive the economic impact of these type of attacks.

Drakos (2010) found that the day terrorist attack takes place; returns go down on that particular day.
Eldor and Melnick (2004) reported that suicide attacks affect both the stock exchange market and stock on an enduring basis because victims get affected permanently, on the other hand location is not that imperative in affecting the both.

Schmeling (2009) found that emotions play a negative role in predicting the stock markets’ return across countries. Emotions are negatively related to stock return.

Levy and Galili (2006) concluded that terror has profound negative brunt on trade activities because it provokes the sense of insecurity and as a result limits the risk-sharing behavior, associated with trade.

Zussmanand Zussman (2006) found that stock market sturdily respond to the assassination of high-ranked members of terrorist unions than low-ranked members.

Karolyi & Martell (2006) examined the impact of terrorist attacks on stock prices. They analyzed 75 attacks, took place during 1995 to 2002. He concluded that terrorism has significant negative impact on stock prices.

Drakos (2009) conducted a study on the reaction of stock markets to terrorism. He said that stock markets react negatively after terrorist events but their reactions depend upon the perceived risk, associated with terrorism in the country.

Sathye et al, (2009) analyzed the Australian stock market to observe the impact of terrorism. They studied seven events by using Garch procedures. They found that only one of these (9/11) has considerable negative impact on the stock market of Australia.

Drakos (2010) concluded that there is a direct relationship between unfavorable impact of terrorist deeds and psychological tensions.

**Methodology**

The purpose of this study is to examine the performance of stock index in relation to Terrorist activities. An event study was conducted to see the impact of terrorism on stock index. Time series analysis was used as methodological approach.

We gathered daily index (time series data) of Lahore Stock Exchange (LSE) for the period of 2003-2010. Stock market index is a statistical depiction of stock value typically a stock portfolio. It is a method designed to measure the stock market section. Daily index of stock market illustrates the changes in the prices of the stock. Index going upward demonstrates positive trend and downward movement demonstrates negative trend.

We focused on twenty (20) terrorist attacks, took place during 2003 to 2010. We collected incidents of terrorism from News Papers (The News, Business Recorder & Dawn), Reports and web sites. We selected these events on the basis of their severity in terms of total destruction and casualties. Following is the list of selected events.

- Oct. 7, 2005: Attack on Ahmadi mosque
- Nov. 8, 2006: Dargai bombing.
- Jan. 12, 2007: president Musharaf declared war against terror.
- Feb. 21, 2007: Women minister Zill-e-Huma was murdered.
- July 17, 2007: Suicide Bomber Targeted Lawyers Rally.
- Sep. 14, 2007: Taliban and Extremists at War against Pakistan
Findings

i. Quetta mosque bombing:

There was a bomb blast on the mosque of Shia in south western city of Pakistan, Queta 47 people were killed and almost 150 got serious injuries. The index before this event was 2078.65 but after this happening it went down. Investors perceived it as a bad sign as the index was 2068.79 on 4th July, 2003 and next day it continued to drop and reached 2054.07. The graph is showing this downward trend in the index.

ii. MultanBombing:

On 7th Oct, 2004 terrorist attacked the sunni’s rally in Multan. The rally was to commemorate the leader of sipah-e-shahba Maulana Azam Tariq who was assassinated. In this terrorist activity 40 people died and over 100 people got injured. This event affected the index negatively and index went down from 2741.62 to 2737.96. But the next day the index went up and reached 2766.63.

iii. Attack on Ahmadi Mosque:

Terrorists attacked the Ahmadi Mosque on 7th Oct, 2005. They shot eight people. This incident affected the index of Lahore Stock Exchange (LSE) negatively and it went down from 4232.78 to 4200.73. The graph is also showing the downward movement of index.
iv. Dargai Bombing:

In the Dargai (Northwestern town of Pakistan) a suicide bomber attacked Pakistan’s Army on 8th November, 2006. In this terrorist activity 42 people were killed and 20 injured. This event negatively affected the stock index as index went down from 4649.73 to 4633.27. The index continued to went down on the next day to 4504.75. The graph is showing this negative trend in index.

v. President Musharaf declared war against terror:

The declaration of the coalition with the governments already working against the terrorism by Pakistan government, greeted the market with positive response and the stock market index went up. The index increased in a single day by 35 points because investors perceived that declaration as a good sign. The graph shows the upward movement of the market index after this event.

vi. Women minister Zill-e-Huma was murdered:

The women minister Zill-e-Huma Usman was murdered by a mad civilian on 21st Feb 2007. But this incident did not influence the stock market negatively. The index level continued to rise from 4694.73 to 4703.26 within 2 days.

vii. Suicide Bomber Targeted Lawyers Rally:

Many people were killed and injured on 17th July, 2007 in a suicide bomb attack on lawyer’s rally. According to media, this attack targeted Chief justice Iftikhar Muhammad Chaudhry. This incident negatively affected the index level of LSE. The graph is showing the position of LSE index level. Before this incident Index level was increasing, but later on index went down from 4887.78 to 4754.83.
War against Extremist:

The biggest crisis in Pakistan is of increasing assault of Taliban which affected the Pakistan’s economy as well as its stock markets. on 14th September, 2007 Taliban and extremist war was declared in Pakistan which brought down LSE stock market from 4493.54 to 4447.01. This event negatively affected the stock index as shown in the graph but on the very next day index went up to 4459.65.

Suicide bomber attacked Bhutto’s Rally:

On 19th Oct, 2007, a suicide bomber attacked Benazir Bhutto’s rally. This political event effected index level drastically. The index level of LSE on 19th October was 5049.61 but after this incident the level was 4845.77 the index dropped by 203.84 points.

Former Pakistani Prime Minister Benazir Bhutto assassinated:

The Assassination of Benazir Bhutto was occurred on 27th December, 2007 in Rawalpindi. Benazir Bhutto was ex-Prime minister of Pakistan and also the leader of Pakistan People’s Party. She was shot after a political rally at Liaqat National Bagh. It was one of the biggest political events that happened in the history of Pakistan. It affected the whole economy, rigorously. The stock market of Pakistan was largely affected by this event as index level of LSE on 27th December was 4743.35 but after this incident the level was 4504.4 it was a decline of 238.95 points it was a very large variation which was recovered after a long time. The Graph is showing this position in a meaningful way.
xi. Blast at Marriot:

On September 22\textsuperscript{nd} 2008, there was a wave of insecurity after a suicide blast at Marriott hotel. The stock market was affected at a large scale. Because a large number of foreign investors withdrew their investments and index fell from 2865.1 to 2828.3.

xii. The Sri Lankan cricket team is attacked in the city of Lahore:

Heavily armed gunmen attacked Sri Lankan cricket team in Lahore on 3\textsuperscript{rd} March, 2009, six policemen were killed and seven players and officials got injured. This political event affected the Pakistan’s image in the whole world. The stock exchanges were also affected as investors lost their confidence. As shown in the graph the LSE index level went down from 1664.56 to 1631.98 on 3\textsuperscript{rd} March, 2009 (event day) but after the event it again went up and reached 1713.04.

xiii. A bomb attacked in the FATA:

On 27\textsuperscript{th} March, 2009 a bomb attack in the FATA kills at least 48. But this political events didn’t affect the LSE index as shown in the graph it continuously goes up from 1999.5 to 2146.05.

xiv. Bomb blast in Peshawar:

Amidst the various chaoses the country was facing, on 9\textsuperscript{th} October 2009 the situation went wild when the militants set a car bomb in main Peshawar’s busiest bazaar. This explosion resulted in, killing 48 people and badly disrupting the economy. The index level on 8\textsuperscript{th} Oct, 2009 closed at 2993.65 while on 9\textsuperscript{th} Oct, 2009 it
closed at 2995.69. So the index showed an increase of 2.04 points. But after this event index level went down to 2951.81. As shown in the graph this event negatively affected LSE index.

**xv. Suicidal bombing in Northwest of Pakistan:**

On 12\textsuperscript{th} October, there was a suicide attack in an area of North West Pakistan. 41 victims were killed and dozens got injured. The index on 9\textsuperscript{th} Oct 2009 was 2995.69 and it was 2951.81 on 12\textsuperscript{th} oct, so there was a decline of 43.88 points. This event affected index level for short time, afterwards it again went up.

**xvi. Bomb Blast at Shias Jaloos in Karachi:**

On December 29\textsuperscript{th}, 2009 there was a bomb blast at the jaloos of shias, in Karachi. In this event 43 people martyred and more than 60 got serious injuries. This incident gave very tough time to the government. To condemn this attack, political and religious leaders called a strike of one day. But the index level of LSE did not show any negative impact as it continued to rise from 2914.74 to 2952.93. The graph also depicts it.

**xvii. Lakki Marwat suicide bombing:**

On 1\textsuperscript{st} January 2010, a suicide bomber attacked the crowd, watching volley ball match, in Lakki Marwat. 105 people were killed in this terrorist activity. This event did not show any negative impact on the index of Lahore Stock Exchange (LSE) as index continued to rise from 2883.07 to 2924.82. The graph is showing this upward trend in stock index.

**xviii. Karachi Bombing:**

There were three bomb blasts in Karachi on 5\textsuperscript{th} February 2010, one in mini bus and the other two in Jinnah Hospital. 23 people were killed and 50 injured in this event. The index did not show negative impact as it rose from 3049.23 to 3064.23 but after one day index went down to 3048.8.
xix. Lahore Bombing:

On 12th March 2010, there were two suicide bomb blasts in Lahore. These blasts took place near RA bazaar, a busy shopping and residential area. This event resulted in death of 45 people. But this event did not affect the stock index negatively as Lahore Stock Exchange (LSE) index went up from 3122.01 to 3196.39.

Below are the graphs showing the overall index position before and after the occurrence of Terrorist Attacks:
Conclusion

1. Few terrorist events have negative significant effect on Lahore stock market index. The details are given here under
   - Dargai bombing caused the index to move down by 144.98 points.
   - The suicide bombing at lawyers rally has led the market to decrease by 86.66 points.
   - Similarly the suicide attack on bhutto’s rally caused stock market to respond negatively, and resulted in the fall of index by 245.51 points.
   - The assassination of Benazir bhuto met with rapid decline of index By 253.34 points.

   These finding are supported by Christofis et al., (2010), Nikkinen & Vahamaa (2010), Baumert (2007), Levy and Galili (2006) in the literature.

2. Some of the events affected the stock market negatively but not in a significant manner such as.
   - Bomb blast at Ahmadi mosque let the index to decrease from 2078.65 to 2054.07
   - Similarly blast on a mosque in Quetta, caused the index to go down by 32.05 points.
   - The index dropped down as result of blast at Marriott hotel by 36.8 points.
   - Blast in a bazaar of Peshawar affected the market slightly and index moved down from 2993.65 to 2951.81.
   - Bombing in Karachi caused the index to fall by 0.43 points.
   - Likewise suicide blast in North West Pakistan caused the index to decrease by 28.38 points.

3. Some events did not affect the stock market negatively. The details are below
   - Multan bombing increased the index from 2741.62 to 2766.63.
   - The declaration of war against terror took the index up by 74.6 points.
   - Blast on sha jaloos caused the market to go up by 38.19 points.
   - Bomb blast in FATA didn’t affect the index of Lahore Stock Exchange (LSE) negatively, and index increased by 146.55 points.
   - Bombing in Lahore was also not greeted with negative response. And index went up from 3122.01 to 3196.39.

4. It is also evident that movement of index depends on severity of incident in terms of importance of a person. As index moved up on the murder of women minister Zill-e-Huma, whereas it considerably dropped down on the assassination of Benazir Bhutto. It strengthens the view of Zussman and Zussman (2006) who stated that killing of high-ranked members of terrorist unions affect the stock market more severely, than low-ranked members

5. Terrorist attacks started in Pakistan in July 2003. The stock index used to come down significantly in the early years but when it became the routine, the investors started to take it a routine matter and there was no significant impact on the index of stock market. It is evident from the above diagram that after 2008, the terrorist activities started the market to go up.
References


AN ECONOMETRIC ANALYSIS OF THE RELATIONSHIP BETWEEN EDUCATION AND ECONOMIC GROWTH IN PAKISTAN

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Abstract
The main objective of this study was to investigate the nature of relationship between expenditure on education and economic growth for the period 1972 to 2008 for Pakistan. By employing recent advances in dynamic modeling, the findings of this study suggest there is a unidirectional causality running from GDP growth to educational expenditure in Pakistan. There is no evidence of causation running from educational expenditure to GDP growth, which is an indication, that education sector failed to contribute to the GDP because this sector was badly neglected in the past. The implication of this study is that for achieving sustainable economic growth, Government of Pakistan needs to allocate sufficient resources to education sector in future.

Key words: Education, Economic growth, Cointegration, Granger causality

I. Introduction
In recent years Human Capital (HC) has been regarded as one of the crucial determinants of sustainable economic growth. It has been observed that deficiency in human capital is a major hurdle in the way of rapid economic growth and poverty reduction. Furthermore, the process of economic development will be slower in that country which cannot utilize its human resources properly along with other resources. Endogenous growth theory provides the theoretical basis for the relationship between education and economic growth. The theory explains the role of human capital (stock of knowledge, skills, aptitudes, education and training) in enhancing the economic growth. It has also been observed that high level of human capital does not directly serve as one of the factors of production. It raises the output by raising efficiency of the labour force through innovations and inventories. In short, human capital directly or indirectly serves as one of the factors that affect economic growth.

The positive and significant contribution of Human Capital through educational development towards economic growth is being well recognized.\textsuperscript{56} Education enhances both the labour efficiency and productivity that leads towards more output and has more economic growth. Promotion of education especially higher education by promoting research activities is the main focus of every development strategy in recent years.\textsuperscript{57} This implies that productivity


\textsuperscript{57}For detail see stern (2001)
can be enhanced through new technologies and innovations and this comes by investing in human capital like education and health.

Education helps the working labour force to get the benefits through enhancing social skills, better working conditions, lower disability rates, longer job tenure, more occasion of job training, more promotion opportunities and rewards and awareness of political matters. In most of the developing countries, education sector was badly neglected in the past. Pakistan is not an exception. Government of Pakistan had allocated less than 3 percent of the GDP to education sector in the past.

Table 1 shows that public expenditure on education as a percentage of GDP is less than 3 which is an indication that this sector was badly neglected in the past and it needs due attention of the policy makers.

Table 1: Expenditure on Education

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditure on Education</th>
<th>% of Total Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>1.82</td>
<td>10.6</td>
</tr>
<tr>
<td>2001-02</td>
<td>1.79</td>
<td>9.5</td>
</tr>
<tr>
<td>2002-03</td>
<td>1.86</td>
<td>10</td>
</tr>
<tr>
<td>2003-04</td>
<td>2.2</td>
<td>13</td>
</tr>
<tr>
<td>2004-05</td>
<td>2.15</td>
<td>12.5</td>
</tr>
<tr>
<td>2005-06</td>
<td>2.24</td>
<td>12.2</td>
</tr>
<tr>
<td>2006-07</td>
<td>2.5</td>
<td>12.9</td>
</tr>
<tr>
<td>2007-08</td>
<td>2.47</td>
<td>9.8</td>
</tr>
<tr>
<td>2008-09*</td>
<td>2.1</td>
<td>11.52</td>
</tr>
</tbody>
</table>

Furthermore, the educational system was not consistent with needs of the country in the past. The educational system followed in Pakistan was unable to bring about the desirable transformation. As a result the process of economic growth remained slower which caused high unemployment, poverty and low standard of living. Presently, every developing country of the world is struggling to achieve rapid pace of economic growth through the use of latest knowledge and skill. The relationship between education and economic growth has received a lot of attention of the researchers and policy makers in the past two decades. Although there exists no consensus about the direction and strength of relationship between education and economic growth but many researchers are agree that there is a positive linkage between the two variables of interest. This study is an attempt to examine the relationship between education expenditures and economic growth for Pakistan economy by employing recent advances in dynamic modeling.

The remainder of the study is set out as follows: Section II provides a review of precious studies. Section III presents the data description and research methodology. Section IV discusses and presents empirical results. Section V contains the concluding observations of the study.

II. Review of Previous Studies

Many researchers have tried to investigate the existence of relationship between education and economic growth. Their findings provide evidence of the positive relationship between education and economic growth for different countries of the world.

Pradhan (2009) tried to analyze the relationship between government expenditure on education and GDP of India for the period 1952-2002. He used cointegration test and error
correction modeling (ECM) technique. His results show that education and economic growth are cointegrated and exhibit the existence of long run equilibrium relationship between the variables.

Francis and Lyare (2006) used cointegration and VECM for analyzing the causal relationship between education and development in three Caribbean countries – Barbados, Jamaica, Trinidad and Tobago – using annual time series data for the period (1964-98). They conclude that GDP has impact on education in all the three countries. Bidirectional causality is found only in Jamaica.


Gylfason and Zoega (2001) discussed the linkages among education, social equality and economic growth. They used different measures of education such as gross secondary school enrollment, public expenditure on education relative to national income and expected year of schooling for girls, and examined their impact on Gini coefficient; a measure of distribution of income, and economic growth for 87 countries for the period 1965 to 1998. Their results show that economic growth varied inversely with different measure of education across countries.

Islam, Wadud and Islam (2007) investigated the nature of relationship between education and economic growth in Bangladesh for the period 1976 to 2003 using multivariate causality analysis. Their results show that there is a bi-directional causality between education and economic growth in Bangladesh.

Chaudhary, Iqbal and Gillani (2009) used Toda and Yamamoto (1995) and Johansen co-integration approaches in a vector auto regressive framework for examining the relationship between higher education and economic growth for the period of 1972 to 2005 for Pakistan economy. Their findings confirmed that all the four variables, education, labour, capital and RGDP have the long run relationship. They argued that higher education might cause economic growth after a specific time period.

Stengos and Aurangzeb (2008) examined the linkages between education and economic growth in case of Pakistan. Primary, secondary, tertiary and gender wise data of gross enrollment and total expenditure were used as the proxies of education. This study shows that primary enrollment of female have a causal but no robust effect on growth while the secondary tertiary have both the effect on economic growth.

Keeping in view the above mentioned review of literature, it can be concluded that education is considered to have a strong correlation with social and economic development. Education can help in overcoming the economic and social problems like poverty, unemployment, crimes and terrorism in Pakistan. This study is an attempt to analyze the causal relationship between education and economic growth.

III. Data and Research Methodology

For empirical investigation to be carried out for Pakistan economy, time series data have been used in this study for the period 1972-2008. The data have been collected from Pakistan Economic Survey, Provincial and Federal Budget Documents (various issues). The included variables in the analysis were GDP and government expenditure on education. In order to investigate the relationship between education expenditure and economic growth, the following model is specified:

\[ GDP_t = \gamma_0 + \gamma_1 EduExp_t + \varepsilon_t \]
Unit Root Tests

Most of the economic and financial time series in general are non-stationary. In Monte-Carlo experiment, Granger and Newbold (1974) found that when regression involves non-stationary variables, the OLS regression could be spurious. To determine the order of integration of the variables included in the model, beside other techniques available, Augmented Dickey-Fuller (ADF) and Philip-Perron (PP) tests are employed in this study. In order to conserve space and time we will not offer detailed explanation of unit root tests as they are well documented in the existing literature.

Johansen Cointegration\(^{58}\)

The innermost idea for cointegration test is relevant to the functional forms of model. This includes the long run relationship of one variable with other variables. In simple words, it is documented that cointegration describes the existence of long run stable relationship between the two variables. If the time series variables are non-stationary at I(0) then they can be integrated at I(1) order of integration, when their first differences are stationary. These variables can be cointegrated when they have one or more linear combinations among themselves that are stationary. Furthermore, when variables are being cointegrated then there exists a constant long-run linear relationship among these variables.

In this study, Johansen cointegration test is applied to examine the cointegration among variables. The main reason is that Johansen cointegration test is the most consistent one. It is better for small sample properties such as in this study. Another advantage of this approach is, one can estimate several cointegration relationships among the variables simultaneously. It is well known that the cointegration tests require lag length. The Akaike Information Criterion (AIC) and Schwarz Bayesian Criterion (SBC) have been used to select the number of lags on the basis of minimum values of both criterions.

IV. Results and Interpretation

Test Results for Unit Root

Before carrying out the cointegration analysis, it is imperative to determine the order of integration of the variables. For this purpose, Augmented Dickey-Fuller and Philip-Perron tests are employed. The implication of these tests is to determine whether the Vector Autoregressive (VAR) model should be estimated in level or first difference form. Both ADF and PP tests are performed on level as well as on first difference of the series. The results of the both tests are reported in Tables 2.

The results of both the tests show that both the variables included in the model are I(1). This means that first differencing of variables is sufficient for modeling the time series considered in this study.

Table 2: Unit Root Tests

<table>
<thead>
<tr>
<th>Variables</th>
<th>Augmented Dickey-Fuller test statistic</th>
<th>Phillips-Perron Test Statistics</th>
<th>Level of Integration ADF/PP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Null Hypothesis: Variable is Non-stationary</td>
<td>Null Hypothesis: Variable is Non-stationary</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Level</td>
<td>First Difference</td>
<td>Level</td>
</tr>
<tr>
<td>GDP</td>
<td>–1.143</td>
<td>–4.409*</td>
<td>–1.905</td>
</tr>
</tbody>
</table>

Test critical values (MacKinnon, 1996)

| 5% Level | –2.948 | –2.945 |

* implies that the coefficient is significant at 0.05 percent probability level

**Test Results for Cointegration**

Having established that both variables in the study are integrated of order one, *i.e.* I(1), the next step is to determine the long-run linear relationship among variables by applying Johansen maximum likelihood co integration technique. Prior to applying this technique, the lag length of the test VAR was specified using Akaike criterion and Schwartz criterion at different lag lengths. The results are reported in Table 3.

**Table 3: Results of VAR Model**

<table>
<thead>
<tr>
<th>Lag length</th>
<th>Akaike Criterion</th>
<th>Schwartz Criterion</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>–4.94</td>
<td>–4.58</td>
</tr>
<tr>
<td>2</td>
<td>–4.97</td>
<td>–4.70</td>
</tr>
<tr>
<td>1 (optimal lag)</td>
<td>–4.70</td>
<td>–4.88*</td>
</tr>
</tbody>
</table>

The results in Table 3 indicate that the optimal lag length is one because the value of Schwartz criterion at lag 1 is minimum. With this information, Johansen cointegration test was performed. The results are presented in Table 4.

**Table 4: Johansen Cointegration Test**

<table>
<thead>
<tr>
<th>Variables/Series: GDP and Edu exp</th>
</tr>
</thead>
<tbody>
<tr>
<td>Test</td>
</tr>
<tr>
<td>Trace Statistic</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Maximal Eigen value Statistic</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Note: * denotes rejection of the null hypothesis at the 0.05 level of significance

Results reveal that the null hypothesis of no cointegrating relationship can be rejected at five percent level which means there is one cointegrating vector. It implies that both the variables exhibit a long run linear relationship.
The normalized cointegrating equation is presented below.

\[ GDP_t = 2.6926 + 1.0135 \text{ Edu exp}_t \]

S.E. (0.04879)

t-statistic [20.77]

The above equation shows that in the long-run expenditure on education has positive and significant impact on economic growth.

**The Short-Run Dynamic Model of GDP: The Error Correction Approach**

Error correction model is used to determine the short run dynamics of the regression model. The ECM equation is presented below:

\[ \Delta GDP_t = \alpha_0 + \sum_{i=1}^{n} \alpha_i \Delta GDP_{i-1} + \sum_{i=1}^{n} \alpha_2 \Delta Edu \exp_{i-1} + \lambda EC_{i-1} + \varepsilon_t \]

Where

\( \Delta \) denotes the first difference operator

\( \varepsilon_t \) is a random error term

\( EC_{i-1} \) is lagged error correction term

The results of estimated error correction model are reported in Table 5.

**Table 5**

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Coefficient</th>
<th>t-Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.05457</td>
<td>5.71277*</td>
</tr>
<tr>
<td>( \Delta GDP(-1) )</td>
<td>0.107488</td>
<td>0.73744</td>
</tr>
<tr>
<td>( \Delta Edu \exp(-1) )</td>
<td>0.0172</td>
<td>0.73744</td>
</tr>
<tr>
<td>( EC(-1) )</td>
<td>-0.2173</td>
<td>-3.60013*</td>
</tr>
</tbody>
</table>

R\(^2\) = 63%, Adjusted R\(^2\) = 60%, F-stat = 17.90

Note: *represents significance at 5% critical values.

The results suggested that none of the regressors is establishing short-term relationship with the GDP significantly. Moreover, Error Correction Coefficient shows the speed of adjustment of variables returning to equilibrium. A negative and statistically significant coefficient of error correction term is an indication of cointegration between the variables.\(^{59}\) The error correction coefficient carries negative expected sign, which is significant, indicating that in Pakistan GDP (economic growth) and expenditure on education are co-integrated. Furthermore, the estimated coefficient of error correction indicates that approximately 21 percent of the disequilibrium is corrected immediately, i.e. in the next year.

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\(^{59}\)Kremer et al. (1992) have shown that the significant lagged error correction term is a more efficient way of establishing cointegration.
Test Results for Granger Causality

After estimating the long-run relationship between GDP growth rate and public sector educational expenditure, the next step is to examine the Granger-causal relationship among variables. In this study Granger Causality test has been employed to examine the causal relationship among the both variables.

The results of Granger causality test are reported in Table 6.

<table>
<thead>
<tr>
<th>Table 6: Granger Causality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Null Hypothesis (H₀)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Education Exp → GDP</td>
</tr>
<tr>
<td>GDP → Education Exp</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Education Exp → GDP</td>
</tr>
<tr>
<td>GDP → Education Exp</td>
</tr>
</tbody>
</table>

Note: → indicates that first variable does not Granger cause the second.
*indicates the rejection of null hypothesis.

Table 6 shows that a unidirectional causality running from GDP to educational expenditure exists and there is no evidence of causation running from educational expenditure to economic growth in the short-run and long-run.

In order to check the stability of the model CUSUM and CUSUMSQ are employed.

Figure 1 CUSUM Test Result
Plot of Cumulative Sum of Recursive Residuals
Figures 1 and 2 reveal that the stability of coefficient estimates is not supported because both the plots do not fall within the critical values. It indicates that the long-run relationship between education expenditure and economic growth is unstable in Pakistan.

V. Conclusion

The main objective of this study was to analyze the impact of education expenditure on economic growth for the period 1972 to 2008. Results of the study provide strong evidence of unidirectional causality from the GDP growth to educational expenditure. This means educational expenditures are dependent on economic growth in Pakistan.

Educational expenditures play an important role in the development process of economy like Pakistan. In Pakistan, the allocation of resources for education sector is insufficient to meet the current requirements of the sector. Pakistan needs to design policies and programs for improving the quality of education. These educational policies should attract highly qualified professionals from abroad. For this purpose, the role of Higher Education Commission (HEC) for improving the quality of higher education needs to be strengthened. The Government of Pakistan should pay adequate attention in discouraging brain drain through providing reasonable opportunities to the highly qualified professional within the country. There is a need that the government should initiate various policies which must be consistent with the country’s needs and can help the educated professionals in securing appropriate jobs within the country. Furthermore, educational expenditures especially for elementary, technical and scientific education need to be expanded.

A major limitation of the study is that it includes only one independent variable. It means our analysis of the relationship between education and economic growth seems to be not free from simultaneity bias. Analysis of this relationship calls for further research by including more regressors like capital, labour and openness, etc. in the model.
References


ANALYSIS OF ENGINEERING AND EDUCATION STUDENTS’ EXPERIENCES AND EXPECTATIONS ON POWERPOINT USAGE FOR INSTRUCTION

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Kamal Madarsa Basha
Tunku Badariah Tunku Ahmad
Mukhtar Alhaji Liman
International Islamic University, Malaysia

ABSTRACT

This study investigates students’ experiences and expectations in a PowerPoint lecture class. The participants of the study were education and engineering students. A total of 300 questionnaires were administered and 288 were found usable for the study. Frequency, mean, standard deviation and independent sample t-test was used for analyzing the data generated from the study. The findings of the study shows that there is no significant difference in the mean of male and female student experiences and expectations in a PowerPoint lecture class. Also, there is no significance difference in the mean of education and engineering student preferred mode of utilizing the tool for instruction purposes. Base on these findings, the study make suggestions and recommendations on how to improve the quality of instruction that is giving to the present digital native students. The paper also offers implication for education and engineering educators to be cognizance of how to leverage their teaching with technology in order to achieve a meaningful and desire results.

Keywords: PowerPoint slide, Instruction method, Student experiences, Student expectation

INTRODUCTION

The importance attached to classroom instruction cannot be underestimated. Because the quality of knowledge that is impacted to the students solely depend on the instructional strategy employed. These explains why researchers in education ceaselessly searching and researching into how best to improve instructional delivery at all levels of education. Over the years, several method of teaching has being adopted for the accomplishment of teaching function. As a result different technologies were drafted into our classrooms. The dominance medium of instructional delivery in the recent age is PowerPoint lecture method. Unlike in the recent past when teachers display some resistance to adoption and use of technology, the present age has witness a dramatic shift to total usage of technology at all levels of education. O’Dwyer (2008) posited that there is increase in the emphasis placed on adoption of electronic delivery of instruction to students in the recent age. According to this researcher, PowerPoint lecture method has attracted much attention than any other form of instructional delivery. Yet, there appear some criticism on the effectiveness of PowerPoint lecture method because of conflict findings on it use in teaching, which has created an aspersion on the effectiveness of the tool for classroom instruction. For instance, Szabo and Hasting (2000) as well as Susskind (2005) examined the use of PowerPoint for teaching at different setting and reported that there is no much change in student academic achievement when they were being taught through the medium. Similarly, Barlett and Strough (2003) conducted a study to see the impact of different types of instructional forms on student’s academic performance, with PowerPoint base lecture, the finding shows that the PowerPoint
usage does not provide any improvement to student in term of performance as compared to traditional classroom approach. Yet, teachers and faculty members are encouraged to leverage their teaching function with modern technology to the extent that some have already jettisoned the traditional method of instructional delivery. In furtherance to the understanding of PowerPoint use in classroom teaching, this study therefore, aims at analyzing student view base on their experiences when they were taught with the tool, as well as their comment on their expectation when their teacher employ it to teach them.

LITERATURE REVIEW

There are many divergent views on the effectiveness of PowerPoint for instructional activities at all levels of education. While some argued that students’ learning might be adversely affected by this mode of delivery, some said it is the most appropriate software package for instruction delivery. Cripsen (2004) opined that elaborate PowerPoint presentation most time lower students academic achievement. Murphy (2004) stated the following as what makes PowerPoint potentially inappropriate for education: it can foreshortening evidence and thought; low spatial resolution; a deeply hierarchical single path structure as the model for organizing every type of content. Breaking up narrative and data into slides and minimal fragment; rapid temporal sequencing of thin information rather than focused spatial analysis, conspicuous decoration that is irrelevant to the content.

Laurie (2007) opined that PowerPoint presentation can not be use to teach the highest level of domain of thinking as presented in bloom six levels of cognitive domain. The six levels start from the simple recall or recognition of fact, as the lowest level, through increasingly more complex and abstract mental level, to the highest order which is classified as evaluation levels. This educator sum up his observation that technology integration which many teachers define as the use of PowerPoint in instruction can only effect learning to take place at the lowest rug of thinking, which is understanding and knowledge levels. In a study conducted by Davies, T.L., Lavin, A.M., Korte, L (20009), on technology use for classroom instruction, the result suggested that technology use in the classroom has a positive impact. Albeit it may not necessarily be appropriate for all classroom situations and all subject matter. However, Loisel and Galen (2004) study of the use of PowerPoint in 314l classroom concluded that in their survey result they discovered that students enjoy PowerPoint presentation and that they belief it is effective. Though, majority opted for information to be presented in a different medium. Moreover, out of the three media option in this survey (lecture, Dreamweaver and PowerPoint), PowerPoint continued to be the most preferred. Davies et al (2009) asserted that technology was employ to enable the teachers to summarize important points and to make effective use of class time. The finding from Davies study about technology integration in the classroom revealed that students are more attentive in a classroom where technology is use as a medium of instruction; it improve the quality of their note taking: the study also revealed that the use of technology would enable the instructor to cover more material.

In a study on using IT in the undergraduate classroom: should we replace the blackboard with PowerPoint conducted by Szabo and Hasting (2000) in the study student opinion were sought after receiving all their lectures in one module in PowerPoint. Grades of one set of students were compared with the grade of another set of students that took their own one year earlier. No significant differences were found. In another study, students received a mock test one week with overhead lecture, second week with a power point lecture and third week with power point with lecture notes. There was no significant difference between the two power point lectures both of which resulted in higher grade than the lecture with overhead transparence. What this result potent is that the efficacy of PowerPoint may be case specific rather than universal. On the efficacy of PowerPoint in lecturing Harknet and Cobane (1997) provide some descriptive account of the benefit of it usage 80% of the participant in the study felt that PowerPoint lectures
assisted them greatly in their learning. Some of them felt that the visual emphasis in the PowerPoint helped them in recalling some of what they learn at the time of examination. However, apart from the students’ positive attitude toward this method of lecturing, no other significant benefits of PowerPoint were disclosed. The author suggests that PowerPoint slides are easy to update and that they can provide excellent opportunity for creating electronic handouts. However, the finding from the study cannot be generalized because it is not clear how many students were survey and how many PowerPoint lecture was presented to them. Nicholson (2002) study on student perspective on lecture deliver using MS PowerPoint reported that students were of the opinion that PowerPoint is used less in some discipline than the other. In conclusion of her study there was general agreement among students that PowerPoint presentations add clarity to the content of their lectures. The students also agreed that the use of image, color, animation and layering are particularly helpful. From the literature reviewed it is evidently clear that powerpoint on itself as a tool can not improve student learning, it is the way that instructor use it that can encourage student learning.

**STATEMENT OF THE PROBLEM**
Paradigm shift in teaching and learning function at all levels of education has greatly influence the way educators, and faculty members implement the actual practice of teaching. Microsoft PowerPoint lecture method has replaced all other form of teaching in the traditional classroom. Faculty members are on their toe to use this medium either it is appropriate or not for a particular instruction. A lot of argument are generated on the pros and con of it usage. Some argue that it can increase the effectiveness of classroom lectures; that it lends greater clarity to lecture and making it easier to follow (Sammons 1997, Rossen et al 1997, Nicholson, 2002). Some researchers also stated that it is teachers centered. This make it inappropriate tool in teaching especially when educators clamor for a method that should be student centered. This study therefore is aim at seeking to know students perspective on the use of PowerPoint in order to gain insight into how to improve on it usage.

**PURPOSE OF THE STUDY**
The primary purpose of this study is to understand student views in term of their experiences when they received lecture with PowerPoint slide and what and how they want the tool to be use by their instructors/teachers/faculties in the classroom. What they like and dislike in the way the technology is used.

**PARTICIPANT OF THE STUDY**
The participants of the study were engineering and education students in international Islamic university, Malaysia. A total of 300 questionnaires were distributed but 288 were found usable. Out of the total participants 159(56%) of them were male, while 129(44%) were female. 225(78%) were undergraduate, while 53(22%) were postgraduate students. The participants of the study were randomly selected for the study.

**RESEARCH QUESTIONS**
1. Is there a significant difference in the mean of education and engineering students’ experiences in a PowerPoint lecture class?
2. Is there a significant difference in the mean of education and engineering students’ expectations on how PowerPoint should be used for classroom instruction?

**ANALYSIS OF THE RESULT**
The findings in (table 1) revealed the following. Majority of the students 136 representing (47.2%) agree that they found PowerPoint lecture method to be an attention capturing tool. 78(27.1%) of the total respondent strongly agree with this position as well, while 14(4.4%) strongly disagree. The item has a mean of 3.85(SD=1.04). The finding also show that
PowerPoint can be used to emphasize important points better, with more than half of the respondent 164(56.9%) agreeing. 54(18.8%) choose to strongly agree, 43(14.9%) were unsure, while 15(5.2%) strongly disagree with the statement. The mean of this item is 3.79 (SD=.97). The finding also shows that PowerPoint are better structured and prepared in teaching, with majority of the respondents 128(44.4%) agree with the statement, 54(18.8%) strongly agree, 77(26.7%) indicated to be unsure and only 1(0.3%) respondent indicated to strongly disagree with the statement. The mean and standard deviation of the item is 3.72(SD=.893). On item that stated that I found my note more organized in PowerPoint lecture classroom, majority of the respondents 124(43.1%) agree with this statement, 48(16.7%) strongly agree, 58(20.1%) choose to be unsure, while 46(16.0%) disagree and 12(4.2%) strongly disagree with the statement. The item has a mean of 3.52(SD=1.08). On item that stated that PowerPoint enable me to maintain my focus in the classroom, majority of the respondents 118(41.0%) indicated to agree, 35(12.5%) choose to strongly agree, 92(31.9%) were unsure, 34(11.8%) disagree, 9(3.1%) indicated to strongly disagree with the statement. The mean and standard deviation of the item is 3.47(SD=.96). The finding on the statement that PowerPoint lecture method enable the teacher to use the class time effectively and balance lecture discussion shows that almost half of the respondent 146(50.7%) were in agreement with the statement. 31(10.8%) choose to strongly agree, 52(18.1%) indicated to disagree and 16(5.6%) choose to strongly disagree. The mean and standard deviation of the item is 3.46(SD=1.05). The item that states that PowerPoint are easier to follow revealed that 129(44.8%) of the respondents choose to agree, 45(15.6%) indicated to strongly agree, 52(18.1%) indicated to be unsure, 36(12.5%) choose to disagree and 26(9.0%) indicated to strongly disagree with the statement. The mean and standard deviation of the item is 3.45(SD=1.16). The item that state that I enjoyed class more whenever PowerPoint is used as a medium of instruction revealed that 116(40.3%) of the respondents choose to concur with the statement, 25(8.7%) indicated to strongly agree, 104(36.1%) indicated to disagree and 53(18.4%) choose to strongly disagree with the statement. The mean and standard deviation of the item is 3.39(SD=.91). The item that state that PowerPoint are visually less clear revealed that respondent 101(35.1%) indicated to disagree, 78(25.7%) indicated to be unsure, 52(18.8%) choose to agree and 13(4.5) strongly disagree with the statement. The item mean and its standard deviation is 2.59(SD=1.10).

### Table 1: Student experiences after exposure to PowerPoint lecture method

<table>
<thead>
<tr>
<th>Item</th>
<th>N</th>
<th>D</th>
<th>U</th>
<th>A</th>
<th>SA</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>I found PowerPoint based lectures to be more attention capturing</td>
<td>14</td>
<td>18</td>
<td>42</td>
<td>136</td>
<td>78</td>
<td>3.85</td>
<td>1.042</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>4.4</td>
<td>6.2</td>
<td>14.6</td>
<td>47.2</td>
<td>27.1</td>
<td></td>
</tr>
<tr>
<td>I found that power point based lectures are less interesting</td>
<td>60</td>
<td>82</td>
<td>70</td>
<td>55</td>
<td>21</td>
<td>2.64</td>
<td>1.214</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>20.8</td>
<td>28.5</td>
<td>24.3</td>
<td>19.1</td>
<td>7.3</td>
<td></td>
</tr>
<tr>
<td>I found that power point based lectures are more easier to follow</td>
<td>26</td>
<td>36</td>
<td>52</td>
<td>129</td>
<td>45</td>
<td>3.45</td>
<td>1.165</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>9.0</td>
<td>12.5</td>
<td>18.1</td>
<td>44.8</td>
<td>15.6</td>
<td></td>
</tr>
<tr>
<td>I find that power point based lectures are visually less clear</td>
<td>48</td>
<td>101</td>
<td>74</td>
<td>52</td>
<td>13</td>
<td>2.59</td>
<td>1.101</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>16.7</td>
<td>35.1</td>
<td>25.7</td>
<td>18.1</td>
<td>4.5</td>
<td></td>
</tr>
<tr>
<td>I find that power point based lectures method emphasize the</td>
<td>15</td>
<td>12</td>
<td>43</td>
<td>164</td>
<td>4</td>
<td>3.79</td>
<td>0.967</td>
</tr>
<tr>
<td>important points</td>
<td>%</td>
<td>5.2</td>
<td>4.2</td>
<td>14.9</td>
<td>56.9</td>
<td>18.8</td>
<td></td>
</tr>
<tr>
<td>I find that power point based lectures mean that taking notes</td>
<td>40</td>
<td>78</td>
<td>101</td>
<td>16</td>
<td>16</td>
<td>2.75</td>
<td>1.083</td>
</tr>
<tr>
<td>is harder</td>
<td>%</td>
<td>13.9</td>
<td>27.1</td>
<td>35.1</td>
<td>18.4</td>
<td>5.6</td>
<td></td>
</tr>
<tr>
<td>I find that power point based lectures enable me to maintain</td>
<td>9</td>
<td>34</td>
<td>92</td>
<td>118</td>
<td>35</td>
<td>3.47</td>
<td>0.959</td>
</tr>
<tr>
<td>my focus in the lecture</td>
<td>%</td>
<td>3.1</td>
<td>11.8</td>
<td>31.9</td>
<td>41.0</td>
<td>12.2</td>
<td></td>
</tr>
</tbody>
</table>
### Results of the Survey

The finding in (table 2) revealed the following information. The item that stated that I generally find visual elements such as pictures/charts/graphs helpful in PowerPoint lecture has 139(48.3%) of the respondents indicated to agree to the statement. 104(36.1%) indicated to strongly agree, 22(7.6%) choose to be unsure, 21(7.3%) indicated to disagree and 2(0.7%) of the respondents indicated to strongly disagree with the statement. The mean and standard deviation of the item is 4.19(SD=.88). On item that stated that I would like our lecturer to upload the slide online is 3.79(SD=.99). On the item that stated that I generally find that power point based lectures mean that there is less motivation for me to attend the lecture, 51(17.7%) choose to be unsure, 71(24.7) indicated to disagree and 32(11.8%) choose to strongly disagree. The mean and standard deviation of the item is 3.81(SD=.91). On the item that stated that I like a paper copy of lecture notes is harder to prepare is 144(50.0%) of the respondents indicated to agree to the statement. 119(41.3%) of the respondents indicated to agree, 110(38.2%) indicated to strongly agree, 62(21.5%) choose to strongly agree, 74(25.7%) indicated to be unsure, 8(2.8%) indicated to disagree and 9(3.1%) choose to strongly disagree. The mean and standard deviation of the item is 3.84(SD=1.06).

On the item that stated that I would like the lecturer to give an outline of a lecture on PowerPoint slide because I would learn more in the lecturer explanation has 135(46.5%) respondents indicating to agree to this statement. 62(21.5%) choose to strongly agree, 74(25.7%) indicated to be unsure, 8(2.8%) indicated to disagree and 9(3.1%) choose to strongly disagree. The mean and standard deviation of the item is 3.81(SD=.91). On the item that stated that I like a paper copy of slide to be made available by the lecturer has 110(38.2%) respondents indicated to agree with the statement. 76(26.4%) choose to agree, 75(26.0%) indicated to be unsure, 19(6.6%) indicated to disagree and 8(2.5%) choose to strongly disagree. The mean and standard deviation of the item is 3.79(SD=.99). On the item that stated that I would like our lecturer to upload the slide online

<table>
<thead>
<tr>
<th>Item</th>
<th>N</th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>I find that power point based lectures enable me to maintain my</td>
<td>16</td>
<td>61</td>
<td>80</td>
<td>95</td>
<td>36</td>
<td>3.26</td>
<td>1.096</td>
</tr>
<tr>
<td>interest for a longer time lecture</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I find that power point based lectures mean that there is less</td>
<td>51</td>
<td>71</td>
<td>93</td>
<td>62</td>
<td>11</td>
<td>2.69</td>
<td>1.109</td>
</tr>
<tr>
<td>motivation for me to attend the lecture</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I find that power point based lectures are better structured and</td>
<td>1</td>
<td>28</td>
<td>77</td>
<td>128</td>
<td>54</td>
<td>3.72</td>
<td>0.893</td>
</tr>
<tr>
<td>prepared</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I find that power point based lectures enable the lecturer to</td>
<td>25</td>
<td>33</td>
<td>80</td>
<td>119</td>
<td>31</td>
<td>3.34</td>
<td>1.093</td>
</tr>
<tr>
<td>Stays more focused on the lectured material</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I find that power point based lectures notes is harder to</td>
<td>42</td>
<td>86</td>
<td>80</td>
<td>67</td>
<td>13</td>
<td>2.73</td>
<td>1.108</td>
</tr>
<tr>
<td>Understand</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I find that power point based lectures enable the lecturer to</td>
<td>16</td>
<td>43</td>
<td>52</td>
<td>146</td>
<td>31</td>
<td>3.46</td>
<td>1.049</td>
</tr>
<tr>
<td>to better use the class time to balance lecture and discussion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(or problem solving)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I find that I use a textbook less when the lecturer deliver lecture</td>
<td>30</td>
<td>53</td>
<td>56</td>
<td>107</td>
<td>42</td>
<td>3.27</td>
<td>1.219</td>
</tr>
<tr>
<td>with power point slide</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I feel bad when I miss any lecture that involve power point</td>
<td>55</td>
<td>45</td>
<td>87</td>
<td>76</td>
<td>25</td>
<td>2.89</td>
<td>1.235</td>
</tr>
<tr>
<td>usage, compared to lectures where blackboard or other medium is</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>used</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I find out that I enjoy class more whenever power point is used</td>
<td>8</td>
<td>35</td>
<td>104</td>
<td>116</td>
<td>25</td>
<td>3.39</td>
<td>0.909</td>
</tr>
<tr>
<td>With power point based lectures I find that my notes are more</td>
<td>12</td>
<td>46</td>
<td>58</td>
<td>124</td>
<td>48</td>
<td>3.52</td>
<td>1.075</td>
</tr>
<tr>
<td>organized</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I like power point based lectures than traditional method of</td>
<td>28</td>
<td>45</td>
<td>69</td>
<td>109</td>
<td>37</td>
<td>3.28</td>
<td>1.167</td>
</tr>
<tr>
<td>teaching or other methods of teaching</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I gain more knowledge when exposed to power point based</td>
<td>24</td>
<td>55</td>
<td>69</td>
<td>111</td>
<td>29</td>
<td>3.23</td>
<td>1.124</td>
</tr>
<tr>
<td>lecture than traditional method</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SD=Strongly agree, D=Disagree, U=Unsure, A=Agree, SA=Strongly agree, M=Mean, SD=Standard deviation
I generally find visual elements such as pictures/charts/graphics helpful in the power point presentations

I prefer it when important definitions and terms are completely written out on the power point slides

I like to have a paper copy of a power point slide if it is made available by the lecturer

I like that the power point slides are available for viewing on WebCT

I prefer slide that provide the full text of the lecture material (i.e. everything that the lecturer want the student to know is completely written out on the slide)

I find it helpful for the lecturer to read the power point slides as they are presented

I would prefer if the information are revealed line by line on the slide, rather than if the total information is revealed all at once on the screen

I like if the lecturer uses electronic sounds that go along with the pictures or concepts that are being presented

To me I feel that the use of power point slides inhibits discussion in a lecture

I found it boring when the lecture says the same things the powerpoint slide revealed on the screen

I would like the lecturer to vary the size and shape of the text used in the powerpoint slides

I would like the lecturer to give an outline of the lecture on powerpoint slide, as I would learn more in the lecturer explanation if I had to write some of the material

I find it helpful if each slide is revealed all at once, even if it is ahead of the lecture

When I have a copy of the presentation, I may likely decide not to attend the lecture

SD=Strongly agree, D=Disagree, U= Unsure, A=Agree, SA=Strongly agree, M=Mean, SD=Standard deviation

Table 2: Student expectations and how the power point can enrich their learning

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>D</th>
<th>U</th>
<th>A</th>
<th>SA</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>I will enjoy lecturer to use power point slides to deliver a lecture, but should add examples and elaborate beyond the slide on key points of the subject matter</td>
<td>7</td>
<td>16</td>
<td>36</td>
<td>119</td>
<td>110</td>
<td>4.07</td>
<td>0.973</td>
</tr>
<tr>
<td></td>
<td>2.4</td>
<td>5.6</td>
<td>12.5</td>
<td>41.3</td>
<td>38.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I generally find visual elements such as pictures/charts/graphics helpful in the power point presentations</td>
<td>2</td>
<td>21</td>
<td>22</td>
<td>139</td>
<td>104</td>
<td>4.19</td>
<td>0.883</td>
</tr>
<tr>
<td></td>
<td>0.7</td>
<td>7.3</td>
<td>7.6</td>
<td>48.3</td>
<td>36.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I prefer it when important definitions and terms are completely written out on the power point slides</td>
<td>16</td>
<td>19</td>
<td>34</td>
<td>144</td>
<td>75</td>
<td>3.84</td>
<td>1.059</td>
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<td></td>
<td>5.6</td>
<td>6.6</td>
<td>11.8</td>
<td>50.0</td>
<td>26.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I like to have a paper copy of a power point slide if it is made available by the lecturer</td>
<td>8</td>
<td>19</td>
<td>75</td>
<td>110</td>
<td>76</td>
<td>3.79</td>
<td>0.998</td>
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<td>6.6</td>
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<td>38.2</td>
<td>26.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I like that the power point slides are available for viewing on WebCT</td>
<td>13</td>
<td>11</td>
<td>93</td>
<td>98</td>
<td>73</td>
<td>3.72</td>
<td>1.029</td>
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<td></td>
<td>4.5</td>
<td>3.8</td>
<td>32.4</td>
<td>34.0</td>
<td>25.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I prefer slide that provide the full text of the lecture material (i.e. everything that the lecturer want the student to know is completely written out on the slide)</td>
<td>11</td>
<td>46</td>
<td>69</td>
<td>99</td>
<td>63</td>
<td>3.55</td>
<td>1.118</td>
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<td>16.0</td>
<td>24.0</td>
<td>34.4</td>
<td>21.9</td>
<td></td>
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</tr>
<tr>
<td>I find it helpful for the lecturer to read the power point slides as they are presented</td>
<td>14</td>
<td>43</td>
<td>76</td>
<td>119</td>
<td>36</td>
<td>3.42</td>
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<td>14.9</td>
<td>26.4</td>
<td>41.3</td>
<td>12.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I would prefer if the information are revealed line by line on the slide, rather than if the total information is revealed all at once on the screen</td>
<td>20</td>
<td>34</td>
<td>77</td>
<td>116</td>
<td>41</td>
<td>3.43</td>
<td>1.089</td>
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<td>7.0</td>
<td>11.8</td>
<td>26.7</td>
<td>40.3</td>
<td>14.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I like if the lecturer uses electronic sounds that go along with the pictures or concepts that are being presented</td>
<td>28</td>
<td>37</td>
<td>83</td>
<td>97</td>
<td>43</td>
<td>3.31</td>
<td>1.166</td>
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<tr>
<td></td>
<td>9.7</td>
<td>12.8</td>
<td>28.8</td>
<td>33.7</td>
<td>14.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To me I feel that the use of power point slides inhibits discussion in a lecture</td>
<td>17</td>
<td>78</td>
<td>110</td>
<td>53</td>
<td>30</td>
<td>3.00</td>
<td>1.054</td>
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<tr>
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<td>27.1</td>
<td>38.2</td>
<td>18.4</td>
<td>10.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I found it boring when the lecture says the same things the powerpoint slide revealed on the screen</td>
<td>19</td>
<td>64</td>
<td>89</td>
<td>72</td>
<td>44</td>
<td>3.20</td>
<td>1.145</td>
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<tr>
<td></td>
<td>6.6</td>
<td>22.2</td>
<td>30.4</td>
<td>25.0</td>
<td>15.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I would like the lecturer to vary the size and shape of the text used in the powerpoint slides</td>
<td>6</td>
<td>23</td>
<td>116</td>
<td>100</td>
<td>43</td>
<td>3.52</td>
<td>0.914</td>
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<td>2.1</td>
<td>8.0</td>
<td>40.3</td>
<td>34.7</td>
<td>14.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I would like the lecturer to give an outline of the lecture on powerpoint slide, as I would learn more in the lecturer explanation if I had to write some of the material</td>
<td>9</td>
<td>8</td>
<td>74</td>
<td>135</td>
<td>62</td>
<td>3.81</td>
<td>0.912</td>
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<tr>
<td></td>
<td>3.1</td>
<td>2.8</td>
<td>25.7</td>
<td>46.9</td>
<td>21.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I find it helpful if each slide is revealed all at once, even if it is ahead of the lecture</td>
<td>28</td>
<td>55</td>
<td>91</td>
<td>88</td>
<td>26</td>
<td>3.10</td>
<td>1.114</td>
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<td>31.6</td>
<td>30.6</td>
<td>9.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>When I have a copy of the presentation, I may likely decide not to attend the lecture</td>
<td>87</td>
<td>46</td>
<td>77</td>
<td>53</td>
<td>25</td>
<td>2.59</td>
<td>1.319</td>
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<td>8.7</td>
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</table>

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Analysis of mean of students’ experiences on lecture received via PowerPoint

<table>
<thead>
<tr>
<th>Gender</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
<td>Female</td>
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<td>62.4729</td>
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<table>
<thead>
<tr>
<th></th>
<th>F</th>
<th>Sig</th>
<th>t</th>
<th>df</th>
<th>Sig (2tail)</th>
<th>Mean Difference</th>
<th>Std error diff</th>
<th>95% confidence Lower</th>
<th>Upper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equal variance assumed</td>
<td>2.71</td>
<td>.100</td>
<td>-1.971</td>
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<td>1.03106</td>
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<td>-2.03262</td>
<td>280.964</td>
<td>.048</td>
<td>1.02288</td>
<td>-4.046</td>
<td>-0.191</td>
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</tbody>
</table>

**t-test for equal of mean of male and female experiences on lecture received via PowerPoint.**

An independent sample t-test was conducted to compare students experience at PowerPoint lectured method classroom among male and female. The finding shows that there was no significant difference in responses of male and female. The mean and standard deviation for male is M(60.44), SD(8.99) and the mean and standard deviation for female group is M(62.47), SD(8.33). The mean difference is -2.033, 95% Confidence interval: -4.06 to -0.03.

**Analysis of mean on how students expect PowerPoint to be use for instruction among education and engineering participants**

<table>
<thead>
<tr>
<th>specialization</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>education</td>
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<td>51.7333</td>
<td>8.04581</td>
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<tr>
<td>engineering</td>
<td>168</td>
<td>53.0119</td>
<td>7.54308</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>F</th>
<th>Sig</th>
<th>t</th>
<th>df</th>
<th>Sig (2tail)</th>
<th>Mean Difference</th>
<th>Std error</th>
<th>95% confidence Lower</th>
<th>Upper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equal variance assumed</td>
<td>.428</td>
<td>.488</td>
<td>-1.379</td>
<td>286</td>
<td>.169</td>
<td>-1.27857</td>
<td>.9270</td>
<td>-3.103</td>
<td>.5461</td>
</tr>
<tr>
<td>Equal variance not assumed</td>
<td>-1.364</td>
<td>.174</td>
<td>-1.27857</td>
<td>246.18</td>
<td>.174</td>
<td>.9370</td>
<td>-3.124</td>
<td>.5671</td>
<td></td>
</tr>
</tbody>
</table>

**t-test for equal of mean of education and engineering students expectation on how PowerPoint should be use in instruction.**
An independent sample t-test was conducted to compare the expectations of students on how PowerPoint lectured should be used in the classroom among education and engineering students. The finding shows that there was no significant difference in responses of education and engineering students. The mean and standard deviation for education student responses is $M(51.73)$, $SD(8.05)$ and the mean for engineering group is $M(53.01)$, $SD(7.54)$. The mean difference is $-1.278$, 95% Confidence interval: $-3.103$ to $-546$.

### Analysis of mean of education and engineering students’ experiences on lecture received via PowerPoint

<table>
<thead>
<tr>
<th>specialization</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiences</td>
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<td></td>
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<td>education</td>
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<td>7.97889</td>
<td>.72837</td>
</tr>
<tr>
<td>engineering</td>
<td>168</td>
<td>60.4345</td>
<td>9.16688</td>
<td>.70724</td>
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</tbody>
</table>

### $t$-test for equal of mean between education and engineering student experiences in a PowerPoint lecture class.

An independent sample $t$-test was conducted to compare students experience at PowerPoint lectured method classroom among education and engineering students. The finding shows that there was no significant difference in responses of the two groups. The mean and standard deviation for education is $M(62.63)$, $SD(7.98)$ and the mean and standard deviation for engineering group is $M(60.43)$, $SD(9.16)$. The mean difference is $2.198$, 95% Confidence interval: $.153$ to $4.243$.

### DISCUSSION

Based on the objective of this study which aims at analyzing the experiences and the expectation of students on the medium through which the instruction they received is delivered to them specifically PowerPoint lecture method, several questions related to the objective of the study were raised through the instrument use for the study. The students were also asked to make personal comments on why they like or dislike PowerPoint lecture class. Judging from their responses, it was observed that both education and engineering students indicated to believe that PowerPoint lecture method always sustain their attention and interest in the class, they also attest to the fact that the medium of instruction can be used to emphasize important points. The majority of the respondent indicated that they were able to organize their notes in a PowerPoint lecture class. The medium enable them to keep their focus during instruction activities. Aside the fact that the medium is easy to follow, they observe that it enable their instructors to organize and better use the period of instruction judiciously and it also enable their teacher to stay more focus on the lecture material. On the responses of the students on how they would like the
medium to be used in the class, majority of them indicated that PowerPoint embedded with visual element such as graphic, picture, chart shall be more appealing to them in the class, majority of them also indicated that PowerPoint that has example and oral explanation on key point of the subject matter will facilitate their learning of the topic of instruction. The students indicated that they preferred their instructors to write out all what they will like them to know on the slide, in other word they preferred slide that provide the full text of the lecture material. They also want their instructors to provide a printed copy of the slide to be made available to them. The students indicated that they would like their instructors to upload the PowerPoint slide to institution WebCT or their learning management system (LMS) for them to access.

THE IMPLICATION OF THE STUDY FOR EDUCATORS
This study is another contribution to the best practice in instructional delivery and technology integration in higher education classroom in Malaysia. It is a contribution to the body of knowledge on PowerPoint integration in teaching and learning process. The result of the study has address some disconnect between technology uses as experience by the students and how they would want the tool to be use in their classes. In the light of these findings, instructors are encourage to utilize PowerPoint in an innovative way, through student preferences so as to achieve the best practice in technology integration that can result to quantum improvement in students learning. Educator are therefore encourage to be strategic in implementing teaching function since the medium and the content of instruction are intertwine process that required adequate and equitable planning for the achievement of instructional goal. Lastly, educators are encouraged to vary their use of technology by accommodate students preference in their deployment of technology in the class so that all their effort will yield a desire result.

CONCLUSION
The finding of this study is in exhaustible. More importantly, when it come to what is to be done, to improve classroom instruction. The content of instruction is as important as medium that is use as a vehicle for its delivery. This account for why it is necessary to continue searching and researching, in order to report how classroom instruction can be effectively conducted amidst several tool in the teachers kit that can be employ for classroom instruction. The study is conducted with quantitative method; however a qualitative approach study is also required in order to have an empirical finding of the same study thereby providing various solutions to the problem of PowerPoint usage in traditional classroom.


Nicholson, T. D (2002) Lecture delivery using MS power point; staff and student perspective at MMU


Abstract
This study evaluates the implementation of Quality Management System-ISO 9001 (QMS) in a degree awarding institute (institute), which was established in 1999 with a single campus. With the passage of time the institute has established its satellite campuses in other cities of the country. This institute has a mixed centralization and decentralization administration style. Head Office is mainly responsible for policy making, expansion, R&D, curriculum development, institute level events organization, HRM and financial control, whereas campuses have their role of teaching-learning and campus level administration. With its rapid expansion, the institute faced administrative challenges and adopted various administration models, but the challenges kept on growing to an extent that the management of the institute had apprehensions regarding further expansion. HRM, training & development, financial controls, research & development, record keeping, building maintenance, curriculum revision & development, introduction of new programs, industry-academia partnership, research productivity, quality teaching-learning, etc were the challenges for the institute management. The management displayed a strong intention to address these challenges; after several top level consultative meetings it was determined that there is a need for a robust management system. Finally the management realized that the international standard of quality management system ISO 9001 has the ability to address these challenges effectively and has a potential for developing a robust management/governance system. With these hypotheses the management decided to implement the QMS in the institute. This study evaluates how QMS helped this institute to cope with the above highlighted challenges, and how it builds the overall structure of governance; how it assesses the role of standards or tools such as ISO 9001:2008 can help an educational institution towards developing and managing the organizational profile. This study also discusses the steps of QMS implementation at the institute. From very outset, the author was involved in the implementation of QMS in the institute.

Key words: Quality, HEC, Governance, ISO, QMS, Pakistan

1. Introduction
We live in the age of information, creativity and innovation, wherein new technological advancements, opportunities and challenges are being faced by us all the time. Organization are also facing these challenges and trying to be the best in their field. In this endeavor, standards are set and best practices are being mandated in businesses. But to have good governance in any organization, they have to develop strategies to bring their resources together to achieve their goals and objectives; to this end, they set benchmarks or standards against which the organizations can measure their standards, procedures and practices. Quality is important for a company in order to excel; this is what quality is all about. Quality does not only deal with the corporate sector but also has application in Higher Educational institutions for teaching, learning and management (Bollaert et al, 2007). Moreover, Higher Education Commission of Pakistan (HEC) is also making efforts toward quality.
Our institutions need a transformation in the strategies being used so far. To change our organizations into world class institutions, we need progression in the field of knowledge; nations that fail to bring quality in its institutions seldom make it to the forefront of world leaders. Quality has become the buzz-word, of the 21st century.

ISO (International Organization for Standardization), established in 1947, is the world's largest developer and publisher of International Standards; it is a network of the national standards institutes of 163 countries, one member per country, with a Central Secretariat in Geneva, Switzerland, that coordinates the system. ISO is a non-governmental organization that forms a bridge between the public and private sectors. On the one hand, many of its member institutes are part of the governmental structure of their countries, or are mandated by their governments; on the other hand, other members have their roots in the private sector, having been set up by national partnerships of industry associations (ISO, 2010).

ISO gives us the standards that are the tools to achieve goals; it provides guidance to develop a process and ways to implement it as a framework. ISO not only provides guidance on the role of a governing body, but also encourages organizations to use appropriate standards to underpin governance and quality assurance (Tufail and Lodi, 2006). The objective is to provide a framework of principles for management, good corporate governance, evaluating, directing and monitoring in an organization. Therefore, ISO enables a consensus to be reached on solutions that meet both the specific requirements of business and the broader needs of society as a whole.

Education is considered to be an industry which makes investments in people; however educational organizations are not usually a business / corporate organization or a profit making industry. As an educational institution, the objective is to deliver quality education and for that, an organization carries out all kinds of processes and structural strategies to achieve its goals. To this end, an educational organization must have a clearly defined mission statement. To achieve this mission, objectives are developed; and to achieve these objectives, some mechanism is developed e.g. an organization has a Governing Body, departments and a structure and these structures are designed to achieve the goals.

In Pakistan very few educational institutions have considered ISO important in academia, research, innovation and creativity, as there are no measurable, tangible or quantifiable criteria to assess knowledge; however the institute which is the subject of this case study is not one of them. This research case study evaluates the role of how the standards or tools such as ISO 9001:2008 can help an educational institution towards providing and managing the organizational profile and to build an overall structure of corporate governance. ISO framework provides that challenge to this institution which has now adopted the ISO framework as guidance for good governance. Although this organization is not amongst the corporate sector, but it has implemented ISO standards as a benchmark and evaluated what it has been doing in the past and what new should be introduced. It has implemented this tool by developing parameters / criteria (measurable and quantifiable parameters); they have been able to define them in education. Though, exact quantifiable measures are yet to be developed and implemented, but there is some improvement and progress in this regard.

1.1. Background:
This study is about the implementation of Quality Management System - ISO 9001 (QMS) in a degree awarding institute (institute), which was established in 1999 with a single campus. With the passage of time the institute has established its satellite campuses in other cities of the country. This institute has a mixed centralization and decentralization administrative style. The Head Office is mainly responsible for policy making, expansion, R&D, curriculum development, institute level events organization, HRM and financial control, whereas campuses have their role of teaching-learning and campus level administration.
The rapid expansion created a variety of problems; although the institute has tried to embed quality in academics as well as in administration by developing some basic rules and regulations, but with the passage of time it was realized that the developed systems were unable to deliver the desired quality in academics and administration. The challenges grew to an extent that the management had apprehensions regarding further expansion. The management displayed a strong intention to address these challenges; after several top level consultative meetings, it was determined that there is a need for a robust management system. The management determined that the international standard of quality management system, ISO 9001, has the ability to address these challenges effectively, and the potential for developing a robust management/governance system; it was agreed that QMS should be used as a tool to achieve the desired level of quality and good governance.

For this purpose the institute engaged a Consultancy Firm (firms) through a transparent process for the implementation of QMS. The institute was asked to appoint a Management Representative/Project Leader (MR) and to nominate a QMS Steering Committee (SC). The role of MR and SC was to review, verify and validate the developed procedure/systems. An implementation committee/task force (TF) was constituted, comprising representatives of all academic and non-academic departments/sections; the role of this task force was to develop procedures at the functional level. The firm conducted a number of training sessions for the MR, SC and TF on QMS implementation and their role. It is worth mentioning that the trainings sessions were chaired by the Rector himself, wherein he embodied the commitment of top management to this initiative, and desired that all concerned academic and non-academic officers should fully cooperate with the consultants in the implementation of QMS.

After these training sessions, the firm conducted a comprehensive gap analysis/organizational assessment, in which they evaluated the existing academic and management practices with an aim to identify the areas for improvement and to prioritize the critical processes which need urgent attention. A consultative approach was used for gap analysis in which a series of meetings were held with different tiers of management and a series of individual interviews were conducted with the concerned officials. Existing documents, policies, rules, regulations and statutes were reviewed to assess what changes/improvements were required. This study evaluates how QMS helped this institute to cope with the above highlighted challenges, and how it builds the overall structure of governance; it assesses how standards or tools such as ISO 9001:2008 can help an educational institution towards developing and managing its organizational profile. This study also discusses the steps of QMS implementation at the institute.

1.2. Objectives:
The objectives of this study are as follows:
- To evaluate the existing academic and management practices of the organization.
- To identify the areas for improvement and devise a roadmap by formulating a quality policy for administrative efficiency.
- Successful implementation of the quality system procedure, capacity building and continual improvement.
- To evaluate how QMS helped this institute to build the overall structure of governance.

2.0. Methodology:
In this research the tool used is the case study method in which a series of interviews, group discussions, question/answer sessions and interactive sessions were conducted as explained in (Saunders, Lewis and Thornhill, 2009; Kumar, 2005) with the top management, heads of academic and non-academic departments, faculty members and students. The author visited all departments; especially those newly developed, and reviewed the previous rules and regulations...
in practice and newly developed procedures and policies. Case study method, being a multi
perspective analysis and an empirical inquiry, has been increasingly used in many social
sciences, as it gives the holistic view and an opportunity for in-depth investigation. Yin
(1993:23) says that the case study research method is an empirical inquiry that investigates the
issues within real-life context in which multiple sources of evidence are used.

This approach provided an appropriate understanding of the issues and the context in which
the issues were operating; it was a single event which helped in looking at the sequence of
events in a systematic way. As the author was an integral part of this process throughout; it
helped in seeking effective outcomes. This study investigates the phenomena and enabled the
author to identify real life problems / issues of the institute and their solutions to develop a set of
robust procedures for the institution under discussion.

2.1. Results of Gap Analysis:
The major findings of the gap analysis study are:

- **On the academic side, teaching-learning environment, curriculum revision, industry-
  academia partnership, student feedback, effectiveness of quality enhancement cell, core
  skill development, department alumni and research productivity need serious attention.**

- **Administration needs to work on recruitment and performance appraisal, procurement
  policies, clarity of roles and responsibilities of staff, laboratory management, capacity
  building of administrative officials, internal client feedback mechanism, setting up and
  monitoring of smart goals and objectives, clarity in reporting structure, efficient flow of
  processes, effective record keeping, internal checks and balances, internal planned reviews
  and mechanism for continual improvement.**

3.0. Recommendations for System Improvement:
In the light of identified gaps an agreed action plan was developed as follows

3.1. Academic (Enhancing Teaching Efficiency)

- **Interactive Research Sessions (IRS) for Faculty Members:** To enhance the research
  productivity it is recommended that each and every academic department should hold
  interactive research sessions twice a month. IRS will help faculty members in producing
  research papers as they would be able to review a numbers of studies consistently.

- **Curriculum Revision:** Considering the rapid developments in technology, it was decided
  that the curriculum should be revised every three years. Curriculum revision should also
  include the feedback from industry and alumni, because of their expertise to identify new
  trends in market /industry and to identify gaps in the old system. Thus curriculum review
  and revision should be based on data obtained from a number of sources, including student
  evaluation feedback, faculty input, graduate follow-up evaluation data and practicing
  agency’s feedback. A well defined Standard Operating Procedure (SOP) would be devised
  in consultation with faculty members in this regard.

- **Industry-Academia Partnership:** The consultancy firm suggests that the ties between the
  departments of the institute and related industry should be strengthened. In this way the
  institute can contribute towards overall development of the related industry, and can add
  value in the processes and products of the related industry in both the public and private
  sectors. This shall facilitate the institute to fulfill its corporate social responsibility in
  addition to exploring earning opportunities. A two-tiered approach can be developed in this
  regard; the departments may offer their services to the related industry and, similarly,
  faculty members may also provide consultancies in their individual capacities. The
  strengthened ties between the departments and the industry would pave the way to identify
  industry needs, job opportunities for graduates and potential revisions in the curriculum. It
would also be a source of practical exposure for the students attached with the concerned faculty member.

- **Student Feedback**: The consultancy firm will hold consultative sessions with students and faculty members to deliberate on different aspects of student feedback. Apart from QEC initiatives of spreading student feedback questionnaires and getting feedback from them, there should be some formal meetings with the students, preferably by the HOD, to take recommendations from them regarding faculty and course layout. These recommendations should be discussed in faculty meetings of the departments in an institutional manner.

- **Departmental Alumni**: The consultancy firm has proposed that there should be an interface of the departmental alumni. Initially a group or face book interface may be established by each department and later a website of the alumni may also be developed. The graduates will use this to share job opportunities, research papers, inputs on industry needs and suggestions to improve academic curricula. The departments have also emphasized to manage this activity at department level rather than at a central alumni and placement office. It has been observed that some informal efforts are also in place by the Department of Management Sciences in this regard.

- **Laboratory Management**: There should be well defined standard operating procedures for key experiments, as well as manuals for equipment maintenance and handling, and health & safety. Calibration of sensitive equipment must be regularly checked and scaled.

- **Core Skill Development**: Special focus should be laid on building English language proficiency of the business students and others.

- **Capacity Development Regarding Examination Processes**: It has been pointed out by a number of faculty members that some form of capacity development initiative should be carried out for faculty members regarding test item development and evaluation processes. The organization should organize identified capacity building sessions for faculty members.

3.2. Non-Academic (Enhancing Administrative Efficiency):

The following areas were identified for enhancing administrative efficiency and to improve service delivery. It is pertinent to mention that representatives of all the staff in the principal seat unanimously agreed to initiate the proposed steps.

- **Job Descriptions**: It was observed during the diagnostic phase that the departments have a lot of work to do in this area. It was mutually agreed with all departments that there should be job descriptions for each official so that they are clear about their roles and responsibilities, and form the base for their accountability and performance management.

- **Development, Implementation and Accessibility of SOPs**: Most of the departments do not have SOPs for relevant functions. The consultancy firm will work with each department to develop their SOPs.

- **Capacity Building of Administrative Officials**: The Institute is a relatively large organization having a large number of teaching and non-teaching staff. During the gap analysis study, it has been observed that whereas different formal mechanisms are available for the professional development of teaching staff, there is no formal system for the professional development of non-teaching (administrative) staff. It is strongly recommended that there must be a formal mechanism for continuous professional development of non-teaching staff in the departments and administrative offices. Annually, each academic and administrative department should conduct a training need assessment (TNA) survey, and then prepare a professional development plan on the basis of the TNA.

- **Client Feedback Mechanism**: Client feedback plays a vital role in ensuring client satisfaction. To improve the service level of administrative departments, ISO 9001:2008 standards recommend that there must be a feedback mechanism in each department for
having unbiased feedback from stakeholders. Careful analysis of feedback will help departments to improve their efficiency and develop their departmental policies and workflow based on that feedback.

- **Recruitment and Performance Appraisal Policies**: There should be fair and effective recruitment procedure to ensure that staff appointed to posts has appropriate qualification and skills to meet the organizations current and future needs. Appraisals should be undertaken at least once a year and there should be comprehensive training program for managers involved in appraising staff in order to understand the appraisal system. This is a complex and technical area which requires a long term concerted and consistent effort to modernize the policies as per the changing needs. ISO 9001:2008 standards recommend that in each department there must be a comprehensive competence criteria matrix for all posts, which clearly establish the qualifications, experience and skill level required for a particular post; during the ISO certification process, it would be tried that, at the very least, these criteria should be in place.

- **Procurement Policies**: The mission of the Purchasing Office is to procure the highest possible quality of goods and services for the organization at the lowest possible cost. To accomplish this mission, certain guidelines and procedures need to be established. Although purchasing is made as per PPRA (a government agency) rules, there is still room for improvement. These procedures must be adhered to in order to ensure budgetary control over organization resources. There should be standard operating procedures for the purchase order preparation, authorization limits and approval process. Supplier evaluation is a mandatory parameter for ISO certification. The consultancy firm will assist the procurement office in this regard.

- **Mandatory Quality Management System Documents**: The concept of ISO Certification is not only to achieve an international certification, but also to provide a roadmap to improve the organizational strength and quality of services in all domains of deliverables with a laid down strategy and approved procedures for improvement and corrective measures and methods.

- **Formulation of Quality Policy**: Quality policy is a guiding principle. It shows the overall intentions and directions of the organization. It is the responsibility of the top management to sketch a comprehensive quality policy. The Consultant will provide guidelines and sample quality policies to the top management for the establishment of the quality policy.

- **Establishment of Quality Objectives and Plans**: ISO 9001:2008 requires that quality objectives shall be established at each relevant function and level within the organization, i.e. just about everywhere. The manner in which quality objectives are established and managed will have an enormous impact on the organization's performance. The quality objectives will drive strategic improvements throughout the organization, significantly elevating the importance of the quality management system. ISO 9001:2008 standards recommend that quality objectives must be established using the SMART principle. SMART stands for: S-Specific – objectives should specify what they want to achieve; M-Measurable – you should be able to measure whether you are meeting the objectives or not; A-Achievable - are the objectives you set, achievable and attainable?; R-Realistic – can you realistically achieve the objectives with the resources you have?; T-Time bound – When do you want to achieve the set objectives?

- **Development of Organizational Charts**: ISO 9001:2008 standards recommend that an organizational chart must be developed at the organization and departmental levels. These organizational charts must clearly indicate the departmentalization, chain of command, distribution of authority and span of control. An organizational chart must show how departments, divisions, and various levels of an organization interact with each other.
Development of Quality System Procedures:

- **Quality System Procedure for Document and Record Control**: A lot of documents have to be handled every day. ISO 9001:2008 standards recommend that every organization must have a documented procedure for documents and record control. This quality system procedure outlines the approval mechanism of a document, review / changes / updating process of documents, identification, storage, protection, retrieval and retention mechanism, distribution and recall of documents, identification and control of external origin documents and disposal method of records.

- **Quality System Procedure for Internal Quality Assurance Auditing**: Audit is an examination of performance to determine whether defined performance standards have been met; it is the measurement component of the quality system. It does this by using a systematic methodology for analyzing processes, procedures and activities with the goal of highlighting organizational problems and recommending solutions. The consultancy firm will provide internal auditing training to one representative from each academic and administrative department. The first internal audit will be facilitated by the consultants while six monthly internal audits will be carried out by them on their own.

- **Quality System Procedure for System Review**: To ensure continuing suitability, adequacy and effectiveness of management system and to assess the opportunities for improvement and the need for changes to quality policy, objective or QMS, it is recommended that top management shall meet on periodic basis to conduct a review of the system. This practice is already in place in the form of a number of established forums; so we would incorporate this existing initiative in the QMS framework.

- **Quality System Procedure for Continual Improvement**: To continuously improve the performance of the Institute there must be a well-defined mechanism for corrective and preventive actions. The basic purpose of implementation of QMS standards is the continual improvement of the performance of the organization. To measure the performance there are key performance indicators (KPIs), which are backed by quality objectives. During implementation of standards, measurable quality objectives are established at each relevant function and level within the organization i.e., just about everywhere. After a given time, objectives are measured using quantitative data to track the performance over time. Selection and management of result oriented objectives will move ISO 9001:2008 into a new territory of driving strategic performance improvements throughout the entire organization.

3.3. Action Plans for System Implementation:

To adopt a graduated approach and to ensure sustainability, it was planned that the system should be implemented in phases; accordingly a phased implementation plan was developed as follows:

**Phase-1 Sensitization and Awareness Development:**
- Awareness sessions for all tiers
- Formation of the steering committee (SC) and a Task Force (TF)
- Training of Task force officials

**Phase-2 Organizational Streamlining:**
- Development of the vision, mission and quality policy.
- Development of organograms (overall and at departmental level)
- Review of the functions of the departments.
- Development of roles and responsibilities of employees (job descriptions).
- Review of the existing policies and procedures.
• Identification of processes, determination of sequence and interaction of process (process mapping).
• Development of new Standard Operating Procedures (SOPs) for the effectiveness of operation and control.
• Development of Standard Analytical Procedures (SAPs) to ensure the effectiveness of process.

Phase-3 Implementation of Academic Performance, Improvement and Initiatives:
• Implement teaching-learning improvement programs.
• Development of curriculum revision mechanism.
• Development of Industry-academia partnership mechanism.
• Development of student feedback mechanism.
• Capacity building and strengthening of quality enhancement cell.
• Strengthening of faculty development cell.
• Implementation of interactive research session for enhancement research productivity.
• Strengthening and functioning of departmental alumni.
• Arrangements for core skill development for students.

Phase-4 Internal Monitoring & Analysis of Implementation and External Auditing:
• In progress; outcomes shall be evaluated on completion.

4.0. Implementation of Action Plan:
4.1. Phase-1: Sensitization and Awareness Development:
In this phase, a number of awareness sessions were conducted for all the staff (academic and non-academic) of the institute to sensitize them towards system implementation.

A Steering Committee (SC) was officially notified with the aim to oversee the implementation process, keep make it on track all the time, give technical inputs for implementation, resolve implementation issues, review the implementation progress and to analyze the effectiveness of the implementation. The SC comprised of 16 members representing all the departments (academic and non-academic).

For system implementation an operational level task force (TF) was established; it also had representation from all the departments. The TF has undergone a comprehensive capacity building program of QMS implementation, which included basic and advanced level training on QMS implementation. The purpose of this capacity building program was to fully equip the TF and to mentally prepare them for its implementation.

4.2. Phase-2: Organizational Streamlining:
After many consultative sessions, the vision, mission and quality policy statements were developed during this phase.

Keeping in view the vision statement, the functions of each department were reviewed and organograms were developed by the TF. After approval of organograms, roles and responsibilities (job descriptions) of the each employee were developed and communicated. JDs were developed after careful analysis of the important facts about a job, such as the individual tasks involved, the methods used to complete the tasks, the purpose and responsibilities of the job, the relationship of the job to other jobs, qualifications consistent with the training requirement. Duplication of tasks was clearly seen during development of Job Descriptions (JD); for clarification of roles and elimination of duplication, such cases were sent to the SC which then decided which task was allocated to which employee. Along with the clarification of the roles and responsibilities, another purpose of JDs development was to provide a sound base for employee accountability and performance management.
After development of JDs, the TF, in the light of the functions of a department, identified processes and their sequences, and accordingly developed process maps for the development of Standard Operating Procedures (SOP); these were developed for the effectiveness of operations, control and continual improvement. Procedures and policies already developed were reviewed and brought in line with the functions of the departments. For effective monitoring of the procedures, Standard Analytical Procedures (SAP) were also developed which also includes the internal quality assurance auditing procedures.

In view of the large number of administrative staff /non-teaching staff of the institute, a Professional Development Center (PDC) was established with the aim to conduct training need assessments on a continuous basis and to provide concomitant training. The PDC is now fully functional.

A high level committee was formed to obtain feedback from the clients; the committee developed a client feedback form, which has been sent to all the stakeholders and also uploaded on the institute’s website. The received responses are analyzed carefully, and approved modifications are then incorporated in the institutional policies on an annual basis.

A comprehensive HRM system has been introduced, and competency criteria have been developed for each post. According to the appraisal policy, performance evaluations are conducted annually on 360 degree performance based method; this has resulted in the induction of more qualified, skilled and experienced personnel.

To procure the highest possible quality goods and services, and to make the procurement process transparent and effective, procurement policy manual and SOPs have been developed by consultant experts, and approved by the top management.

4.3. Phase-3 Implementation of Academic Improvement Initiatives:

Academic departments have adopted the IRS system proposed by the firm, wherein fortnightly meetings are held at the faculty level, supervised by respective HODs, to enhance their research productivity; these sessions have had a tremendous impact in producing quality research papers. A curriculum revision wing has been established to periodically review the curriculum, in view of latest developments and feedback from industry, alumni and students; SOPs for the smooth functioning of the wing have also been developed in conjunction with the institute’s Quality Enhancement Cell.

For students, courses on core skills development have been introduced in departments; also, forms for student feedback have been developed and it has been made mandatory for students to give their feedback at the beginning and end of each semester.

A Career Development Center (CDC) has been established as an interface between alumni and the institute, which has strengthened the ties between academia (institute) and industry. Through the CDC the institute has been able to get real time feedback from the industry on different issues faced by them; the research and development department of the institute has worked on these issues and developed feasible, practical and cost-effective solutions, which have proved to be beneficial to industry.

5.0. Benefits of QMS Implementation:

The implementation of QMS made it mandatory for the Institute’s top level official bodies, including Board of governors, to meet every three months. These meeting were made the basis for wider interaction between all stakeholders.

The developed organizational charts provided support to the management of the institute for planning, budgeting and resource allocation. It also defined the leadership as well as responsibilities, dependencies and relationships throughout the institute. It facilitated the structures of teams with clear responsibilities, titles and lines of authority. It really helped in organizing, categorizing and delegating tasks to achieve specific goals.
Job descriptions were used to explain the roles and responsibilities, necessary skills, trainings and qualification needed by a potential employee. The development of JDs resulted in the elimination of task duplication and also helped in interviewing candidates. JDs were also utilized to orient new employees about the job and to track their performance.

Development of SOPs provided roadmaps to visibly transparent operations of the institute; transparency is an important aspect of good governance, and transparent decision making is critical for the private sector to make sound decisions and investments. Accountability and the rule of law require openness and easy access to information so higher levels of administration, external reviewers, and the general public can verify performance and compliance to law. The institute has achieved all these through the developed SOPs.

The phases implemented to date have shown a clear change in the governance structure of the institute, in the form of clearer work procedures, convenient handover of work, more attention from the manager on the administrative business flow and in promoting a positive working attitude among the staff.

It is expected that the approaches used after the gap analysis will lead to better evaluation and rectification of the issues. This step of ISO standards implementation will add value to the institution and other organizations as well.
References:


Economic Outlook: Thoughts of Muslim Modernist Thinkers

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Abstract
Muslim modernist thinkers have highlighted the different aspects of economic teachings of Islam. Economic problems of Muslim world, particularly unequal distribution of wealth and construction of a welfare state, are their topics of interest. With the aim to eliminate poverty from Muslim world, these modernists’ have a deep desire to build a Muslim welfare state. Unfortunately, they are failed to provide the concrete solutions for economic problems, and doesn’t take into consideration the ways & means through which their objectives can be achieved. Hence it can be said that, the economic approach of this school of thought has very week theoretical grounds, like many other Muslim economic thinkers.

Key words: Modernism, Economic thoughts, Distribution of wealth

1. Introduction:
Since Islamic modernism movement is basically a revolt from traditional thinking and approach and based on logic and reasoning and they have adopted the same point of view in solution of economic problems. In this context most of them have highlighted the issue of unequal distribution of wealth and Islamic teachings in this regard. The problem of poverty or unequal distribution of wealth is the oldest and the most crucial issue of any economy through out the history of human being.

Muhammad' Abdullah a prominent Muslim modernist thinker has the opinion in this regard that, elimination of poverty from any society is not possible. He wants to build a society in which wealth and poverty will exist simultaneously, but the elite class will not exploit the poor. On the other hand he expects from this class that it will support the lower income group of the society. It is the real spirit of Islam. He has advised the upper class of the society to spend their wealth on those heads which are mentioned in Qur’an. Poor has a right on the wealth of rich and they have to oblige it, whereas the poor class in concerned, he council’s them to bear all miseries with patience. Kenneth, Cragg & Ishaq, Mus’ad (1966).
2. Rationale and Discussion:

Shibli No’mani a colleague of Sir Syed Ahmed khan is in favor of more equitable distribution of wealth. It will be better for society if the difference between rich and poor is minimized. This is the basic difference between eastern and western countries. In kingship the entire resources of the economy are concentrated in the hands of few persons, whereas in western countries wealth moves from rich to poor Shibli No’mani (1906).

Dr. Allama M. Iqbal, the famous intellectual and thinker of east, wants a social democratic system in which equal opportunities are available for all persons. In his opinion Islam is the only system which can enable it, hence it will be possible only in an Islamic state (Siddiqui 1982).

In similar context Ubaid ullah Sindhi criticizes Sufism which has entirely disregarded the economic aspect of life, which has a significant impact on the moral of persons and society. Surfism normally starts from morals and it is assumed that, economic needs are related to the sub-human level. This is the reason that, this institution has never put any attention on economics (Siddiqui 1982).

As far as the Shah Waliyulla is concerned his ideas in this regard are very clear and he has specially emphasized on this aspect of life of nations. He thinks that fair and equitable distribution of wealth provides a base for the development of culture. Economic equilibrium is must for the survival of any nation. Each society has to develop a system which can provide at least basic necessities of life to its members. Man can put his attention on creative activities only when he satisfied from the basic needs. It is possible only in that case when economic system is quite healthy, in such conditions moral development becomes possible Mohammad Sarwar (1965).

On the other hand if society is divided in two groups i.e. rich and poor or in the other words which they have and which they do not have. In this situation spirit of collective efforts demised and capabilities of majority of the public are started to squander just to maintain their subsistence level. In this case rich class of the society involved in a meaningless race of showiness. Concept of nation and feelings of collectiveness are vaporized under these circumstances. In these conditions revolution becomes indispensable. Now if the society has any tincture of life, in the other words the whole society do not fall into the pit of destruction, then revolution come out from the society and completely ruined off the ruling class and it is replaced by any other class. This class put the foundation of a new culture. French revolution and some other revolutions are the examples of such revolutions. But if the society is so dead, that there is not any chance of revolution from inside the society in this case foreign invention do the same. In this case foreign invaders destroyed this whole dead culture, which has lost his entire utility and was not able to face the changing requirements of time. A new culture is then established which is the mixture of both cultures with that new patterns of trade and commerce are set up in the economy. According to him destruction Roman and Iranian empires are the examples of these types of revolutions. The fall of Mughal Empire in the India also fall in this category (Sarwar 1965).

In this context Khalifa Abdul Hakeem’s point of view is that, society should be developed in classless form. Concept of rich and poor, employer & employee, domination of male on female is unethical, it should be abolished. The reason is that, all man & woman are equal is the eyes of God. Khalifa Abdul Hakim (1955). He wants to develop a system which is democratic and free of exploitation, in which elimination of poverty is the responsibility of government. In this context order of Qur’an is very clear that, your economy should be developed in such a way that, wealth should not circulate in elite class only. There is no room for black marketing, hoarding or other such type of activities in Islam. On the other hand basic demand of Islam is that, all members of society should open their wealth in the way of God, which is beyond the requirements of them, so that collective welfare of the society will increase. In an Islamic society provision of basic needs of human being is the responsibility of state, which is not
possible in Liaises–Faire economy. Free economy can never produce good results; this is the reason that, he is in favour to restrict the right of private ownership. He thinks that, welfare state is necessary for the benefits of all segments of society Khalifa Abdul Hakim (1955).

He thinks that collection of Zakat is the responsibility of an Islamic state, it was a compulsory tax and state was responsible for its collection & equitable distribution in the public. The basic mistake of Muslim community was that, they had left this practice and the result was that movement of additional capital to public ex-checkers was stopped and Government was unable to complete many welfare schemes. Islamic economic system is centrally controlled system of production and distribution. Khalifa Abdul Hakim (1961). In his opinion nationalization of land is not against of teachings of Islam. Khalifa Abdul Hakim (1961).

According to Taha Hussain a prominent Arab scholar, it was the economic program of Prophet Muhammad which roused the Quraish. If he did not prohibited riba (Interest), left the Zakat System, did not equalize poor & rich, lord & slave and just gave the invitation of monotheism then it was quite possible that they accept it. The basic reason of their hostility was that Prophet Muhammad has given a unique economic system which was based on the equality of human being, and it was not acceptable to elite class of that time.

Another reason was that, Prophet had stopped the idolatry, but it was not so much important as compare to economic interests Taha Husayn (N.D). He had also given the examples of second caliph Ummer in which he has feed the poor people from Bait-ul-Mal and some other steps taken by him for the welfare state Taha Husayn(N.D.)

Muhammad Asad another Muslim modernist is in favor to provide equal opportunities to all members of state. It is the responsibility of the state to provide basic necessities of life because without it there is not any question of self respect and ego, neither real freedom and spiritual development is possible in its absence. It does not mean that government personally provides all these things to individual citizens, but it means the provision of equal opportunities to all citizens Mohammad Asad (1985). In this context he thinks that, it should be a constitutional responsibility of government Muhammad Asad (1985).

The name of G. A. Parwez in the list of Muslim modernist thinkers is unique in the sense that he has tried to present economic teachings of Islam in socialist style but failed to produce any Qur’anic and historical evidence in this regard, Farooq Aziz (2008).

The analysis of thoughts of these thinkers shows that at least in this context their approach is quite same as to orthodox school of thought. Both of them want to build a welfare state, but none of them did not feel the need to provide the answers of these basic questions, e.g.,

1. How this state will be build?
2. How the required resources for the welfare state will be generated?
3. How this state will work? etc.

Moreover the most crucial question is related to the elimination of feudalism, which is the root cause of all economic problems, none of them did not pay any attention for its elimination. Hence it can be said that Muslim modernist thinkers are also failed to produce any concrete solution of economic problems of Muslim Umma like orthodox thinkers.

Conclusion:

Muslim modernist thinker has tried to present the teachings of Islam in the light of reasoning, logic and present state of knowledge. Economic aspect is an important direction of their interest. They have highlighted the economic teachings of Islam. Most of them are agree that Islam wants to build a welfare state in which state will be responsible to provide basic necessities of life to its citizens but non of them provide the mechanism, resources and other details of this dream and did not provide the answer how this target will be achieved.
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Abstract
This study was conducted to analyze poverty and income inequality in Khyber Pakhtunkhwa of Pakistan during the year 2009. The research is based on cross-sectional data collected from one hundred and fifty households through field survey. Stratified random sampling technique was used to collect the relevant information from sampled respondents. The binary choice model was used to analyze the determinants of poverty. The results of the study conclude that 41 percent of people were found below the poverty line. Poverty in urban was found 37% while in rural, 43% of people were below the poverty line. On the basis of Gini coefficient and Kuznet ratios, high income inequality was found in the study area. The degree of income inequality is higher in rural as compared to urban. The results of the econometric model reveal that education and age of household head are significant and negatively correlated with poverty. Dependency ratio, household size and unemployment are also significant and have positive correlation with poverty. The results of the study show that education is necessary for better employment opportunities. It is suggested that government should provide education facilities to the people. It is also recommended to open skill development centre in the area to impart training and skills in various needed profession. Public and private sectors should also provide more employment opportunities to the people.
Key words: poverty, income inequality, unemployment, dependency ratio, household Size, probit model, logit model, Pakistan.

INTRODUCTION
The inadequacy of income to meet basic needs, low quality of life, denial of opportunities and choices basic to human development are different aspects of poverty. World Bank calculated an international poverty line by reference to the average of the national poverty lines in 15 of the world’s poorest countries. The United Nation Development Program has reported in 2007 that a person with less than $2 per day is considered poor and this measure of $2 is still being used as an international poverty line (World Bank, 2007). To eradicate poverty in Pakistan we have to fight with the causes and factors of poverty. Similarly, poverty cannot come to an end unless we will spend much larger share of our Gross Domestic Product (GDP) to the education sector. We have to open more primary and secondary schools especially in villages (Siddiqui, 2005). The number of Pakistani is now living below the poverty line has crossed the 62 million mark, according to the official statistics. The State Bank of Pakistan in its latest annual report on the economy explored that the World Bank’s task force on food security has estimated that the Head Count Ratio (HCR) regarding poverty increased in Pakistan to 33.8 percent in FY08 (fiscal year 2007-08) and 36.1 percent in FY09, projecting that 62 million people in the country now live below the poverty line.
The incidence of poverty varies between rural and urban areas, and from one province to the other. Poverty is widely and evenly distributed in the many mountainous parts of the country where communities are small, scattered and isolated, and where there are few major urban
centers. The rugged land and fragile system make cultivation difficult. Lack of access to markets and services has contributed to chronic poverty in these areas (Chaudhry et al., 2009).

Between mid-2008 and April 2009, at least 550,000 people left their homes in Federally Administered Tribal Areas (FATA) and North West Frontier Province due to increased insecurity. Since first half of 2009, armed conflict further intensified, leading to the mass displacement of over three million people. The majority of these Internally Displaced Persons (IDPs) are residing with host communities, while less than 20 percent live in camps. There are still 155809 people living in camps under the UNHCR and provincial government supervision (UNHCR, 2009).

Government of Pakistan has taken some strong initiatives to combat poverty and poverty reduction is at forefront of the government. These efforts include Benazir Income Support Program (BISP), Conditional Cash Transfer Program (CCTP), Child Support Program (CSP), Pakistan bait-ul-Mall (PBM) and many more like Sasti-Roti, Zakat Fund, Punjab Food Support Scheme, Tractor Subsidy Scheme, Peoples Works Program Microfinance Scheme, Vocational Training Centers etc. Under the Benazir Income Support program Rs.70 million are earmarked for disbursement to the needy persons (Pakistan Economic Survey, 2009).

World Bank and International Monetary Fund reports that more than 50 million additional people will live in extreme poverty in 2009. The International Labor organization projects that more than 30 million people will be unemployed in 2009 (Pakistan Economic Survey, 2009).

In country like America whose economy is very strong and stable but despite of it, the unemployment rate crossed a record level of more than 10%. As concerned to Pakistan the situation is quit worst. The economic growth has slowed down considerably during the last three years and huge hikes in prices of the goods have been witnessed from last few years. Unemployment rate touches the record level. A sharp decline has been observed in Karachi Stock Exchange Index. Pakistani rupees depreciated against dollar as a result our imports became too much expensive for us. The foreign debt considerably increased in last two years and now touches the $54 billion figure (State Bank of Pakistan, 2009).

A number of the studies have been undertaken to identify the core determinants of rural urban poverty in Pakistan but this study is the first and the most recent comprehensive analysis of rural urban poverty in Khyber Pakhtunkhwa. In this study there is an extensive discussion about the different norms commonly chosen to describe and quantify the extent of poverty in the study area. In addition, the poverty profile for rural and urban is also presented, with some discussion on the socioeconomic characteristics of the urban and rural poor. This study has the advantage of having access to the most recent data collected through questionnaire conducted by the authors.

MATERIALS AND METHODS

The Data

According to the nature of the objectives it is clear that the primary data as well as the secondary data were used. The whole district was divided in rural and urban areas. Data was collected from two Tehsils of district Kohat---Tehsil Kohat and Tehsil Laachi. Data was collected from one hundred and fifty respondents through Stratified Random Sampling Technique (SRST) for this research study.

A comprehensive interview schedule was prepared, consisting of different parts. Initially the researchers collected data on large number of socio-economic variables including age of household head and family members, tenancy status, household size, sex, education, working status of household head and members, working time, expenditure on edible and nonedible items, credit and debt situation of the households, income from all sources including jobs, business, rental income, agriculture, livestock, poultry, transfer income. Transfer income includes zakat, pension, disable benefit, social security benefit, gifts and scholarship. To check the validity of the interview schedule it was pre-tested in the area and corrected accordingly.
Rural people were interviewed personally at their homes, hujras, farms or shops, while urban people were interviewed at park, homes, garages and shops.

**Analytical procedure**

In the regression models, the response variables are used as quantititative but in this study the dependent variable is qualitative in nature i.e. the respondent may be poor or not which is the case of binary choices.

The logit model is a univariate binary model. That is, the dependent variable \( P_i \) takes the value of one or zero. In the present study the dependent variable \( P_i = 1 \) if respondent is poor and \( P_i = 0 \) if respondent is not poor. The independent variables \( x_i \) are household size, education of household head, age of household head, dependency ratio and unemployment. In this model the dependent variable is the log of the odds ratios, which is the linear function of regressors. For estimation we write as follows:

\[
\log(p_i) = \ln\left(\frac{p_i}{1-p_i}\right)
\]

(1)

\[
= \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \ldots + \beta_m x_m + u_i
\]

(2)

\[
P = \frac{1}{\sqrt{\pi}} + \sum_{i=1}^{m} \beta_i x_i + u_i
\]

(3)

Where \( \left(\frac{p_i}{1-p_i}\right) \) is simply the odds ratio in favor of a happening.

The probability function that underlies the logit model is the logistic distribution. The probability of \( Y = 1 \) can be computed at any level of \( X \), that increases with \( X \) but not linearly as in case of Linear Probability Model (LPM). If the data is available in the group form, we can use OLS for estimation, taking into account explicitly the heteroscedastic nature of error term. Otherwise, non-linear in the parameter estimating procedures are called for.

In statistics and econometrics, the probit model is a popular specification for a binary response model which employs a probit link function. This model is most often estimated using standard maximum likelihood procedure. Such estimation is called probit regression. Probit model was introduced by Chester Bliss in 1935, and a fast method for computing maximum likelihood estimates. Suppose response variable \( Y \) is binary, that is it can have only two possible outcomes which we will be denoted as 1 and 0. For example \( Y \) may represent presence/absence of a certain condition, success/failure of some device, answer yes/no on a survey, etc. We also have a vector of regressors \( X \), which are assumed to influence the outcome \( Y \). Specifically, we assume that the model takes form

\[
\Pr(Y = 1 | X) = \Phi(X'\beta)
\]

(4)

Where \( \Pr \) denotes probability and \( \Phi \) is the cumulative distributed function CDF of the standard normal distribution. The parameters \( \beta \) are typically estimated by maximum likelihood. It is also possible to motivate the probit model as a latent variable model. Suppose there exists an auxiliary random variable

\[
Y^* = X'\beta + \epsilon
\]

(5)

Where \( \epsilon \sim N(0, 1) \). Then \( Y \) can be viewed as an indicator for whether this latent variable is positive:

\[
Y = 1_{(y^*>0)} = \{1 \text{ if } Y^* > 0 \text{ i.e. } -\epsilon < X'\beta \}
\]

0 otherwise
The Empirical Model

In order to analyze the determinants of poverty, the binary choice model was used. The model is as under:

\[ \log(p_i) = \ln\left( \frac{p_i}{1 - p_i} \right) \] (6)

Where, \( p_i \) takes the value of zero or one. In the present study \( P = 1 \) if a household is poor, otherwise = 0.

And \( \frac{p_i}{1 - p_i} \) is the odds ratio in favor of happening. In case of binary choice model without log of odds ratios coefficient of the explanatory variables can’t be interpreted directly. By taking the log of odds ratios the coefficient of explanatory variable can be directly interpreted. Equation 6 can be written as:

\[ p_i = \beta_0 + \beta_1 HS_i + \beta_2 AHH_i + \beta_3 UE_i + \beta_4 DR_i + \beta_5 EHH_i + \varepsilon_i \] (7)

Where;

HS stands for household size,
AHH is the age of household head,
UE is the number of unemployed persons in a household,
DR is the dependency ratio and EHH is education of the household head.
\( \varepsilon_i \) is the error term which shows the variation in dependent variable due to other variables.

RESULTS AND DISCUSSIONS

Socio-economic Characteristics of the Sampled Respondents

This section provides different socio-economic characteristics of sampled respondents. This includes age of the household head, education of the household head, household size, unemployment and dependency ratio. First of all socio-economic characteristics are discussed for the whole district and then it is analyzed for rural and urban areas. According to economic theory as the household size increases the vulnerability to poverty rises. In district Kohat as a whole, the maximum members in a household was recorded as 28 ranging from 2 to 9.13. The average household size are 9.12 with 4.38 of standard deviation. Generally as the age of a household head increases the household will be less vulnerable to be poor. In this study it is calculated that the average age of a household head in district Kohat is 46.7 years with 14.83 of standard deviation. The maximum age of a household head in whole district is 90 years and the minimum is recorded as 16 years. The unemployment is directly related to poverty according to economic theory as it decreases per capita income and increases dependency burden. As a result the household will be more vulnerable to be poor (Shareef, 2006).

The average unemployment is 0.55 with 1.02 of standard deviation in 150 samples which can be interpreted such that one person is unemployed per two households with 1.02 of standard deviation in 150 samples. According to this result the maximum number of unemployed persons in a household is 7 and the minimum is 0 in the study area. Commonly in Pakistan and particularly in NWFP there is joint and even in some areas extended family system. One person earns and rest of the family enjoys. According to the study the average of the dependency ratio is 4.62 with 2.33 of standard deviation. The maximum dependent members in a household are recorded 13 and minimum is 1 member. As we know that education plays a very crucial role in the economic and social development of a territory. More the years of education of a household head the less will be the incident of poverty as economic theory reveals. This result shows that the mean of education of household head is 6.28 years with 5.89 of standard deviation. In district Kohat the maximum years of education of a household is observed 21 years and minimum is 0 in 150 samples of the study.
In urban areas of district Kohat the average household size is 8.3 with 3.68 of standard deviation. The maximum number in a household is 20 and the minimum is 2 in urban area of district Kohat. The average age of household head is recorded 44.5 years with 14.7 of standard deviation. The maximum age of a household head is observed 70 years while the minimum age is 16 years. The unemployment mean is calculated 0.42 with 0.86 of standard deviation. The result of the urban areas of this study shows that the maximum unemployed persons in a household are 4 while the minimum is 0 in 54 observations. The mean dependency ratio in urban areas of Kohat is 4.38 with standard deviation of 2. The maximum and minimum dependent persons are 12 and 1 members in household respectively. The mean of education of household head is higher in urban areas as compare to rural areas of the selected district that is 9.6 with 5.41 of the standard deviation in urban and in rural areas it is 4.39. In urban areas the maximum years of education is recorded as 21 years while the minimum is 0.

In the rural areas of district Kohat the situation is quite different. The average household size in rural areas is higher than urban areas. The mean of household size is 9.58 with 4.68 of standard deviation. The maximum members in a household are recorded 28 while the minimum are 2 in total 96 respondents from rural region of the district. The average age of household head is observed higher in rural areas than in urban areas. According to the results the average age of household head is calculated 47.98 years with 14.49 of standard deviation. In the rural areas the maximum age of a household is recorded 90 years while minimum is 18 year. Generally it is seen that the unemployment rate is greater in rural areas than in urban areas. In this study it is calculated that the mean of unemployment in rural is 0.625 which is greater than urban areas according to this study. In a household the maximum unemployed members are recorded 7. The average of dependency ratio in rural area of Kohat district is 4.74 with 2.46 of standard deviation which is closer to average of urban dependency ratio. The maximum dependent members in a household are 13 which are greater than the urban dependency ratio while the minimum dependent members are recorded 1 in a household of rural area. In the rural areas of Pakistan there is less opportunities of education definitely there will be less literacy rate. As this study observed that the mean of education of household head is 4.39 with 5.31 of standard deviation. The maximum years of education is calculated 16 years in urban areas of study district.

Table I. Results of Binary Choice Models

<table>
<thead>
<tr>
<th></th>
<th>Logit Model</th>
<th>Probit Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Iterations</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Log likelihood</td>
<td>-20.29231</td>
<td>-19.64835</td>
</tr>
<tr>
<td>LR statistic (5 df)</td>
<td>38.06851</td>
<td>39.35644</td>
</tr>
<tr>
<td>McFadden R-squared</td>
<td>0.484005</td>
<td>0.50038</td>
</tr>
</tbody>
</table>

Results of the probit and logit models are shown in Table 5.4. Logit model has eight iterations and probit model has seven iterations to produce the maximum likelihood estimates. The value of McFadden’s R², which is commonly used for the measuring of goodness-of-fit for binary choice models, is 0.48 for logit and 0.50 is for Probit models. McFadden’s R² in the range of 0.2 to 0.5 is classical for such model.
Table II. Marginal Probabilities and Maximum Likelihood Estimates of Probit and Logit Model

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-0.83061</td>
<td>1.98429</td>
<td>0.6755</td>
<td>-0.67129</td>
<td>1.07578</td>
<td>0.5326</td>
</tr>
<tr>
<td>Age</td>
<td>-0.10260***</td>
<td>0.03857</td>
<td>0.0078</td>
<td>-0.05432***</td>
<td>0.02104</td>
<td>0.0098</td>
</tr>
<tr>
<td>Dependency ratio</td>
<td>0.28442*</td>
<td>0.15816</td>
<td>0.0721</td>
<td>0.17537**</td>
<td>0.08655</td>
<td>0.0427</td>
</tr>
<tr>
<td>Education</td>
<td>-0.27469**</td>
<td>0.12665</td>
<td>0.0301</td>
<td>-0.14853**</td>
<td>0.0699</td>
<td>0.0338</td>
</tr>
<tr>
<td>Household Size</td>
<td>0.12877*</td>
<td>0.08446</td>
<td>0.1273</td>
<td>0.06859*</td>
<td>0.04663</td>
<td>0.1412</td>
</tr>
<tr>
<td>Unemployment</td>
<td>0.78594***</td>
<td>0.32372</td>
<td>0.0152</td>
<td>0.42563***</td>
<td>0.18135</td>
<td>0.0189</td>
</tr>
</tbody>
</table>

***, **, * show significant at 1%, 5% and 15% level respectively.

The estimated results of the logit and probit models are given in above Table 5.5. Five variables were regressed using logit and probit models; of which all variables are significant in case of both probit model and logit model. The results of both logit and probit models are almost similar to each other.

**Age of Household Head**

Age of household head has negative relationship with poverty. As the age of household head increases, poverty decreases both in the logit and probit models. According to first hypothesis age of household head and poverty has negative correlation with each other. Osinubi (2003) also found the negative relationship between the age of household head and poverty. According to economic theory, as the age of household head increase he gets experience and more chances of getting good job. As a result income increases and leads to resistant against poverty. But up to a specific limit as the age of household head increase he will get retired and will not be able to do a job and to raise income to defend poverty.

**Dependency Ratio**

Dependency ratio has the result according to our second hypothesis that is dependency ratio and poverty has positive correlation. As the dependent members in a household increase, the burden of feeding more persons increases with a limited income. Yusuf et al. (2008) found that larger the dependency ratio of a household, the more likely that the household will be poor. In dependency ratio we include child under the age of 14 years, old people above 64 years and female under the age of 14 years to 64 years at home but not working.

**Education of Household Head**

Education of household head has also a strong impact on poverty. From the third hypothesis it was hypothesized that education of household head affects poverty negatively. There is more jobs opportunities for more educated and a high qualified person and vice versa. Because higher the level or number of years of schooling, the better-exposed one is and also more enlightened. Hence one is adequately informed to devote a sizeable amount of the household income to basic need to maintain a particular standard of living suitable to his level of educational standard. Secondly, income and educational status tends to move together in the same direction. Therefore, with improvement in the level of education, one is better placed in terms of income generation and therefore purchasing power of the person well increased and thereby improving his standard of living and defends against poverty. This is also justified by the research conducted in Uganda (2002) that Households with heads who were better educated were less poor than those having less education.
Household Size
Household size has also a strong impact on poverty. As the size of a family increases, the family needs also increases and it is required high income to satisfy their wants and necessities. It is the voice of the mass “Chota khandan zandagi asan”. From the research it is justified that the household size has a negative impact on poverty. As the household size increases poverty also increases. The study of the Okurut et al. (2002) also found that large household size can impact poverty positively.

Unemployment
In the results unemployment has a very strong effect on poverty and is according to our fifth hypothesis it is positive correlated with poverty. Unemployment is a key factor of poverty to boost it. In our study area most of the people has no standard education and skill due to which it is difficult to find a formal or permanent job. Like the fifth hypothesis that unemployment correlation with poverty is negative, study conducted by Crandall and Weber (2005) also confirms that Local employment growth does appear to trickle down to the poor. One of the reasons of unemployment in our study area is that people have not access to job available outside of their area.

Income Inequality and Poverty
It is a situation where less people have more resources and more people has fewer resources in a society. Inequality can be calculated not only for income but also for land, assets and other resources. The present study focuses on income inequality which is positively correlated to poverty.
This section through light on income inequality between the rural and urban areas of district Kohat. According of Todaro income inequality has indirect positive impact on poverty. The direct impact of income inequality on poverty is ambiguous. Inequality has impact on economic growth, income per capita, accessibility, inefficient allocation of resources and saving. These entire variables have some impact on poverty. First, in equality is calculated through Income Distribution Tables, Lorenze Curve, Kuznet Ratio and Gini coefficient and then the impact of income inequality on poverty through economic growth, income per capita, accessibility, inefficient allocation of resources and saving is shown. Table III to Table IV are concerned with income distribution of whole district Kohat, urban Kohat as well as Rural Kohat calculated from household survey of district Kohat in 2009.

Table III. Distribution of income in District Kohat

<table>
<thead>
<tr>
<th>Households (Percent)</th>
<th>Cumulative Frequency of Households (Percent)</th>
<th>Total Income</th>
<th>Share of Total Income (Percent)</th>
<th>Cumulative Frequency of Income (Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest 16.67</td>
<td>16.66</td>
<td>181433.33</td>
<td>247</td>
<td>2.37</td>
</tr>
<tr>
<td>Next Lowest 16.67</td>
<td>33.33</td>
<td>388323.83</td>
<td>5.06</td>
<td>7.44</td>
</tr>
<tr>
<td>Middle 16.67</td>
<td>50</td>
<td>577504.17</td>
<td>7.54</td>
<td>14.97</td>
</tr>
<tr>
<td>Next Middle 16.67</td>
<td>66.67</td>
<td>797558.58</td>
<td>10.40</td>
<td>25.38</td>
</tr>
<tr>
<td>Highest 16.67</td>
<td>83.34</td>
<td>1183075.6</td>
<td>15.44</td>
<td>40.82</td>
</tr>
<tr>
<td>Next Highest 16.67</td>
<td>100</td>
<td>4534195.8</td>
<td>59.18</td>
<td>100</td>
</tr>
</tbody>
</table>

There is high income inequality in Kohat district as the share of lowest 16.67 percent household in total income of district Kohat is only 2.36 percent and the share of next lowest 16.67 percent household is only 5.06 percent. Collectively the two lowest groups (33.33 percent lowest household) possess only 7.36 percent share in total income.
The share of middle 16.67 percent household in total income of district Kohat is only 7.53 percent and the share of next middle 16.67 percent household is only 10.41 percent. Collectively
the two middle groups (33.33 percent middle household) possess only 17.94 percent share in total income.

The share of highest 16.67 percent household in total income of district Kohat is 15.44 percent and the share of next highest 16.67 percent household is 59.17 percent. Collectively the two highest groups (33.33 percent highest household) possess 74.61 percent share in total income. The table clarified that only highest 16.67 percent household possesses over half of the total income.

A common measure to analyze inequality graphically is known as Lorenz curve. The 45 degree line shows that the total income is equally distributed among the households. The bended curve is known as Lorenz curve and shows unequal distribution of income. Greater the difference between the 45 degree line and Lorenz, greater well be the inequality.

The numbers of households are plotted on the horizontal axes and income of these households on the vertical axes, not in absolute form but in cumulative form. For example the first point at the horizontal axes represents 16.66 percent of the bottom households. The next point shows 33.33 percent of the bottom households and the sixth point represents the 100 percent of the households which are 150. Similarly first point on the vertical axes represents 16.66 percent of the total income, second point shows 33.33 percent of the total income and the last point shows 100 percent or total income.

**Figure I. Lorenz Curve, Showing Income Inequality for District Kohat**

![Lorenz Curve](image)

Source: Field Survey, 2009

**Table IV. Distribution of Income in Kohat urban.**

<table>
<thead>
<tr>
<th>Households (Percent)</th>
<th>Cumulative Frequency of Household (Percent)</th>
<th>Total Income</th>
<th>Share of Total Income (Percent)</th>
<th>Cumulative Frequency of Income (Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest 16.67</td>
<td>16.66</td>
<td>80390</td>
<td>2.96</td>
<td>2.96</td>
</tr>
<tr>
<td>Next Lowest 16.67</td>
<td>33.33</td>
<td>166663.33</td>
<td>6.14</td>
<td>9.09</td>
</tr>
<tr>
<td>Middle 16.67</td>
<td>50</td>
<td>230980.67</td>
<td>8.50</td>
<td>17.60</td>
</tr>
<tr>
<td>Next Middle 16.67</td>
<td>66.67</td>
<td>331050</td>
<td>12.19</td>
<td>29.89</td>
</tr>
<tr>
<td>Highest 16.67</td>
<td>83.34</td>
<td>472087.33</td>
<td>17.38</td>
<td>47.17</td>
</tr>
<tr>
<td>Next Highest 16.67</td>
<td>100</td>
<td>1434632.5</td>
<td>52.82</td>
<td>100</td>
</tr>
</tbody>
</table>
Kohat urban is also characterized by high income inequality as the share of lowest 16.67 percent household in total income of Kohat urban is only 2.96 percent and the share of next lowest 16.67 percent household is only 6.14 percent. Collectively the two lowest groups (33.33 percent lowest household) possess only 9.1 percent share in total income. The share of middle 16.67 percent household in total income of Kohat urban is only 8.50 percent and the share of next middle 16.67 percent household is only 12.19 percent. Collectively the two middle groups (33.33 percent middle household) possess only 20.69 percent share in total income. The share of highest 16.67 percent household in total income of Kohat urban is 17.38 percent and the share of next highest 16.67 percent household is 52.82 percent. Collectively the two highest groups (33.33 percent highest household) possess 70.2 percent share in total income. The table clarified also that in Kohat urban only highest 16.67 percent household possesses over half of the total income.

![Lorenz Curve, Showing Income Inequality for Kohat Urban. Source: Field Survey, 2009](image)

**Figure II.** Lorenz Curve, Showing Income Inequality for Kohat Urban.  
Source: Field Survey, 2009

<table>
<thead>
<tr>
<th>Households (Percent)</th>
<th>Cumulative Frequency of Household (Percent)</th>
<th>Total Income</th>
<th>Share of Total Income (Percent)</th>
<th>Cumulative Frequency of Income (Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest 16.67</td>
<td>16.66</td>
<td>102023.33</td>
<td>2.06</td>
<td>2.06</td>
</tr>
<tr>
<td>Next Lowest 16.67</td>
<td>33.33</td>
<td>225393</td>
<td>4.55</td>
<td>6.63</td>
</tr>
<tr>
<td>Middle 16.67</td>
<td>50</td>
<td>348271</td>
<td>7.04</td>
<td>13.66</td>
</tr>
<tr>
<td>Next Middle 16.67</td>
<td>66.67</td>
<td>471186.33</td>
<td>9.53</td>
<td>23.18</td>
</tr>
<tr>
<td>Highest 16.67</td>
<td>83.34</td>
<td>701821.33</td>
<td>14.18</td>
<td>37.37</td>
</tr>
<tr>
<td>Next Highest 16.67</td>
<td>100</td>
<td>3097592.5</td>
<td>62.62</td>
<td>100</td>
</tr>
</tbody>
</table>

Kohat rural is also characterized by high income inequality. In Kohat rural income inequality is high then in Koht urban. The share of lowest 16.67 percent household in total income of Kohat rural is only 2.06 percent and the share of next lowest 16.67 percent household is only 4.55 percent. Collectively the two lowest groups (33.33 percent lowest household) possess only 6.61 percent share in total income.
The share of middle 16.67 percent household in total income of Kohat rural is only 7.04 percent and the share of next middle 16.67 percent household is only 9.52 percent. Collectively the two middle groups (33.33 percent middle household) possess only 16.56 percent share in total income.

The share of highest 16.67 percent household in total income of Kohat rural is 14.18 percent and the share of next highest 16.67 percent household is 62.62 percent while in Kohat rural it is 52.82 percent. Collectively the two highest groups (33.33 percent highest household) possess 76.8 percent share in total income while in Kohat urban it is 70.2 percent.

**Figure III. Lorenz Curve, Showing Income Inequality for Kohat Rural.**

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**Source:** Field Survey, 2009

**Gini Coefficient : The Measures of Income Inequality**

Mathematically inequality can be explained by Gini concentration ratio which takes the values between 0 and 1. It is also known as Gini coefficient, named after the Italian statistician who in 1912 first formulated it. If value of Gini co-efficient values is 1 it means complete inequality and in case of 0 mean complete equality. Further, greater the value of Gini coefficient greater will be inequality. The value of Gini coefficient is calculated as the area between 45 degree line and Lorenz curve divided by area of the triangle (area between 45 degree line and the horizontal axes).

**Table VI. Gini Coefficient for District Kohat**

<table>
<thead>
<tr>
<th>Region</th>
<th>Gini Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kohat Urban</td>
<td>0.4</td>
</tr>
<tr>
<td>Kohat Rural</td>
<td>0.6</td>
</tr>
<tr>
<td>Whole District Kohat</td>
<td>0.5</td>
</tr>
</tbody>
</table>

The value of Gini coefficient shows that the degree of income inequality in urban areas of Kohat is low then in the rural areas.
The Measure of Income Inequality (Kuznet Ratio)

A commonly used mathematical measure of income inequality is a Kuznets ratio. The Kuznets ratio is calculated as ratio of different bottom classes to the top one. This study calculated the ratio of bottom 16.66 percent, 33.33 percent, 50 percent, 66.66 percent and 83.34 percent. In each case greater value of Kuznets ratio represent high income inequality and small value represents low income inequality.

Table VII. Summary of Kuznet Ratio

<table>
<thead>
<tr>
<th>Kuznets Ratios</th>
<th>Kohat Urban</th>
<th>Kohat Rural</th>
<th>District Kohat</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio of the income of top 16.66% of households to bottom 16.66%</td>
<td>17.8</td>
<td>30.4</td>
<td>25</td>
</tr>
<tr>
<td>Ratio of the income of top 16.66% of households to bottom 33.33%</td>
<td>5.8</td>
<td>9.5</td>
<td>7.96</td>
</tr>
<tr>
<td>Ratio of the income of top 16.66% of households to bottom 50%</td>
<td>3</td>
<td>4.6</td>
<td>3.9</td>
</tr>
<tr>
<td>Ratio of the income of top 16.66% of households to bottom 66.66%</td>
<td>1.8</td>
<td>2.7</td>
<td>2</td>
</tr>
<tr>
<td>Ratio of the income of top 16.66% of households to bottom 83.34%</td>
<td>1.12</td>
<td>1.7</td>
<td>1.4</td>
</tr>
</tbody>
</table>

In the given table Kuznets ratios shows that there is a huge income inequality in district Kohat and the income inequality in Kohat rural is higher then in Kohat urban as Kuznets ratio for Kohat rural is greater then for Kohat urban for all groups. The Kuznets ratio for bottom 16.66 percent households in Kohat urban is 17.84 which shows that the income of top 16.66 percent households is 17.84 times greater than that of the lowest 16.66 percent households while for Kohat rural Kuznets ratio for the lowest 16.66 percent household is 30.36, showing that the income of top 16.66 percent households is 30.36 times greater than that of the lowest 16.66 percent. In the whole district of Kohat the top 16.66 percent households receives 25 time’s greater income than those of the lowest 16.66 percent households. In all Reagan Kohat urban, Kohat rural and in the whole district of Kohat income of the top 16.66 percent households is 5.8 times, 9.46 times and 7.95 times of the lowest 33.33 percent households respectively. Collectively the bottom 50 percent household also receives less income than the top 16.66 percent households and the Kuznets ratio is 3 times, 4.58 times and 3.95 times for Kohat urban, Kohat rural and whole district respectively. The income of the top 16.66 percent households is also greater then the bottom 66.66 percent and 83.34 percent households in all Reagan and the Kuznets ratio for these groups can be explained in similar way as discussed above. To show the relationship between rural urban inequality and poverty, first, nested structure of poverty urban, rural as well as for whole district Kohat and then is linked to inequality.
Total surveyed households in district Kohat are 150 and total population in these households is 1369. These surveyed households are divided into two groups’ poor and non poor. The poor households are 62 or 42.33 percent and in population perspective out of 1369, 562 people or 41.05 percent are poor. Non poor households are 88 or 58.66 percent and in population perspective out of 1369, 807 or 58.95 people are non poor.

**Figure V. A NESTED STUCTURE OF POVERTY STATUS IN URBAN KOHAT**

Total Households = 54
Total Population = 456

Non Poor
- Total Households = 36
- Households Percent = 66.67
- Total Population = 287
- Population Percent = 63

Poor
- Total Households = 18
- Households Percent = 33.33
- Total Population = 169
- Population Percent = 37
In 150 households 54 are living in urban areas of which poor households are 18 or 33.33 percent and in population perspective out of 456, 169 people or 37 percent are poor. Non poor household are 36 or 66.66 percent and in population perspective out of 456, 287 or 63 people are non poor.

Figure VI.A NESTED STUCTURE OF POVERT

```
Total Households = 96
Total Population = 913

Non Poor
Total Households = 52
Households Percent = 54
Total Population = 520
Population Percent = 57

Poor
Total Households = 44
Households Percent = 46
Total Population = 393
Population Percent = 43
```

96 households out of 150 are living in rural areas of which poor households are 44 or 46 percent and in population perspective out of 913, 393 people or 43 percent are poor. Non poor household are 52 or 54 percent and in population perspective out of 913, 520 or 57 people are non poor. Keeping in view above information it is concluded that poverty is more in rural areas then in urban areas as poor households are.

As discussed previously that income inequality has indirect positive impact on poverty. The direct impact of inequality on poverty is ambiguous. Inequality has impact on economic growth, income per capita, accessibility, inefficient allocation of resources and saving. These entire variables have some impact on poverty.

**Income Inequality, Economic Growth, Income Per Capita and Poverty**

Todaro suggested that high income inequality and rapid economic growth does not necessarily worsen each other. South Korea and Taiwan achieved rapid economic growth rate and also improved the distribution of income while Panama and Mexico grew faster but income distribution in these economies is deteriorated. Low rate of economic growth in India, Peru and Philippines is accompanied by the deterioration of income distribution. And yet Sir Lanka, Colombia and Costa Rica with low rate of economic growth has improved the economic wellbeing of their low income population. So the correlation between income inequality and economic growth is ambiguous.

Economic growth and poverty are mutually conflictive objectives and the relationship between economic growth and poverty does not itself indicate causality. According to World Bank Report, 1990 rapid decline in poverty are consistent with sustained poverty. China achieved highest growth rate in the world over the last twenty years and experienced a dramatic reduction in poverty. Over the period of 1987 to 1998 the head count ratio in china has decrease from 303.4 million to 213.2 million. But this is not solely due to economic growth. China through the
help of World Bank adopted long term policies and provided at least minimal education and improved health facilities to its population. If an economy grows fast but inequality is not treated then poverty can not be reduced. The correlation between inequality and economic growth is itself ambiguous so the economic growth is dropped down from the present study.

Households with higher income per capita are more probable to be above the poverty line as high income per capita makes it possible of meet basic needs. The data on the following developing countries shows that correlation of the degree of inequality with income per capita is ambiguous as shown in the following table.

**Table VIII. Per Capita Income and Inequality in Developing Countries, 1990s**

<table>
<thead>
<tr>
<th>Country</th>
<th>GNP Per Capita 1996(U.S.S)</th>
<th>Income Share of Lowest 40% of Households</th>
<th>Ratio of Highest 20% to Lowest 20%</th>
<th>Gini Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>260</td>
<td>22.9</td>
<td>4</td>
<td>0.28</td>
</tr>
<tr>
<td>Kenya</td>
<td>320</td>
<td>10.1</td>
<td>18.3</td>
<td>0.58</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>740</td>
<td>22</td>
<td>44</td>
<td>0.3</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1080</td>
<td>20.4</td>
<td>50.1</td>
<td>0.34</td>
</tr>
<tr>
<td>Philippines</td>
<td>1160</td>
<td>15.5</td>
<td>8.4</td>
<td>0.43</td>
</tr>
<tr>
<td>Jamaica</td>
<td>1600</td>
<td>16</td>
<td>8.2</td>
<td>0.41</td>
</tr>
<tr>
<td>Paraguay</td>
<td>1850</td>
<td>8.2</td>
<td>27.1</td>
<td>0.59</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>2640</td>
<td>12.8</td>
<td>12.9</td>
<td>0.47</td>
</tr>
<tr>
<td>Malaysia</td>
<td>4370</td>
<td>12.9</td>
<td>11.7</td>
<td>0.48</td>
</tr>
<tr>
<td>Brazil</td>
<td>4400</td>
<td>8.2</td>
<td>25.7</td>
<td>0.6</td>
</tr>
</tbody>
</table>

Column 2 represents income per capita of the given ten developing countries, column 3 represents share of lowest 40% of households in the total income of the economy. The larger ratio in column 3 indicates that low degree of inequality. Column 4 represents how much income the highest 20% of households receive as compared to lowest 20% households. This ratio is known as Kuznets ratio and can be calculated for any bottom of households percent. In each case larger Kuznets ratio is the indication of high degree of inequality. The larger value of Gini coefficient in column 5 represents high degree of inequality. The income per capita of Brazil is six times greater then that of Sir Lanka and has high income inequality as clear from all the three measures of inequality. Share of 40% of households in the total income of the Sir Lankan economy is 22 percent and in Brazil it only 8.2 percent. Income of highest 20 percent of households in Sir Lanka is 44 times of the lowest 20% of households while in Brazil income of highest 20 percent of households is 25.7 times of the lowest 20% of households. The Gini coefficient for Brazilian economy is 0.60 and for Sir Lankan economy is 0.30 which indicates that Brazil has high degree of inequality. Similarly income per capita of Paraguay is seven times greater then that of Bangladesh but has high inequality then Bangladesh. Conversely income per capita of Malaysia is 65% greater then that of Costa Rica but the inequality measure for both countries are not much differ showing same inequality. Therefore income inequality and level of income per capita are not strongly correlated and thus income inequality does not affect poverty through level of income per capita.

In the present study income inequality is negatively correlated to level of income per capita and thus increase the incidence, severity and depth of poverty both in urban and rural areas of Kohat as shown in the following table.

**Table IX. Monthly Per Capita Income and Inequality in District Kohat, 2009**

<table>
<thead>
<tr>
<th>Region</th>
<th>GNP Per Capita,2009(Rs)</th>
<th>Income Share of Lowest 50% of Households</th>
<th>Ratio of Highest 16.66% to Lowest 16.66%</th>
<th>Gini Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kohat urban</td>
<td>7140.80218</td>
<td>8.5</td>
<td>17.84</td>
<td>0.4</td>
</tr>
<tr>
<td>Kohat rural</td>
<td>7073.59314</td>
<td>7.04</td>
<td>30.36</td>
<td>0.6</td>
</tr>
<tr>
<td>Whole District Kohat</td>
<td>7097.7884</td>
<td>7.53</td>
<td>25</td>
<td>0.5</td>
</tr>
</tbody>
</table>
Per capita income in Kohat urban is greater than in Kohat rural but all the measure of inequality shows that the degree of income inequality in Kohat urban is low than in Kohat rural as the share income of lowest 50% of households in Kohat urban is greater than in Kohat rural. Ratio of highest 16.66 percent of households to lowest 16.665 percent in Kohat urban is less than in Kohat rural showing low degree of inequality. The Gini coefficient for Kohat urban is less than for Kohat rural showing low level of inequality. So income inequality has strong positive impact on poverty, through its negative impact on income per capita in case of district Kohat.

Income Inequality, Accessibility and Poverty
In case of high income inequality smaller portion of population will have access to loan and other sources and the low income households will be less educated and will be unable to educate their children, qualify for loan to start or expand business. Moreover, rich well have strong political power in the situation of high inequality which will be used to generate outcomes favorable to them and the poor population will be ignored. In this situation poor will become poorer and rich well become richer and the circle of inequality well be more accelerated and poverty will further increase (Todaro and Smith, 2004). In the case study of district Kohat, the impact of inequality on poverty through accessibility is viewed same as discussed above. This conclusion is derived not quantitatively but from the opinion of surveyed households through questionnaire.

Income Inequality, Inefficient Allocation of Resources, Saving and Poverty
Inequality is related to inefficient allocation of resources as high inequality lead to an overemphasis on higher education at the cost of universal primary education which leads to further inequality in income. Further, years of education is subjected to diminishing return means that if a person gets more and more education his income will increase but the every successive increase will be less then the increase in income with previous increase in year of education. With reallocation of resources whole population will be able to get a standard and equal education and the return on education in this case will be high then in case of inequality which will helps to reduce poverty. Saving is a source to invest, generate employment and expand production to alleviate poverty. Moreover the greater the income inequality smaller will be the saving rate in the economy because rich households saves small fraction of their income as rich household spent large portion of there income on gold, tourism, imported luxury goods and expensive houses etc, which results in inefficient allocation of resources. Besides landlords, politicians, tycoon and other rich classes save abroad for safety in the form of capital flight. Such saving neither generates employment nor expands production in the economy. Saving fraction among middle class is highest but in case of high income inequality the portion of middle class in the economy is small.

Table X. Income Inequality, Saving and Poverty

<table>
<thead>
<tr>
<th>Region</th>
<th>Gini Coefficient</th>
<th>Saving as a Percentage of Total Income</th>
<th>Poor Households Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kohat Urban</td>
<td>0.4</td>
<td>40</td>
<td>33.33</td>
</tr>
<tr>
<td>Koah Urban</td>
<td>0.6</td>
<td>19</td>
<td>46</td>
</tr>
<tr>
<td>Whole District Kohat</td>
<td>0.5</td>
<td>33</td>
<td>41.33</td>
</tr>
</tbody>
</table>

Kohat urban with low degree of income inequality has high saving and low poverty while Kohat rural with high degree of income inequality has low saving and high poverty which also shows that resources with high degree of inequality are inefficiently utilized. Thus it concluded that inequality has indirect positive impact on poverty through inefficient allocation of resources and low saving rate.
CONCLUSIONS AND RECOMMENDATIONS
The study has examined the nature and causes of poverty and inequality in district Kohat. In the rural areas average level of poverty was 43% while in urban areas it was 37%. 16% of population holds above 50% wealth. Poverty is more in rural areas than in urban areas of district Kohat. Age and education of household head has negative significant impact on poverty as both age and education increases experience, productivity and thus employment opportunities and income. Households with heads who were better educated were less poor as compared to non-educated. Household size, dependency ratio and unemployment are also major determinants of poverty. Poverty is positively correlated to household size as it increases the dependency burden of the households. Dependent and unemployed persons are unproductive and generate no income and thus increase poverty. The impact of all these on poverty is significant and is same to Shareef, Choudry et al, Gemberdlin and Ghozouni. It is clear that poverty cannot be eliminated altogether. It can only be controlled and brought to reasonable level. The degree of income inequality is high in rural areas than in urban areas. Inequality has indirect positive impact on poverty both in urban and rural areas of district Kohat. Inequality results in inefficient allocation of resources, low saving rate, low income per capita, worsens accessibility situation and thus increase poverty.

RECOMMENDATIONS
On the basis of research findings, the following recommendations are forwarded to reduce rural-urban poverty and inequality in general and particularly in the study area:

i. The education system of the rural areas be improved and be make easy and cheap to come to the access of the poor families. This can provide a permanent source of income and increase the chances of getting jobs.

ii. Health consume major portion of the income. Government should provide a suitable and a cost free health facility. As this portion of income become saved and play a role in reducing poverty.

iii. Unemployed is a major cause of poverty, Government should provide a job opportunities by starting a small scale industries and business enterprises to give a suitable likelihood to these unemployment person of the family.

iv. Allocation of resources should be improved, especially in rural and urban areas. Like in Karak gas project poor people should be given a quota.

v. Social welfare programmed like Benazir Income Support Programmed (BISP) be making efficient and increase its benefits so, as to reduce the incidence of poverty.

vi. We have manpower and we have talent it is recommended to set up skill development centers in rural areas to provide training and skills to the needed professions.

vii. Small firm farmers needed cash, micro financing as a vital tool of poverty alleviation and employment. It is recommended to be intensified in the rural areas to needy people.
References


Pain – Pleasure Theory of Motivation

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Abstract
The pain pleasure theory of motivation is based upon the assumption that human nature seeks pleasure and avoids pain. One is never comfortable in painful situation and in order to get rid of that painful situation, the individual puts efforts to come out and seeks pleasure. Level of efforts put to avoid pain indicates motivation level. In order to support the assumption, a scale indicating 5 different stages i.e. 20, 40, 60, 80, & 100 was developed. These stages indicate pleasure level of an individual. According to the theory, if an individual reaches the stage of 20 and gets stuck at this stage, either he will show his satisfaction or dissatisfaction. In case of satisfaction, he will not put anymore effort to reach next stage, he will be happy whatever he has got. In case of dissatisfaction, he is going to face two situations; he will put more efforts to reach next stage and may manage to reach the target stage; otherwise, his dissatisfaction would lead towards anxiety and depression. This psychological state would further lead towards two behavior patterns; either he will go to seek medical help or his psychological disorders will get intensified which will finally lead towards abnormal behavior patterns.
Keywords: Pain ; Pleasure Theory of Motivation

Introduction
One of the best possible foundations of every business is motivated enthusiastic and motivated work force. Without motivated workers, a business may survive but can not do extraordinarily well. Much of the manual work has been taken over by computers but despite such developments, we need motivated employees to operate and control these machines & robots. Motivation being evergreen topic in management sciences, is still studied and researched with the same zeal and devotion as used to decades and centuries ago.
The word “Motivation” derived from a Latin word “Movere” to move, has been defined in the following way:

- Arousal of needs
- Intensity of that aroused behavior
- Direction of that aroused behavior
- Maintenance of that aroused behavior

It refers to arousal, intensity, direction and persistence of efforts directed towards job tasks over a period of time (Futrell 1998, P.461). There is always motivation behind every achievement. People strive through out their lives to get comforts and pleasures. But to get pleasure, one has to go through pains because it is better to be in pain for a short while than to remain in pain for a long time.

Motivation can therefore be thought of as the degree to which an individual wants and chooses to engage in certain behaviors. So it may be stated that individual behavior is at the heart of human motivation.

The basic motivation process is based upon the following model (Luthans, 2002, P. 249):

Need__________Drives__________Incentives

Need is created whenever there is a physiological and psychological imbalance.

Drives are set up to alleviate needs, needs for water and food are translated into thirst and hunger drives. Need for friends becomes drive for affiliation.

Incentives restore physiological and psychological balance, following the above example, water, food and friends become incentives.

Since every individual has a set of needs and a different set of goals, individuals behave in a way as to satisfy their needs and to fulfill their goals. Therefore, individuals behave differently. So the reason why do we need to develop another theory of motivation is to know the extent to which the factors affecting an individual’s life differ as we move on to different stages of life.

The Pain- Pleasure Theory of Motivation is based upon the assumption that human nature seeks pleasure and tends to avoid pain. The theory provides us the basis and helps us to evaluate the importance of different factors involved in motivation phenomena. This theory may also help us to raise the standard of living as we see different scenarios at different stages. Pain and Pleasure are characteristics of a very distinct evaluation that is generally perceived with emotions, desires and bodily sensations, thus particular feelings are associated with the two states and this is not controversial rather the understanding of these emotions is controversial.

**Theory Elaboration**

The Pain - Pleasure Theory of Motivation is based on the assumption that “human nature seeks pleasure and avoids pain”. The level of effort put to avoid pain indicates his motivation level. The theory can be best explained with the help of following model.
At one extreme end we have pain and at the other extreme end we have pleasure. It is human nature that it tries to achieve pleasure by putting some effort. In order to reach high levels of pleasure stage it has to pass through different stages.
Stages:

We have divided these stages as follows:

1) Stage 20
2) Stage 40
3) Stage 60
4) Stage 80
5) Stage 100

If a person gets stuck at any of these stages then he faces two scenarios. Either he is contented at that stage and remains there. If he is dissatisfied and is too ambitious to reach the next state of pleasure but doesn't have the capacity to do so, he would develop anxiety. When a person has constant anxiety leading to depression that situation would lead to two types of situations: either he would go for psychiatry consultation / medical help or his psychological disorders will get intensified which will finally lead towards abnormal
behavior patterns. He may develop criminal inclinations starting from snatching and stealing to high level planned robberies.

It has generally been observed that the stage of committing crimes comes at either stage 20 or close to 40. As the individual moves up, the tendency of the person to commit crimes decreases.

Diagram shows that tendency to commit crime decreases as we move

On top.

Let us have a look at the factors affecting an individual’s life.
Assumptions

1. The individual is in pain without basic needs.
2. 100% pleasure is the absolute one and one can only dream about that.
3. Those who reach the stage of 20 (having basic needs fulfilled), will face either of the two situations: contentment or dissatisfaction. Those showing contentment would get stuck at this stage; those showing dissatisfaction would either develop depression / anxiety or they will put more efforts to jump at next stage.
4. The same explanation applies to stages 40, 60, and 80.
5. If they manage to jump at the next stage, they will have sense of achievement.
6. If they remain in anxiety / depression stage, that would lead to the development of two types of behavior patterns; either one would go for medical treatment to psychiatrist and would get himself treated or his psychological disorders will get intensified which will finally lead towards abnormal behavior patterns.

Graphic Elaboration of Different Stages
Stage 20

At this stage the maximum score has been given to Food, Shelter, and Family. Whereas Clothing, Health, and Friends constitute the rest of the points / marks. At this stage the person has no points for job, professional life, education and wealth. However in order to move to next stages, he puts more efforts and tries to reach the stage of 40.
Stage 40:

Stage 40 is the stage where the person has acquired all basic facilities and now wants to add luxuries to his life. Many people get stuck at this stage and few manage to reach the stage of 60. At this stage, the max score goes to Food, Shelter, and Family. Next to these we have ranked health followed by clothing, friends, education, job, wealth and professional life.

Stage 60:

Those who managed to reach the stage of 60, have raised their standard of living. Here the max score goes to Food, Shelter, and Family followed by health, education, clothing and friends, job and then finally comes to the factors wealth and professional life. Those who managed to reach this stage achieve a level of contentment. This stage is considered to be the most desirable stage.
Stage 80:

This stage is an ideal one. Very few people manage to reach this stage. At this stage the person is quite satisfied as when we look at the rankings the max score has been given to Food, Shelter, Family and health followed by clothing, wealth, and the remaining factors.

Stage 100:

This is the last and an ideal stage. One can only dream about it. At this stage all factors have been given max score of 10. It is a rare phenomena.
Conclusion

Behavior scientists at different times proposed different theories on motivation; almost all scientists believe that people are motivated towards their different goals by their internal urge to do something & that urge is “motivation”. All motivation theories have their strengths and flaws, but they do give us an insight into some of the factors and mechanisms which play an important role in motivation phenomena. The Pain-Pleasure Theory of Motivation describes the significance of efforts put by an individual to avoid pain. The level of efforts put to avoid pain indicates the motivation level of an individual. Because of the curious nature, human beings keep putting efforts to reach heights of pleasure. In case of failure, they become dissatisfied and their dissatisfaction leads to abnormal behavior patterns.

References

Attitude Measurement and Testing: An Empirical Study of Kalash People in Pakistan

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Abstract

The study was designed to examine the attitude of Kalash People (a primitive and orthodox community considered to be the offspring of The Alexander, The Great, residing in the remote valleys of the North-West of Pakistan) towards the formal education of their children. Following hypothesis was formulated; the more the frequency of interaction of Kalash people with non-Kalash, the more will be their favorable attitude towards the formal education of their children. Data was collected through a structured interview schedule (developed by the researcher for this specific research) from the heads of Kalash families residing in three Kalash valleys i.e. Bamburat, Rumbur and Birir. Chi-square test was applied to test the hypothesis. Empirical results indicated a strong favorable attitude of Kalash people towards the formal education of their children.

Key Words: Attitude, Kalash People, Pakistan, Formal Education, Kalash Children, Pakistan

1. Introduction

Pakistan is a country having diversified topography and climate as well as different ethnic groups with their respective sub-cultures. When the sub-cultures of different ethnic groups of Pakistan are discussed, the sub-culture of Kalash people cannot be ignored. Kalash people live in the group of three small valleys which are called Birir, Bumburet and Rumbur. Birir lies at the Southern most tip of Chitral at a distance 34 km. Bumburet, the largest valley of Kalash is 35 km from Chitral. Rumbur is 32 km from Chitral. These valleys have an alpine climate (T.D.C.P., 2008).

The people who live in three valleys of Kalash are primitive pagan tribes which are known as Kafir Kalash. There is a controversy about the origin of Kalash people. A legend says that soldiers from the Macedonion Conquerer, Alexander settled in Chitral and are the progenitors of Kalash (T.D.C.P., 2008).

The Kalash people speak Kalasha. The Kalash names for three valleys are “Rukmuh” for Rumbur, “Mummuret” for Bumburet and “Birir” for Birir. The inhabitants of these valleys are called as “Rukmula”, “Momola” and “Birila” (Loure and Lievre, 1988).
Kalash life is being effected by the socio-cultural climate of the surrounding areas. Change is occurring in many aspects of the life of Kalash people. Most of the Kafirs (especially of Bumburet and Rumbur) have started giving up some of the old traditions and customs. The Kafirs of Birir valley are more orthodox and follow their customs more religiously then the Kafirs of Bumburet and Rumbur (Wikipedia, 2008).

This situation may be due to the fact Bumburet and Rumbur valleys are the most picturesque than Birir valley. Most of the tourists like to stay in these two valleys. That is why, the frequency of interaction of the people of Rumbur and Bumburet is higher than the people of Birir. Consequently, “Rukmulas” and “Momolas” are not as rigid as “Birilas” to accept any change in their life.

Certain development projects have been started by the government in Kalash valleys. Hospitals have been established Kalash valleys but usually they are run by dispensers instead of qualified doctors. Schools have also being established in valleys. Staff has been appointed in these schools who are generally Muslim. Syllabus and educational policies for Kalash students have been made by provincial government of N.W.F.P. These policies and syllabus for Kalash students are same as for the students of other provincially administered schools of N.W.F.P.

Loude and Lievre (1988) have not described any formal arrangement of education of Kalash children by Kalash themselves before the establishment of schools in valleys by the government.

However, their different festivals marriage and death ceremonies and various religious practices had played and are still playing an important role in the informal education of their children. In Kalash valleys girls learn their roles from mothers and boys from their fathers. It is strictly prohibited for Kalash girls to do such pieces of work as are specified for boys, in the same way, boys are not allowed to do such types of work as are specified for girls.

In such a situation where attention in being paid by the government to the development of Kalash valleys, the education of Kalash people too can play an important role in their overall development.

1.1 Statement of the Problem
Presently Kalash are exposed to different influences from outside. Infrastructure is being improved by the government. Health and enhancement facilities are also increasing. There are efforts to provide education to Kalash children, but the Kalash people are indifferent to the formal education of their children. There has not been any scientific sociological study to examine the attitude of Kalash people towards the formal education of their children. The study is planned to find out the impact of the interaction of Kalash people with non-Kalash on the attitude of Kalash people towards the formal education of people.

1.2 Objective of the Study
1. To study the level of interaction of Kalash people with non-Kalash.
2. To examine the attitude of Kalash people towards the formal education of their children.
3. To find out a relationship, if any, between the interaction of Kalash people with non-Kalash and the attitude of Kalash people towards the formal education of their children.
Sociological Significance
Kalash people are still backward in this modern age. Government of Pakistan launched various development schemes to improve their life. Educational institutions have also been established in Kalash valleys; it seems that Kalash people are not interested in educating their children. The researcher takes this area and decides to conduct a research to study the attitude of Kalash people towards the formal education of their children.

The present study has applied aspects. The reports of this study may be submitted to the concerned authorities so that they may develop plans in its light for the education of Kalash children.

No scientific sociological study has been conducted in the area of education of Kalash people. That is why, the proposed study will be a contribution to the body of knowledge.

2. Theoretical Framework
The present study is being conducted within the conceptual framework of George Homans’ theory of interaction (1962). Social interaction is one of the important concepts of sociology. The scientific study of human groups is part of sociology and a group comes into being only when two or more individuals interact with one another. George Homans is one of the most prominent sociologists who has discussed the concept of interaction. Homans held that increased frequency of interaction between two or more person help them in having the sentiments of love and respect. He considers group as an organic whole made up of different independent parts. Homans says that if there is frequent interaction between two or more persons, there will be an increase in the sentiments of friendship and liking for one another. The increase in the sentiments of liking and friendship may lead to the similarities in their sentiments and activities.

When Kalash people interact with non-Kalash, they observe their way of living and importance of reading and writing in daily life. In addition Kalash people also get chances to interact with the official people in authority or those who are concerned with solving or reducing their sufferings and problems, i.e. administrative officers or doctors. The increased frequency of interaction between Kalash and non-Kalash provides Kalash people more chances to understand non-Kalash and also helps in having the high degree of the sentiments of liking and friendship. Increased frequency of the interaction of Kalash people with non-Kalash may lead to the similarities in their sentiments.

Keeping the assumptions of Homans’ Theory of Interaction, the following theoretical hypothesis is formulated:

*The more the interaction between two or more persons, the more will be the similarities in their sentiments.*

2.1 Research Hypothesis
*The more the frequency of Kalash people with non-Kalash, the more will be their favorable attitude towards the formal education of their children.*

In the above hypothesis, interaction of Kalash with non-Kalash has been taken as an independent variable and attitude of Kalash people towards the formal education of their children as a dependent variable. Social interaction is based on reciprocal communication. It is an inter-stimulation and a series of two way contacts between two or more individuals (Murphy and
others, 1998). Attitude is the most dynamic aspect of human personality. Multiple factors are held responsible for the change in attitude. It may be referred to a tendency to feel and act in a certain way (Robins, 2007).

3. Research Procedure
Following is the research procedure adopted for the present study.

3.1 The Universe
The universe for the present study consisted of Kalash heads of the houses, living in three Kalash valleys i.e. Birir, Bumburet and Rumbur.

3.2 Sampling Procedure
The sample for the present research was drawn on the basis of systematic random sampling. First of all a list of all Kalash houses situated in three Kalash valleys i.e. Birir, Bumburet and Rumbur, was prepared by the researcher. The total number of Kalash houses in each valley is given below:

<table>
<thead>
<tr>
<th>Valley</th>
<th>Total No. of Kalash Houses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bumburet</td>
<td>153</td>
</tr>
<tr>
<td>Rumbur</td>
<td>127</td>
</tr>
<tr>
<td>Birir</td>
<td>108</td>
</tr>
</tbody>
</table>

Head of the family of every 4th Kalash house was selected for interview. In this way the researcher selected respondents systematically from each valley: which came out to be 38 respondents from Bumburet, 31 respondents from Rumbur and 27 respondents from Birir. The total number of respondents from three Kalash valleys were 96.

3.3 Instrument for Data Collection - Interview Schedule
A partly structured and partly unstructured interview schedule was used by the researcher used for data collection. There were 25 questions in interview schedule. It was constructed in Urdu because the researcher had to use the interpreter and the interpreter could understand Urdu well.

3.4 Pretesting
Before actual data collection, the researchers interviewed 10 heads of the Kalash families from Bumburet valley. On the basis of the results of pretesting, some minor changes in the interview schedule were made.

3.5 Use of Interpreters
The majority of Kalash people could not understand Urdu. That is why the researcher used interpreters. The interpreters were three and two of them were matriculate and one was undermatric. Three of them were Kalash.

3.6 Application of Statistical Tool
Chi-square test was applied to test the research hypothesis.

3.7 Data Collection & Field Experience
The researcher spent 13 days in the universe. First of all the researcher went to the largest Kalash valley, Bumburet, for data collection. The researcher found the Kalash of Bumburet very co-operative and hospitable. The researcher spent 8 days among the Kalash of Bumburet. Next the researcher went to the valley of Birir, the road which led to Birir was very dangerous but the driver drove the jeep very skillfully. The researcher found the Kalash of Birir very friendly, co-operative and hospitable. In Birir valley, the researcher was entertained with fresh fruit by some
respondents. The researcher spent 3 days in Birir valley. In the end, the researcher went to the valley of Rumbur. The road which led to the valley was blocked on account of land sliding. So the researcher went to the valley of Rumbur on foot after passing the distance of 9 kilometers. The Kalash of Rumbur were also very friendly and hospitable. They also showed their full interest and co-operation during the course of data collection. The researcher spent 2 days in Rumbur valley.

The researcher also visited all the schools situated in three Kalash valleys. The staff of all the schools co-operated with researcher.

4. Findings of the Study

Silent findings of the study are given below:

- Majority (55.2%) of the respondents were less than 45 years.
- Literacy rate (6.24%) among the respondents was extremely low.
- Almost all (97.92%) of the respondents’ wives were illiterate.
- A heavy majority (87.6%) of the respondents were cultivators.
- Majority (63.5%) of the respondents used to have interaction by verbal conversation with the people of nearby areas.
- A heavy majority (84.4%) of the respondents had visited the outer cities/towns.
- An overwhelming majority (70.4%) of the respondents spent more than one month in outer cities/towns.
- An overwhelming majority (76.0%) of the respondents had friendship with non-Kalash.
- The heavy majority (86.3%) of the respondents or their non-Kalash friends often participated in the marriage or birth ceremonies of one another.
- An overwhelming majority (68.5%) of the respondents had or their non-Kalash friends often visited one another’s houses.
- Among the respondents (91.7%) who had sons, a very heavy majority (96.6%) considered education necessary for their sons.
- Among the respondents (83.3%) who had daughters, a very heavy majority (80.0%) considered education necessary for their daughters.
- Among the respondents (96.6%) who wanted to educate their sons, a substantial number (45.9%) aspired higher level of education (B.A. and above) for their sons.
- Among the respondents (80.0%) who wanted to educate their daughters, a very heavy majority (79.9%) aspired Matric level of education level for their daughters.
- Among the respondents (96.6%) who wanted to educate their sons, a very heavy majority (95.5%) were willing to send their sons to outer cities/towns for education.
- Among the respondents (80.0%) who wanted to educate their daughters, the majority (56.3%) was not fully willing to send their daughters to outer cities/towns for education.
- Majority (55.9%) of the respondents were not willing to donate a piece of land for building a school.
- Majority (54.2%) of the respondents were willing to settle down in any outer city/town (Semi-permanently) for providing educational facilities to their children.
- A heavy majority (79.2%) of the respondents were ready to take loan to meet the educational expenses of their children.
- Only a minority (38.5%) of the respondents were willing to sell their land to meet the educational expenses of their children.
The heavy majority (84.4%) of the respondents were willing to take part in a movement, if it was started in the valley to persuade the people to educate their children.

Majority (53.1%) of the respondents were not satisfied with the performance of the teachers in the school of Kalash valleys.

Majority (59.4%) of the respondents had high level of interaction with non-Kalash.

An overwhelming majority (80.2%) of the respondents had high level of favourable attitude towards the formal education of their children.

5. Testing Of Hypothesis
The research and null hypotheses were developed:

5.1 Research Hypothesis: The more the frequency of Kalash people with non-Kalash, the more will be their favorable attitude towards the formal education of their children.

5.2 Null Hypothesis: The more the frequency of Kalash people with non-Kalash, the more will be their favorable attitude towards the formal education of their children.

Chi-square test was applied to test the null hypothesis. The following two way contingency table was constructed to test the hypothesis:

<table>
<thead>
<tr>
<th>Level of Favourable Attitude Towards the Formal Education</th>
<th>Level of Interaction of Kalash People with Non-Kalash</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Frequency % age</td>
<td>Frequency % age</td>
</tr>
<tr>
<td>High</td>
<td>49</td>
</tr>
<tr>
<td>Low</td>
<td>08</td>
</tr>
<tr>
<td>Total</td>
<td>57</td>
</tr>
</tbody>
</table>

\[X^2 = 2.96 \quad d.f. = 1 \quad p = 0.05\]

Table 01 shows that among those Kalash who were found in the category of high level of interaction with non-Kalash, 86.00 percent showed high level of favourable attitude towards the formal education of their children as compared to 71.80 percent of the respondents having low level of interaction and high level of favourable attitude towards the formal education of their children. On the other hand, 14.00 percent of the respondents having high level of interaction showed low level of favourable attitude towards the formal education of their children as compared with 28.20 percent of the respondents who had low level of interaction and low level of favourable attitude towards the formal education of their children.

The calculated value of chi-square was 2.96 which did not show association between the interaction Kalash people with non-Kalash and their favorable attitude towards the formal education of their children. On the basis of chi-square test, the researcher failed to reject the null hypothesis. The reason for the rejection of research hypothesis may be the following:

i. George Homan’s theory is interaction may not be applicable in Kalash setting.

ii. There are some other variables such as Exposure of Kalash people to outsiders or their stay in outer cities or towns, which can be held responsible for the change of attitude of Kalash people towards the formal education of their children.
6. Conclusions
Based on the analysis of data and findings of the study, the following conclusions have been drawn:
Generally, Kalash people have higher level of interaction with non-Kalash. In general the Kalash people have high level of favourable attitude towards the formal education of their children. Analysis of the data showed that there was no association between the interaction of Kalash people with non-Kalash and their favourable attitude towards the formal education of their children.

7. Suggestions
Since the Kalash people have strong favourable attitude towards the formal education of their children, therefore:

1. Government should establish more middle and high schools.
2. Government should give monthly stipend or books/stationary to the students of Kalash schools, so that their educational expenses may not become burden on their parents.
3. Provincial Government of N.W.F.P. should fix a quota in jobs for the educated people of Chitral and nearby areas.
4. The teachers who perform their duties in the school of remote areas like Kalash valley should be given special monthly allowance.
5. Concerned authorities should pay attention to the improvement of the conditions of the buildings of schools situated in Kalash valleys.

8. Suggestion For Further Research
1. Attitude change is a multifactor phenomena and is attributed to a number of variables. A single casual factor may not be declared responsible for attitude change. A multidimensional study may be conducted which encompasses all the possible factors which can be held responsible for the change of attitude of Kalash people towards the formal education of their children.
2. An anthropological study may be conducted to study the social organization of Kalash society.
3. Another study may be conducted to see the generation gap in Kalash people.
References


ORGANIZATIONAL LEARNING AND EMPLOYEE PERFORMANCE

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Abstract
This study explores complexities of the relationship between organizational learning and employee performance. This study starts with the general proposition that organizational learning promotes employee performance, and then describes several challenges for researchers and managers who wish to study or promote organization learning in support of employee performance improvement. It also reviews the cultural and interpersonal risks of learning behavior, suggest conditions under which exploratory learning and experimentation is most critical, and describe conditions and leader behaviors conducive to supporting this kind of learning in organizations. It illustrates our ideas with examples from field studies across numerous industry contexts and based the existing research to analyze the effect of organizational learning on the performance of employees. The findings concluded that there is a significant relationship between the two variables; organizational learning and employee performance.

Keywords: Organizational Learning ; Employee Performance

1. INTRODUCTION

Learning and performing are closely related forms of human activity that are conventionally thought to conflict with each other. Work practice is generally viewed as conservative and resistant to change; learning is generally viewed as distinct from working and problematic in the face of change; and performing is generally viewed as distinctive way, but necessary imposition of change on the other two between the working and learning. To see that learning and performing are interrelated, we bring together recent researches on learning and performing. The current paper attempts to indicate the nature and explores the significance of such a shift.

1.1 BACKGROUND

While most people agree that learning leads to improved performance, there are several ways in which learning and performance in organizations can be at odds. First, when organizations take on a new learning challenge, performance often suffers in the short term, because new behaviors or practices are not yet highly skilled. Second, by revealing and analyzing their failures and mistakes—a critical aspect of learning—individuals or work groups may appear to be performing less well than they would otherwise.

1.2 OBJECTIVE OF RESEARCH

In organizations, the costs of learning may at times be more visible than the benefits. Therefore, leaders must publicize this idea broadly, or else learning may not happen. Experimentation, by its nature, will inevitably result in failures; yet without these failures learning cannot occur. So we want to seek for a learning that can excel employees’ performance.
Aim of this study is to develop a model that will add to the body of knowledge and would also help in defining and explaining the major links that lead to the better results shown by the employees.

1.3 SIGNIFICANCE AND SCOPE OF THE STUDY

Since the research is based on secondary data, the results of this research will be pretested ones. To see the effect of organizational learning on employee performance, the outcomes of the research will be beneficial for the implementation in different firms.  

1.4 LIMITATIONS OF THE STUDY

The scope is limited to the development of a model and its elaboration. The only constraint that was faced was to find the major elements that had an effect on employee performance and how they are linked with organizational learning.

1.5 PROBLEM STATEMENT

“The organization learning and its influence on the performance of employees”

[Is this a regression analysis study? The problem statement needs some modification, i.e. in accordance with the results or findings of the study][It could be like: Identification and integration of various dimensions of organization learning, which affects performance of employees]

2. LITERATURE REVIEW

To be a learning organization and to promote procurement of knowledge and learning is very important in the present scenario. This research was conducted keeping this view in mind. The study that was used as a guidance tool for the development of this model was conducted in India- the second emerging economy in this region of South Asia after China.

The major reason for this upward trend and progression was the Indian economic liberalization in 1991. Since then the developed countries have been very interested in investment in India. This foreign investment led to an increase in the Foreign Direct Investment. So challenge for the Indian organizations was to develop their human resources to match the requirements of those developed countries.

The researchers wanted to find out whether organizational learning played a key role in organizational performance and development. The researchers were of the belief that no such research had been conducted in the India. They were of the view that many researchers have been conducted on organizational learning and individual performance or team performance but there was insufficient work that was done to see the impact of organizational learning on overall performance of employees. They used questionnaires as data collection tool and interviewed mangers of three companies. Their findings showed that all three were achieving high standards in their learning processes. Their study suggested that organizational learning is an important factor to achieve high organizational performance (Khandekar and Sharma, 2006).

Purpose for conducting this research was to find out that whether there is trust when there is an environment which encourages communication at all levels. Trust then influences the personalities, the attitudes of the employees. How they interact with their colleagues, cooperation all of these elements are affected. The link between trust and performance is that when there is open communication on and a supporting management automatically there will be new ideas and sharing of knowledge and skills which affects the performance in a positive sense. Trust is in the leadership, and if good will be the pr-requisite of elevated performance.
This research work seeks to examine the relationship the human resource practices, how the members of the firm are treated and what has the affects of these on performance. The findings constituted that if communication is there, there is trust in management and support from the high –ups then performance moves in the required direction. [These purposes should reflect in the ‘OBJECTIVES OF THE STUDY’].

2.1 ORGANIZATIONAL LEARNING
Technological advancements, dynamic customer demands, increasing globalization, the blurring organizational boundaries, and increasing competition are all combining to produce organizational environments ‘more turbulent and volatile than ever before’ (Parry and Proctor-Thompson, 2003). It is more important for organizations to follow their survival instincts and learn. The change in the behavior of people in early twentieth century was viewed as a contribution of the individual’s exchange with the environment (Sync Sunysb, 2010).

Human beings are most prone to changes in their external and internal environment. They have different capabilities, capacities, and behaviors. To survive in this ever changing world they need to have the adaptability and should be able to interact with their fellow human beings; share knowledge and information and learn from different perspectives. This learning is also helped when they receive feedback and have an environment that is supporting (Sync Sunysb, 2010).

2.2 WHY PEOPLE LEARN?

Argyris (1976) developed the same idea after observing 100 managers’ behaviors in a case study:

“They (managers) become increasingly frustrated, angry, and tense as evidence accumulates on their inability to help themselves or others to gain the competence they seek, and such feelings are a necessary part of the learning process.”

Ackoff (1999) used an analogy to demonstrate the importance of pain in learning and stated:

“The worse the weather and the road, the heavier the traffic (hence the more unpredictable the driving of others), the more we have to concentrate on our driving and the more frequently we have to change our direction and speed.”

[TRY TO REPHRASE THEIR STATEMENTS INSTEAD OF VERBATIM REPRODUCTION]
People learn different skills and gain knowledge through observations, experiences, books, training, intuition, knowledge and facts accumulation etc.

2.3 ORGANIZATIONAL LEARNING

Organizational learning is an area of knowledge within organizational theory that studies models and theories about the way an organization learns and adapts. In Organizational development (OD), learning is a characteristic of an adaptive organization, i.e., an organization that is able to sense changes and signals from its environment (internal and external) and adapt accordingly, (Parry, 2003).

According to Finger and Brand (1999) there is a large difference between organizational learning and a learning organization. The learning organization has learning as an ongoing process, rather than a simple intervention to solve an extant problem.

Learning as mentioned earlier is part and parcel of every individual’s life. Even if an individual is lacking some capabilities and capacities; he goes through the learning process. Training, work place and culture, motivation and many other elements also contribute towards learning.
Individuals observe their surroundings when they are growing up, everything that belongs to them and everyone that has an influence over him/her, they learn. Individual learning is characterized by the social surroundings (parents, relatives, peers), economic conditions of the society in which he lives, social status, religious beliefs and then his/her own values, attitudes and dispositions. A learning organization does not rely on passive or ad hoc process in the hope that organizational learning will take place through serendipity or as a by-product of normal work. A learning organization actively promotes, facilitates, and rewards collective learning (Parry, 2003).

World, due to massive changes in technology and rapid growth in the use of internet, has shrunken, which has contributed to better global knowledge. The world is a dynamic place and is changing every second. To pace up with the rapid changes in the world, individuals need to understand these changes and be a part of it which ultimately helps organizations.

Capturing individual learning is the first step in making it useful to an organization. There are many methods for capturing knowledge and experience, such as publications, activity reports, lessons learned, interviews, and presentations. Capturing includes organizing knowledge in ways that people can find it; multiple structures facilitate searches regardless of the user’s perspective (e.g., who, what, when, where, why, and how). Capturing also includes storage in repositories, databases, or libraries to ensure that the knowledge will be available when and as needed (Parry, 2003).

2.4 TRAINING

Employees are the greatest asset of the company so it is crucial to let them have chances to constantly improve themselves. Employee development is thus significant for the growth and prosperity of the company. These individuals; by working for the organization in a better way help determine its success, as the more capable an employee is more will be the success and profits and better performance (Kaiser, 2000).

The capabilities and capacity of the individuals can be further polished if organization’s management provides relevant training programs to the employees. Training not only polishes the rough edges of the individual but also helps get an acute knowledge of their skills required at his/her job. Employees become more satisfied and motivated, when they get participated in the training programs and their skills are enhanced. Training also helps them recognize their own weak areas and add to personal growth of employees. These evidences are sufficient for the claim of importance of the training towards betterment of the organizational performance.

2.5 MOTIVATING CULTURE

Motivation is the most important factor in any area and it is very critical to have a learning culture. It identifies the organizations should make sure that their organization’s culture is supporting and motivating. Motivation not only shows that how much an employee is involved in his/her work but also that they are gathering knowledge and thus playing their part in organization’s growth.

People react differently according to how they think about the experiences and things; thanks to the perception theory. Organizations need to have different motivation techniques for different people as work force diversity is now in vogue. Some of the material/jobs that are needed to be
performed may not be that attractive so organizations need to have different plans to motivate. These might be praises, promotions, recognitions or rewards. Letting them know what they are going to learn is helpful in their future.

2.6 MAINTAINING CURIOSITY

Use a variety of interesting presentation modes. Motivation to learn is enhanced by the use of interesting materials, as well as by the way the material is presented. However, management should also remember that they don’t lose the main focus of these presentations i.e. to make them learn.

Help them set their own goals. People will work harder for goals that they have set for themselves, than if they were set by others and also provide them clear feedback (Psychology Campus, 2010).

2.7 KNOWLEDGE MANAGEMENT

Knowledge is the full utilization of information and data, coupled with the potential of people's skills, competencies, ideas, intuitions, commitments and motivations. In today's economy, knowledge is people, money, leverage, learning, flexibility, power, and competitive advantage. Knowledge is more relevant to sustained business than capital, labor or land. Nevertheless, it remains the most neglected asset. It is more than justified true belief and is essential for action, performance and adaption. Knowledge provides the ability to respond to novel situations. (KM-Forum, 2010).

Knowledge is everywhere, constantly around the individual so it is up to the person how he makes use of that knowledge. It should be constantly used in decision making, training, gaining new skills and ideas, in organizations processes, it products and services and in serving and satisfying customers. To have that much knowledge, there should be open culture to learning and sharing and supporting the employees if they have any new ideas.

2.7.1 Knowledge Management

Knowledge management is an audit of "intellectual assets" that highlights unique sources, critical functions and potential bottlenecks which hinder knowledge flows to the point of use. It protects intellectual assets from decay, seeks opportunities to enhance decisions, services and products through adding intelligence, increasing value and providing flexibility (KM-Forum, 2010).

Knowledge management complements and enhances other organizational initiatives such as total quality management (TQM), business process re-engineering (BPR) and organizational learning, providing a new and urgent focus to sustain competitive position. (KM-Forum, 2010)

2.7.3 Applying Knowledge Management

KM should be adopted to help gain an insight into how to serve customers more appropriately, how to increase profits and better train employees and reduce cycle times, empower employees, deliver high quality products, innovate and enhance flexibility and adaption, capture info and create knowledge and share and learn (Km-forum, 2010).
Mai (1996) suggested that every organization is to some degree a learning organization but are differentiated by the degree to which they learn better, faster, or more completely. In effect, organizational learning and innovation appear to reflect closely related processes and to be influenced by many of the same variables including culture, climate, leadership, management practices, information acquisition, retrieval, and sharing, and organizational structures, systems and environment (Kaiser, 2000). The convergence on common outcomes together with the similarity in influencing variables has been interpreted as suggesting that innovation may be a close relative of organizational learning (Kiernan, 1993).

Innovation all in all is the creativity that is required to think of and produce new products, processes are indispensable. It gives organizations the edge that they require and helps them to carry on for a longer duration. Innovation can be a part of an organization only if the culture is open to change and new ideas and learning. Learning is induced by constant exposure to maybe the community the organization is working in, learning new skills due to globalization, training; whatever the reason, it results in people having new thoughts. And when people are having new thoughts there should be systems in an organization to utilize them more effectively and this can be done if they have procedures for knowledge management.

2.9 HIGHER EFFICIENCY
Efficiency is basically to do tasks that are assigned within a minimum time frame and that make it less expensive for the organization and more revenues. So in order to have higher efficiency, management needs to have their employees’ motivated and satisfied and only then will they be able to perform well.

2.10 FEEDBACK
Feedback, the most essential element in order to keep the employees satisfied and motivated, is an incentive. Disappointment and dissatisfaction can change the whole relationship between the management and the employee. This can be also due to lack of communication and invisible barriers between the two. So it is very important that there is good communication as this helps in effective feedback. Feedback should be given in such a manner that it helps the employees in future; in form of suggestions.

2.17 REWARDS
Rewards are the outcomes of an individual’s work in the organization; the benefits that are provided to him as a result of his performance. So these compensations and benefits definitely contribute towards motivating an employee. And we try to find out the relation between employee performance and rewards. These last three elements can be gained when learning is prevalent in the organization because only when they understand these three by gaining knowledge and information about them and also on how to deal with employees and what should be done to maximize the profits they will automatically turn to these. These will gradually result in increased performance and thus revenues.

2.18 EMPLOYEE PERFORMANCE
Employee performance, the way an individual behaves, in how much time does he/she achieves the targets set, what are their attitudes towards higher management, how they socialize with their colleagues, how groomed are they, personal growth, absenteeism. These are some of the
elements that help in measuring employee performance. But the three elements that I have explained i.e. rewards, higher efficiency and feedback help in achieving higher performance within the organization and the three themselves can be achieved when the organization itself is a learning organization and encourages learning.

3. RECOMMENDATIONS

We want application of the conceptual model in Pakistan and recommend it to the telecom sector. The main reasons for selecting Telecom industry are:

- It has flourished within a few years
- We want to see that how supportive and encouraging culture do these organizations have
- What are their views on the variables of organizational learning
- Are they of the opinion that whether employee performance is affected by learning or not.

Leaders must publicize the idea broadly, or else learning may not happen.

4. CONCLUSION

From all the above literature and discussion and the figures, we can figure it out very easily that there is a definite connection between the two variables; organizational learning and employee performance. All the variables that contribute towards learning and also gain something in return when there is learning culture are very important for any organization. This helps them maintain themselves, survive in dynamic environment. Learning helps employees gain an insight into themselves, to better understand the world around them and the organization they are working for and thus increasing employee performance.
References

PROPOSING A CONCEPTUAL MODEL OF ORGANIZATIONAL LEARNING AND TITLE
ELABORATING OF EACH COMPONENT OF CONCEPTUAL MODEL

ORGANIZATIONAL LEARNING

Individual learning (Attitudes, beliefs, values etc)  Training  Motivating supporting  Knowledge management  Innovation

Higher efficiency  Feed back  Rewards

EMPLOYEE PERFORMANCE

A Comparative study of teaching styles of different qualification teachers as perceived by their students

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ABSTRACT
The problem under study was “A Comparative study of teaching styles of different qualification teachers as perceived by their students”. Main objective of the study was to find out the difference between the teaching styles of teacher on the basis of qualification. Through this study we become able to find that up to how much extent teacher is responsible for education standards. This study was also helpful to improve the teaching styles of the teacher. The study was delimited to only Gomal University level. A sample of 100 students from 10 different departments of the Gomal University was taken. A research hypothesis that there is no significance difference among teaching styles of teachers having Ph. D, M. Phil and Master Degrees was tested. A questionnaire was used for data collection. Percentage (%) statistic was used for data analysis.

Keywords: Comparative study; Teaching styles; Qualification; Teachers; students

INTRODUCTION
Teaching is a fun. Effective teaching is always based upon the academic qualification, experience and fun of teaching of the teacher. According to Ryburn, higher education is of utmost importance development of any country. The resources utilized for higher education are much more than other forms of education. Hence there has been an effort for efficient utilization of resources.

Higher education teachers learn through experiences. However a few have inborn capabilities of effective teaching but for all types of teachers, knowledge of higher education systems and teaching techniques may be helpful in skills development.

In recent years, the emphasis on teaching has shifted from formal recitation to social participation of students in the educative process. Modern Psychology has brought out the importance of the organism nature of learning process and as such both learning and teaching are being recognized as social activities. New techniques have been evolved and are being practiced in progressive schools, colleges and universities.

University in the education field is a big and competent institution. In university, teachers
are highly qualified in different fields. At the university level there are different criteria for the appointments of the teachers. Some teachers are Mster degree holders; some are M.Phil qualified and others as Ph. D degree holders. Ph.D degree is becoming the important component of the survival of the teachers in the university. Academic achievement of the students depends upon the qualification of the teachers.

This study is an attempt to see what the students say comparatively about the teaching of the Mster, M.Phil and Ph.D teachers.

STATEMENT OF THE PROBLEM
The problem under study was “ A comparative study of teaching styles of different qualification teachers as perceived by their students”.

OBJECTIVES OF THE STUDY
The objectives of the study were:

1. To know about the teaching styles of Gomal University Teachers as perceived by their students.
2. To find out the difference between the teaching styles of university teacher on the basis of qualification.

SIGNIFICANCE OF THE STUDY
1. This study will clearly explore that whether professional qualification of teachers can increase the effectiveness of teacher in the classrooms.
2. This study tells us that up to what extent teacher is responsible for education standard.
3. This study is helpful to improve the teaching styles of the university teacher as per need of the day. Through the results of the study the teachers can improve their teaching behavior.

HYPOTHESIS
H0: There is no significance difference among teaching styles of teachers having Master, M.Phil and Ph.D, degrees.

LIMITATION
The study will have following limitation.
1. Due to non availability of standardize instrument, researchers self developed questionnaire was used for collection of data.
2. Because of limited resources and storage of time, study was conducted on a small sample.

DELIMITATION
Following were the delimitation of the study.
1. The study was de limited to only Gomal University Dera Ismail Khan.
2. Only 10 departments of Gomal University Dera Ismail Khan.
4. Only 10 students from each selected department was selected on random basis.

REVIEW OF RELATED LITERATURE
Teacher qualification may be defi ned as all the formal and informal activities and experiences that help to qualify a person to assume the responsibilities of member of educational profession.

In national educational conferences, policies and commissions the emphasis was given on free and compulsory education and on the formal training programmes. In the policy of 1972-78 there was stress on the aims and objectives of the teacher’s education. In the policy of 1979 the emphasis was given to mould the character of a teacher as a Muslim and Pakistani. The stress was given on the quality of teachers. The suggestions were also made to train the teachers in science subjects. It was suggested that in service training should be introduced for the teachers at all levels at least once during the period for 5 years.
The first recorded study of teacher’s effectiveness was that of Kartz (1896), which is one of the earliest pieces of educational research of any kind to appear, set a design precedent that was to be followed by many years.

Ryan (1960) and his colleague conducted a programme of observational studies to identify factors associated with effective teaching. (Peter R.S., 1975) Studies have found that pupil of indirect teachers learn more and have better studies towards learning than pupils of direct teacher, but Flender (1970) suggests that both direct and indirect behaviors are necessary in good teaching.

There are common teaching practices of successful teachers, such as teaching in small steps, practicing after each step, guiding students during initial practice, and providing all students with opportunities for success. (Yamamoto)

Englert pointed out that successful teachers use lesson strategies to provide students both instrument and the opportunities for practice, more time on actively engaged educator spends the more positive students behavior and achievement will be better (Peters. R.S. 1975)

Smith. B.O. (1969) has suggested that a teacher should be prepared in four areas of knowledge i.e. (i) Command of the critical knowledge about learning and human behavior. (ii) Display of attitude that faster learning. (iii) Common knowledge in the subject matter to be taught. (vi) Control of technical skills of teaching.

**METHODOLOGY**

**POPULATION**

All the students and teachers forms the population for this research study.

**SAMPLE**

A sample of 100 students and their teachers was selected on random basis. Ten students were selected each from 10 department of the Gomal University Dera ismail Khan.

**INSTRUMENT**

A research questionnaire was used to collect relevant data. The students were asked to give their response to the items regarding the teaching style of their teachers.

**PROCEDURE**

A questionnaire regarding teaching styles of three types of teachers that is Master. M.Phil and Ph.D was distributed among the students of the selected departments and after recollecting the questionnaires data was arranged in the form of tables. Percentage statistic was used for the analysis of data.
PRESENTATION AND ANALYSIS OF DATA

Table No. 1 Showing easy way of teaching of the teachers

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>34</td>
<td>30</td>
<td>37</td>
</tr>
<tr>
<td>%</td>
<td>34%</td>
<td>30%</td>
<td>37%</td>
</tr>
</tbody>
</table>

Table shows, according to 37% respondents, teachers having master degree teach with an easy way of teaching, while 34% and 30% favored teachers having Ph.D and M.Phil degree respectively.

Table 2 showing a clear concept of the teacher about the subject they teach

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>43</td>
<td>31</td>
<td>26</td>
</tr>
<tr>
<td>%</td>
<td>43%</td>
<td>31%</td>
<td>26%</td>
</tr>
</tbody>
</table>

Table indicates that according to 43% respondents the teachers with Ph.D degrees have a clearer concept about the subject they teach. While according to 31% and 26% respondents the concept of the M.Phil and Master Degree teacher respectively is clearer.

Table 3 Showing use A.V. Aids frequently during teaching

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>23</td>
<td>45</td>
<td>32</td>
</tr>
<tr>
<td>%</td>
<td>23%</td>
<td>45%</td>
<td>32%</td>
</tr>
</tbody>
</table>

According to 45% students the use of A.V. Aids is practical better by the teachers having M.Phil degree teachers. However 23% and 32% favored Ph.D & master degree teacher respectively.
Table 4 Showing interaction of the teacher with the students

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>32</td>
<td>30</td>
<td>38</td>
</tr>
<tr>
<td>%</td>
<td>32%</td>
<td>30%</td>
<td>38%</td>
</tr>
</tbody>
</table>

According to 38% respondents feel that the teachers having Master degree make interaction with students while opinion of 32% and 30% is in favor of Ph.D and M.Phil teachers respectively in this regard.

Table 5 Showing Democratic Style of Class management

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>32</td>
<td>34</td>
<td>33</td>
</tr>
<tr>
<td>%</td>
<td>32%</td>
<td>34%</td>
<td>33%</td>
</tr>
</tbody>
</table>

The respondents are almost equally divided regarding practicing of more democratic classroom management it is 32% 34% and 33% by Ph.D, M.Phil and master degree teachers respective.

Table 6 Regarding asking of question by the Teacher from the students

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>23</td>
<td>37</td>
<td>40</td>
</tr>
<tr>
<td>%</td>
<td>23%</td>
<td>37%</td>
<td>40%</td>
</tr>
</tbody>
</table>

According to 40% respondents teachers having master degree ask question from the student more frequently, while according to 37% and 23% respondent’s questions are asked more frequently by M.Phil and Ph.D teachers respectively.

Table 7 Showing use of Demonstration method frequently

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>22</td>
<td>51</td>
<td>27</td>
</tr>
<tr>
<td>%</td>
<td>22%</td>
<td>51%</td>
<td>27%</td>
</tr>
</tbody>
</table>

The table shows that M.Phil teachers use demonstration method, most frequently favored by 51% respondents while feeling of students in this regard is 27% and 26% in favor of Ph.D and master degree teachers respectively.
Table 8 Showing the positive and satisfactory response to the students questions

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>39</td>
<td>34</td>
<td>27</td>
</tr>
<tr>
<td>%</td>
<td>39%</td>
<td>347%</td>
<td>27%</td>
</tr>
</tbody>
</table>

Table shows that Ph.D degree holder teachers are more generous in providing positive and satisfactory response to the questions asked by the students. This is supported by 39% as compared to 39% and 27% support for M.Phil and Master Degree holders respectively.

Table 9 Showing the preparation of the teacher for class teaching

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>32</td>
<td>40</td>
<td>28</td>
</tr>
<tr>
<td>%</td>
<td>32%</td>
<td>40%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Table represent that according to 40% respondents teacher having M.Phil degree are well prepared for class teaching as compared to Ph.D and master degree holder which are supported by 32% and 28% responded respectively.

Table 10 Regarding guidance in subject content by the teachers to the students

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>31</td>
<td>37</td>
<td>35</td>
</tr>
<tr>
<td>%</td>
<td>31%</td>
<td>37%</td>
<td>35%</td>
</tr>
</tbody>
</table>

According to almost equal number i.e. 37% and 35% respondents think that M.Phil and Master Teachers respectively provide better guidance in subject contact while opinion of 31% is in favor of Ph.D degree holders.

Table 11 Showing motivation of the students towards learning

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>26</td>
<td>42</td>
<td>32</td>
</tr>
<tr>
<td>%</td>
<td>26%</td>
<td>42%</td>
<td>32%</td>
</tr>
</tbody>
</table>

42% respondents think that teachers having M.Phil degree motivate the student for learning in a better way as compared to Ph.D and Master Degree holders, supported by 26% and 32% respectively.
Table 12 Showing creation of conductive environment in the Class

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>32</td>
<td>37</td>
<td>31</td>
</tr>
<tr>
<td>%</td>
<td>32%</td>
<td>37%</td>
<td>31%</td>
</tr>
</tbody>
</table>

According to 37% respondents teach with Ph.D degree create conducive environment in the class 32% favor Ph.D and 31% favor master degree holders teachers.

Table 13 Showing boring teaching in the class

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>41</td>
<td>28</td>
<td>31</td>
</tr>
<tr>
<td>%</td>
<td>41%</td>
<td>28%</td>
<td>31%</td>
</tr>
</tbody>
</table>

According to 41% respondents they feel bore during teaching of teachers with Ph.D degree while 28% and 31% respondents feel bore during teaching of teachers with M. Phil and Master Degree holder teachers.

Table 14 Showing that have no clear concepts about their subjects

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>28</td>
<td>23</td>
<td>49</td>
</tr>
<tr>
<td>%</td>
<td>28%</td>
<td>23%</td>
<td>49%</td>
</tr>
</tbody>
</table>

According to 49% respondent, they feel that master teachers have very less clear concept about their subjects while the percentage in favor of Ph.D and M.Phil in this regard is 28% and 23% respectively.

Table 15 Showing provision of helping material by teachers during teaching

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>30</td>
<td>36</td>
<td>34</td>
</tr>
<tr>
<td>%</td>
<td>30%</td>
<td>36%</td>
<td>34%</td>
</tr>
</tbody>
</table>

According to 36% respondents, M.Phil teacher provide more helping material during teaching process while, in favor of Ph.D and Master in this regard are 30% and 34% respectively.
Table 16 Showing the ignorance of individual differences by teachers

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>29</td>
<td>33</td>
<td>38</td>
</tr>
<tr>
<td>%</td>
<td>29%</td>
<td>33%</td>
<td>38%</td>
</tr>
</tbody>
</table>

According to 29% respondents, Ph.D degree holders take no care for individual differences in classroom, while according 33% M.Phil and 38% Master degree holders ignore individual differences.

Table 17 Showing lack of interest of teachers in students problems in classroom

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>35</td>
<td>34</td>
<td>31</td>
</tr>
<tr>
<td>%</td>
<td>35%</td>
<td>34%</td>
<td>31%</td>
</tr>
</tbody>
</table>

According to 31% respondents, that Master teachers show less interest in students problem in classroom while the percentage in favor of Ph.D and M.Phil is 35% and 34% respectively.

Table 18 Showing does not motivate the students for giving presentation

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>36</td>
<td>35</td>
<td>29</td>
</tr>
<tr>
<td>%</td>
<td>36%</td>
<td>35%</td>
<td>29%</td>
</tr>
</tbody>
</table>

Table shows that 29% respondents give remarks about master teachers that they do less motivation to students for giving presentation while favor 36% for Ph.D and 35% for M.Phil in this regard.

Table 19 Showing more attention of teachers to research work of the students

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>30</td>
<td>30</td>
<td>40</td>
</tr>
<tr>
<td>%</td>
<td>30%</td>
<td>30%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Table shows that respondents almost give equally response toward Ph.D and M.Phil teachers that give more attention to research work of students while favor of 40% Master teachers involve in this degree.
Table 20 Showing low administrative abilities

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>42</td>
<td>31</td>
<td>27</td>
</tr>
<tr>
<td>%</td>
<td>42%</td>
<td>31%</td>
<td>27%</td>
</tr>
</tbody>
</table>

According to 27% respondents that Master degree holder teachers have low administrative abilities as compared to favor of Ph.D and M.Phil teachers by 42% and 31% students in this regard.

Table 21 Showing less interest of teachers in the co-curriculum activities

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>48</td>
<td>30</td>
<td>22</td>
</tr>
<tr>
<td>%</td>
<td>48%</td>
<td>30%</td>
<td>22%</td>
</tr>
</tbody>
</table>

A table shows the percentage in favor of teachers having Ph.D, M.Phil and Master degree holder in regard of less interest in co-curricular activities is 48%, 30% and 22% respectively.

Table 22 Showing the completion of course or syllabus in time by teachers

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>48</td>
<td>30</td>
<td>22</td>
</tr>
<tr>
<td>%</td>
<td>48%</td>
<td>30%</td>
<td>22%</td>
</tr>
</tbody>
</table>

According to 48% respondents that Ph.D degree holder teachers take more time in completion of course or syllabus while 30% and 22% in favor for M.Phil and Master teachers respectively.

Table 23 Showing the percentage of teachers not regular in taking classes

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>29</td>
<td>29</td>
<td>42</td>
</tr>
<tr>
<td>%</td>
<td>292%</td>
<td>29%</td>
<td>42%</td>
</tr>
</tbody>
</table>

According to 42% respondents that master teachers are not regular in taking classes while Ph.D and M.Phil have same percentage 29% in this regard by the respondents.
Table 24 Showing extra time of teacher to teaching if needed

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>33</td>
<td>40</td>
<td>27</td>
</tr>
<tr>
<td>%</td>
<td>33</td>
<td>40</td>
<td>27%</td>
</tr>
</tbody>
</table>

According to 40% students that M.Phil teacher gives more time to teaching process when needed.

Table 25 Showing less use of writing board while teaching to the class

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>37</td>
<td>34</td>
<td>29</td>
</tr>
<tr>
<td>%</td>
<td>37</td>
<td>34</td>
<td>29</td>
</tr>
</tbody>
</table>

Table shows that 29% students favor for master teachers in use of writing board very less while teaching to the class. While in favor of Ph.D and M.Phil in this regard is 37% and 34% respectively.

Table 26 Showing the provision of new ideas and new research area to the students

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>49</td>
<td>31</td>
<td>20</td>
</tr>
<tr>
<td>%</td>
<td>49</td>
<td>31%</td>
<td>20</td>
</tr>
</tbody>
</table>

According to 49% respondents, Ph.D teacher provide more new ideas and new research area to the students, while favor of 31% for M.Phil & 20% for Master in this regard.

Table 27 Showing honesty of teachers in evaluation of student tests and assignment

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>38</td>
<td>30</td>
<td>32</td>
</tr>
<tr>
<td>%</td>
<td>38</td>
<td>30</td>
<td>32</td>
</tr>
</tbody>
</table>

According to 38% respondents that Ph.D teachers shows more honest in evaluation of student’s tests and assignments. While in favor of M.Phil and Master Teachers is 30% and 32% respectively.
Table 28 Showing how teacher give frequent example during their class

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>38</td>
<td>37</td>
<td>25</td>
</tr>
<tr>
<td>%</td>
<td>38</td>
<td>37</td>
<td>25</td>
</tr>
</tbody>
</table>

According to 25% respondents master teachers give less examples during their class. While Ph.D teachers give frequent examples during their class while 37% favor for M.Phil in this regard.

Table 29 Showing teacher preparation for their lesson

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>35</td>
<td>36</td>
<td>29</td>
</tr>
<tr>
<td>%</td>
<td>35%</td>
<td>36%</td>
<td>29%</td>
</tr>
</tbody>
</table>

According to 29% respondents, the master teachers are not well prepared for their lessons while the percentage of respondents M.Phil and Ph.D is 35% 36% in this regard.

Table 30 Showing teachers not guide the students during practical works

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>36</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>%</td>
<td>36%</td>
<td>32%</td>
<td>32%</td>
</tr>
</tbody>
</table>

According to 36% respondents, Ph.D degree holder teachers do not take interest and not guide the students during practical work. While M.Phil and Master teachers have equal response of students 32% in this regard.

Table 31 Showing linking of new lessons with previous knowledge of the students by the teachers

<table>
<thead>
<tr>
<th>Category</th>
<th>Ph.D</th>
<th>M.Phil</th>
<th>Master</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>30</td>
<td>38</td>
<td>32</td>
</tr>
<tr>
<td>%</td>
<td>30%</td>
<td>38%</td>
<td>32%</td>
</tr>
</tbody>
</table>

Table reveals that, according to 38% respondents, M.Phil degree holder teachers do not link new lesson with previous knowledge 30% and 32% respondents have the same opinions about Ph.D and Master Degree holders teachers respectively.
FINDINGS

Following were the major findings of the study:

1. According to 37% respondents, teachers having Master degree teach with an easy way of teaching, while favor for Ph.D and M.Phil in this regard is 34% and 30% respectively.
2. 43% respondents favor the Ph.D teachers that they have a clearer concept about their subject while percentage in favor of master and M.Phil is 26% and 31% respectively.
3. The use of A.V. aids is practically better by M.Phil teachers as favored by 45% students while 23% and 32% favored Ph.D & Master teachers.
4. The maximum iteration of teachers with the students is master degree teachers as favor by 38% students while percentage in favor of Ph.D is 32% and M.Phil is 30%.
5. 32%, 34% and 33% students favor the Ph.D, M. Phil and Master degree teachers in regard of more democratic classroom management.
6. 40% respondents favor the master degree teachers in the regard that the ask questions from students more frequently as compared to M.Phil and Ph.D Teachers.
7. M.Phil teachers use demonstration method more frequently favored by 51% respondents. While Ph.D and Master teachers are favored by 22 and 27% respondents.
8. The quality of giving a positive and satisfactory response the students question is more to in Ph.D degree holder teachers as favor by 39% students while percentage in favor of M.Phil is 34% while Master teachers is 27%.
9. The teachers who are better prepared for class teaching are M.Phil as perceived by 40% students, while percentage of in response of students for Ph.D and M.Phil is 32% and 28% respectively.
10. The respondents shows almost equal response for provision of better guidance in subject content for M.Phil, Ph.D and Master teachers The percentage in favor of M.Phil, Ph.D & master teacher in 37%, 31% 35% respectively.
11. M.Phil teacher motivate the students more and in an effective way as perceived by 42% respondents while Ph.D and master teacher by 26% and 32% respondents.
12. The high percentage of students 37% whose are favor for M.Phil for creation of conducive for environment in the class while percentage in favor for Ph.D is 32% and for master is 31%.
13. 41% respondents feel bore in class of Ph.D teacher while 28% and 31% students feel bore in M.Phil and master teacher class.
14. Among the Ph.D, M.Phil and master teachers 49% students give response to master teacher in the regard that they have not a clear concept about their subject.
15. M.Phil teachers provide more helping material during class teaching as response by 36% students while 30% and 34% students favor for Ph.D and master respectively.
16. Master teachers do not care for individual differences as response by 38% respondents. While 29% and 33% response for Ph.D and M.Phil.
17. According to 31% respondents that master teacher do not take interest in student problem while percentage for Ph.D & M.Phil is 35 & 31% respectively.
18. Master teachers that they do less motivation to students for giving presentation is response by 29% respondents while percentage in favor of Ph.D and M.Phil is 36% and 35%
respectively.

19. The 30% respondents give equal response both for Ph.D and M.Phil in regards of more attention of teachers to research work of students while test of respondents favor for master teachers.

20. Master teachers have low administrative abilities by as response by 27% students while in favor of Ph.D and M.Phil is 42% and 31% respectively.

21. Ph.D Teachers take less interest 48% while respondents in favor M.Phil and Master teacher are 30% and 22% respectively.

22. Ph.D teachers complete their courses in time as perceived by 48% respondent while in favor of M.Phil and master is 30% and 22% respectively.

23. 20% respondents, response equally for, Ph.D and M.Phil teachers, not taking regular classes while 42% respondent favor for master teachers.

24. 40% students favor Ph.D M.Phil teachrs in the regard that they five maximum time to class teaching while percentage in favor for Ph.D and master 33% 27%

25. Ph.D teachers use less writing board during teaching as perceived by 37% students while master teacher use more writing board during teaching.

26. More new ideas and new research area to the students by Ph.D teacher as perceived by 49% students. While percentage for M.Phil and master teachers is 31% and 20%.

27. 38%, 30%, 32% respondents show response for honestly of teachers in evaluation of students test assignment for Ph.D, M.Phil and Master teachers.

28. Ph.D teachers give more examples during their class as response by 38%b respondent while percentage in favor for M.Phil and master 37% and 25%

29. The master teachers does not come to the class with proper preparation of their lesson as perceived by 29% while 36% response for M.Phil and 35% response for Ph.D teachers.

30. According to 36% respondents, Ph.D not takes interest in equal percentage of respondent’s response of for M.Phil and Master in this regard.

31. According to 38% student that M.Phil teachers link the previous knowledge with new lesson while favor for Ph.D and master teachers in this regard by 30.% and 32% students.

CONCLUSIONS
In the light of findings of the study it can be concluded that null hypothesis that there is no difference in the teaching styles of the three types of teachers is here by rejected and the following difference were found in the study.

1. Teachers having Ph.D degree have relatively clearer concept about their subject. The give positive and satisfactory response to questions raised by the students. They complete their course work in time. Ph.D teachers provide new ideas to the students and they are honest in evaluation of student’s performance. They also have priority over M.Phil and master degree holder teachers, in elaborating their lesson with
suitable examples they have better administrative qualities.

2. Ph.D degree holder teachers have comparatively boring style of teaching. They take less interest in students problems in the class and do not attempt to motivate the students by giving presentation. They do not use writing board frequently and provide no guidance for practical work.

3. Teachers with M.Phil degree come to the class well prepared. They take extra time for teaching, provide helping material during teaching and provide conducive classroom environment. M.Phil teachers prepare planning for lesson and motivate the students in the class for further learning. They show relatively more democratic style and provide demonstration frequently. They use A.V.aids frequently.

4. Teachers with M.Phil degree have no easy way of teaching as compared to others teachers and their concept about content is not as clearer as those of Ph.D teachers. As compared to in having interaction with the students and do not also question frequently.

5. Master degree holders ignore individual differences. Their concept of their subject is not so clear and they are not regular in taking classes.

RECOMMENDATIONS

In the light of findings and conclusions of the study it is recommended that.

1. In the area where Ph.D degrees holder teachers are showing good performance, they should be asked to provide on job training to other teachers.

2. The findings of this study may be circulated among all the teaching staff to make them aware of their strengths, weakness and expectations of students from them it will enable them to try for remedy of their weaknesses.

3. More attention should be given by all the teachers towards students in teaching learning process.

4. Ph.D degree holders need to give attention particularly in motivation of students and proper use of writing board.

5. M.Phil degree holder teacher may try to make their teaching easier and to get feed back to the students.

6. Master degree holder teachers may try to address individual difference properly, make proper preparation for their teaching and to be regular in taking their classes.
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Investigation of the Educational problems faced by Females in rural areas

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Abstract
The problem under study was the educational problems faced by females in rural areas. The major objectives of the study were to find out the sufficient information about the development of female education in rural areas and to find out the educational problems in rural areas. The study was significant as it provides sufficient information about the development of female education in rural areas both private and government female schools. The study enlightens in raising the literacy rate of female in the rural areas. The research hypothesis that there were no significant problems faced by female in rural areas was tested. The study was delimited to only three districts i.e. DIKhan, Lakki Marwat, and Tank. All the female students studying in rural areas institutions of these three districts form the population of the study. A sample of 200 female students was selected on random basis from all the Gils schools (i.e., Primary, middle and high) of the three districts. Questionnaire was used for data collection and percentage (%) statistic was used for the analysis of data.

Keywords: Investigation ; Educational ; Problems ; Females ; Rural areas

INTRODUCTION
The development of the country depends upon the education of the residents. In our country there are more than 50% females. For the development of the country female education should be stressed. Teaching a male is teaching a female and teaching a female is the education of the whole family. Female education is one of the dilemmas of our country.
Knowledge has great importance in forming the character and shaping the personality in a positive way, so gaining knowledge has been the duty of men and women as per verses of the holy Quran and saying of the prophet (SAWW). Islam also stresses upon provision of equal chances of education to the entire citizen.

As the females left the home of the parents therefore they are not considered as the earning hand for the future of the family. Literacy rate of females also remained less than the male. According to (Shadid.S.M, 2005) the literacy rate of male and female in 1972 was 11.6% and 4.7%. Where as in 1978 policy the literacy rate of male and female as stated in census 1981 were 35.05 and 15.99 which shows a dramatic less rate of females than the males. In the developed countries like America, according to Garvue. R. J (1969) education purpose is defined in terms of well being of individual and society. Therefore the literacy and achievement of male and female is both high in
those countries. According to Shah. L. H (2011), the ratio of intelligence of male and female is 100: 110. Therefore this may be one of the reasons of males showing high achievement rate.

Primary grades are already segregated except in large cities. In fact, only a small minority of primary school-age girls attends school, much less then for boys. Many parents of remote areas do not see the need of education for girls.

Education is considered to be the essential instrument of emancipation and self-fulfillment for women but most of them never got a chance to become educated. In some of the counties the problem of female education has been solved up to a great extent with the help of co-education; however there are lots of problems related to female education in developing countries like Pakistan, especially in the rural areas. This study is an attempt to uncover some of such problems which needs to be highlighted so that these could be solved.

STATEMENT OF THE PROBLEM

The main purpose of this study was, ” Investigation of Educational problems faced by Females in rural areas“.

OBJECTIVES OF THE STUDY

The major objectives of the study were as under;

1. To find out the sufficient information about the development of female education in rural areas.
2. To find out the educational problems in rural areas.

SIGNIFICANCE OF THE STUDY

The study was significant in the following aspects;

1) This study provides sufficient information about the development of female education in rural areas.
2) This study was significant for both private and government female schools in rural areas.
3) By this study the literacy rate of female can be increased in the rural areas of three districts.

HYPOTHESIS

H0: It was hypothesized that there was no significant problem faced by female in rural areas.

LIMITATION AND DELIMITATIONS.

This study was limited to the following aspects.

1) Response of female students could not be stated authentic as they may be influenced by the administrators of the respective schools to secure the good name of their institutions.
2) The problem include was selected from domestic, social, economical and transportation areas of problem.
3) There was no built in questionnaire as a tool of research. So the researcher made questionnaire was used for the data collection.
4) This study was delimited to only three districts i.e. DIK, Lakki and Tank.
5) Study was delimited to only female schools.
Female Education in Pakistan

Literacy rate is the first indicator of development in education in any society. Educational statistics indicate wide differences in male/female literacy rates in all areas of Pakistan, both among urban and rural population, literacy figures of urban are also not encouraging but the most deprived segment of the population in this respect, remains the rural female. A good society is the one which is cleared from all social evil. For this purpose education is must. Therefore we cannot think about a good and balanced society without female education.

In Pakistan, the status of women is not like that of men in any walk of life. The literacy rate of Pakistan in 1982-83 was 23.5% while that of male was 32%. In rural areas the literacy rates of female 4.7%. The literacy rate in 1992 has been estimated as 32%. In this %age only 13.7% women are educated which is very low rate of literacy. The literacy rate in rural area was 14.8%, out of which the rate of female literacy was 5.5%. The literacy situation is not satisfactory in Pakistan, especially in the N.W.F.P.

The conclusion of a book entitled with the education and advancement of women by Jacqueline Chabaud (1974) reveals that the forty-seven countries, which have chosen co-education, proves, on the contrary, that co-education increases educational opportunity for girls both qualitatively. A study of Qaisar Shaheen (1992) shows some crucial problems faced by female students in co-educational institutes including, most of the females have insecurity problems in co-operative environment.

METHODOLOGY

Population

All the female students studying in rural areas institutions form the population of the study.

Sample

200 female students were selected on random basis from all the Gils schools (i.e., Primary, middle and high) of District DIK, Lakki Marwat and Tank.

Instrument

A twenty item questionnaire consisting of questions based on expected problems faced by female students of rural area was used for data collection.

Procedure

As it is clear that the study was a survey type and was based on the finding availed on the basis of self-made questionnaire. Hence the researcher after developing the questionnaire tried to make it valid and authentic in the expert’s opinion of Institute of Education and Research and other departments and faculties of Gomal University, D.I.Khan. The questionnaires were distributed among the 200 students of primary, middle, and high schools of the three Districts. After recollecting the questionnaires the researcher marked each and every question according to his own scoring criteria. The availed data ware analyzed and interpreted later on. Percentage was used as a statistical method for data analysis.
Table 1: Showing the Transportation Problems and observing Parda.

<table>
<thead>
<tr>
<th>Problems of Rural Areas</th>
<th>It is a Problem (Yes %)</th>
<th>Not a problem (No %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distance of school</td>
<td>40</td>
<td>60</td>
</tr>
<tr>
<td>High Rents</td>
<td>60</td>
<td>40</td>
</tr>
<tr>
<td>Observing Parda</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Transport</td>
<td>60</td>
<td>40</td>
</tr>
</tbody>
</table>

Table 2: Showing the attitude of people towards female education

<table>
<thead>
<tr>
<th>Problems of Rural Areas</th>
<th>It is a Problem (Yes %)</th>
<th>Not a problem (No %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attitude of parent</td>
<td>70</td>
<td>30</td>
</tr>
<tr>
<td>Attitude of locality</td>
<td>60</td>
<td>40</td>
</tr>
<tr>
<td>Attitude of class fellows</td>
<td>20</td>
<td>80</td>
</tr>
<tr>
<td>Attitude of teachers</td>
<td>20</td>
<td>80</td>
</tr>
</tbody>
</table>

Table- 3 Showing the Domestic and Financial Problems

<table>
<thead>
<tr>
<th>Problems of Rural Areas</th>
<th>It is a Problem (Yes %)</th>
<th>Not a problem (No %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic responsibilities</td>
<td>70</td>
<td>30</td>
</tr>
<tr>
<td>Over crowd ness at home</td>
<td>60</td>
<td>40</td>
</tr>
<tr>
<td>Financial difficulties</td>
<td>90</td>
<td>10</td>
</tr>
<tr>
<td>Fee and funds problem</td>
<td>80</td>
<td>20</td>
</tr>
</tbody>
</table>

Table 4: Showing the School related Problems

<table>
<thead>
<tr>
<th>Problems of Rural Areas</th>
<th>It is a Problem (Yes %)</th>
<th>Not a problem (No %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of schools</td>
<td>30</td>
<td>70</td>
</tr>
<tr>
<td>Lack of facilities at schools</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Lack of availability of teachers</td>
<td>60</td>
<td>40</td>
</tr>
<tr>
<td>Uninteresting atmosphere</td>
<td>20</td>
<td>80</td>
</tr>
</tbody>
</table>
Table 5: Showing the General Problems

<table>
<thead>
<tr>
<th>Problems of Rural Areas</th>
<th>It is a Problem (Yes %)</th>
<th>Not a problem (No %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life security</td>
<td>80</td>
<td>20</td>
</tr>
<tr>
<td>Bad culture</td>
<td>70</td>
<td>30</td>
</tr>
<tr>
<td>Terrorism</td>
<td>90</td>
<td>10</td>
</tr>
<tr>
<td>kidnapping</td>
<td>20</td>
<td>80</td>
</tr>
</tbody>
</table>

FINDINGS
As result of analysis of data the following main findings were drawn:

1. Distance of the school is a problem for 40% females. High rents are also a problem for 50% females. Observing parda is not a problem. Transportation is a problem for 60% females of rural areas.
2. Attitude of parents is not positive towards education. 70% females observe attitude of parents problem, 60% females face local attitude problem. Where as the attitude of class fellows and teacher is a problem for only 20% females.
3. A domestic responsibility is a problem for 70% females. Overcrowd ness at home is 60% problem. Financial difficulties are problems for 90% and fee and funds are problems for 80% females of rural areas.
4. Availability of schools is a problem for only 30%. Lack of facilities at school for 50% Lack of availability of teachers is a problem for 60% and uninteresting atmosphere is a problem for only 20% females.
5. Life security is a problem for 80% females. Bad culture for females is a problem for 70%. Terrorism is problem for 90% and kidnapping is a problem for only 20% females of rural areas.

CONCLUSIONS
Following conclusions are drawn on the basis of findings. 
1. Distance of the school, and observing parda are not the problems of majority females but rent of transportation and availability of transport are the problems for majority of the females.
2. Attitude of parent and locality are not positive towards female education. Where as the attitude of teachers and class fellows is very positive with the females of rural areas.
3. Domestic responsibilities, over crowd ness at home, and financial difficulties are the problems for majority of the females of rural areas.
4. Lack of facilities at school and lack of availability of teachers are the problems for majority of the students.
5. Life security, bad culture and terrorism are the problems faced by majority of the students of the rural areas.

RECOMMENDATIONS
On the basis of the findings of the study it is recommended that:
The following recommendations are made on the basis of findings and conclusions:
1. Transportation should be made available for the for off places and the transportation rent should me made minimum for the students, especially for the rural areas. In this regard the suggestions of the 1972-80 policy regarding half students rents should be implemented.
2. Attitude of the parent and the local people is not positive towards female education. So the attitude changing seminars, and workshops should be arranged. Because female education is the need of the day.

3. Domestic responsibilities of the students should be decreased through proper teachings, and providing guidelines to the parents through workshops, seminars, and radio and television programs.

4. Facilities at schools should be provided and the attendance of the teachers should be made compulsory. This study is a type of report for the concerned institutions and officers in this regard.

5. Life security and terrorism is not only the problem of female but it is the problem of whole Pakistani society, specially the province of KPK. This is the responsibility of the government to provide security at any cost.
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Empirical Scrutiny of Symmetry of Relationship between Oil Price and Industrial Production: Time Series Evidence from Pakistan

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**Abstract**
This article investigates the presence or absence of symmetric relationship between oil prices and economic activity. Crude oil price and the industrial production of Pakistan for the period 1991 to 2008 are used for this purpose. Two sets of VAR models, the VAR model with linear oil price specifications and with non-linear oil price specifications are estimated. The non-linear VAR specification is estimated to investigate the nature relationship between the oil price and industrial production (symmetric or asymmetric). This relationship in case of Pakistan is found to be symmetric. The forecasting evaluation criteria showed that the VAR model forecasts are close to the actual observations of the industrial production as compared to the ARIMA forecasts. It also concludes that the oil price, among other factors, is an important factor in influencing the Pakistan industrial sector.

**Keywords:** Asymmetric and Symmetric Relationship, Index of Industrial Production (IIP), Oil Prices, Vector Autoregressive (VAR), Variance Decomposition, Impulse Response Function.

**1. Introduction**

As economic theory suggests that booms are the result of beneficial productivity shocks and the recessions are the results of adverse productivity shocks. That is, there is a linear relationship between the oil prices and the output fluctuations. A rise in the oil price, an adverse productivity shock, should cause the output to decline and so the fall in oil price, a positive productivity shock, must cause a boom. Once linear relationship between oil price and the economic activities becomes non-linear and the increase in oil price does not have the same effect on the economy as that of the decrease in oil price, the relationship does not remain symmetric.

This article scrutinizes the existence or absence of symmetric relationship between oil prices and economic activity. The study uses crude oil price and the industrial production of Pakistan for the period 1991 to 2008. Two sets of VAR models, the VAR model with linear oil price specifications and with non-linear oil price specifications, suggested by Mork (1989) are estimated. The non-linear VAR specification is estimated to investigate whether the relationship between the oil price and industrial production is symmetric or asymmetric.
2. Previous Literature

A number of empirical researches are available on the relationship between oil price and macroeconomic relationship. For example Hamilton (1983), Burbridge and Harrison (1984), Gisser and Goodwin (1986), Hooker (1996), Rotemberg and Woodford (1996) found a linear relationship between the oil price and macroeconomic activities. These studies, however, concluded that oil price changes have different impacts on the economies over time. The linear relationship, however, become weekend during the eighties, because of the smaller energy intensities, more flexible labor market and improvement in the monetary policies. Blanchard and Gali (2007).

However with the advent of time the once symmetric linear relationship between oil price and macroeconomic activities becomes asymmetric. To deal with the phenomena many time series models have been included the nonlinear oil price specification. For example Mork (1989), Hamilton (1996), Lee et al (1995), Jimenez-Rodriguez and Sanchez (2005), Lardic and Mignon (2008) concluded that increase in oil price seems to retard the economic activities by more than the fall in oil price stimulate it.

Mork (1989) hypothesized that oil price decrease has less impact on the economy than the oil price increase effects. Defining the oil price increase and decrease by his own way his results confirmed the asymmetry between oil price and economic activities. Mork defines the increase in oil price as the positive difference between the current and lag oil price. If the difference is negative, the positive price will be considered as zero. Similarly, the decrease in oil price is the negative difference between the current oil price and the one period lag oil price. If the difference is positive, it will be considered as zero.

Hamilton (1996) forms another asymmetric transformation of oil prices. He stated that most oil price increases are the correction of earlier decline in oil prices. Thus it seems more appropriate to compare the current oil price with that during the previous year rather than the previous month or the previous quarter alone. Hamilton proposed that if oil price in time $t$ is lower than the previous year, than the increase in oil price is zero and no positive oil shock have been occurred. Similarly, if the oil price in time $t$ is greater than the previous year, than the decrease in oil price is zero and no negative oil shock has been occurred.

3. Hypotheses:

This article empirically tests the following:

$H_{1A}$: The relationship between the changing oil price and industrial production in Pakistan is symmetric.

$H_{2A}$: The fluctuations in oil prices help improving the forecast of industrial production.

4. Research Methods

4.1 Variables and Data

Monthly data on GDP is not available for Pakistan, therefore the Index of Industrial production will be used as a proxy for the GDP. (For instance, Kumar (2005), Komain (2006), Abosedra & Gosh (2007) and Robalo & Salvado (2008) used the Index of Industrial production as a proxy for the GDP).

Oil price shocks are used as an explanatory variable. The oil shocks are usually defined in terms of price fluctuations, which may be caused either by the demand or the supply side forces. In practice it is unlikely for demand to grow rapidly enough to cause a price shock unless it is motivated by fears of supply shortages. Historically the supply side has been primarily responsible for the observed oil price shocks. The price shocks may be positive (a rise) or negative (a fall) (Wakeford, 2006). We shall use the monthly Brent crude oil price as our variable for the oil prices.
4.2 Vector Autoregressive (VAR) Model

The VAR in real is an econometric model which is used to find out the interdependencies among the multiple time series and it is in fact the generalization of the univariate AR models. If we have only two variable $Y_t$ and $X_t$ and their VAR model can be written as follows.

\[
y_t = b_{10} - b_{12}x_t + \gamma_{11} y_{t-1} + \gamma_{12} x_{t-1} + \varepsilon_{yt}
\]

(equation 1)

\[
x_t = b_{20} - b_{21}y_t + \gamma_{21} y_{t-1} + \gamma_{22} x_{t-1} + \varepsilon_{xt}
\]

(equation 2)

Where it is assumed that $y_t$ and $x_t$ are stationary and also the $\varepsilon_{yt}$ and $\varepsilon_{xt}$ are uncorrelated white noise error terms. The problem of endogeniety leads to a serious problem of inefficient OLS estimates. VAR model may be changed to its reduced form to cope with problem of endogeniety. The equation 1 and 2 can be written in matrix format as follows:

\[
\begin{pmatrix}
1 \\
b_{21}
\end{pmatrix}
\begin{pmatrix}
y_t \\
x_t
\end{pmatrix}
= 
\begin{pmatrix}
b_{12} \\
b_{11}
\end{pmatrix}
\begin{pmatrix}
y_{t-1} \\
x_{t-1}
\end{pmatrix}
+ 
\begin{pmatrix}
\gamma_{12} \\
\gamma_{11}
\end{pmatrix}
\begin{pmatrix}
y_t \\
x_t
\end{pmatrix}
+ 
\varepsilon_{yt}
\]

(equation 3)

This can be written as

\[
BZ_t = \Pi_0 + \Pi Z_{t-1} + \varepsilon_t
\]

Where

\[
B = \begin{pmatrix}
1 \\
b_{21}
\end{pmatrix}, 
\Pi_0 = \begin{pmatrix}
b_{12} \\
b_{11}
\end{pmatrix}, 
\Pi_1 = \begin{pmatrix}
\gamma_{12} \\
\gamma_{11}
\end{pmatrix}
\text{ and } \varepsilon_t = \begin{pmatrix}
\varepsilon_{yt} \\
\varepsilon_{xt}
\end{pmatrix}
\]

Pre-multiplying equation 4 by $B^{-1}$ allows us to write the VAR model in the following format.

\[
Z_t = A_0 + A_1Z_{t-1} + e_t
\]

(equation 5)

The equation 5 is a first order VAR model in a standard form where,

\[
A_0 = B^{-1}\Pi_0, \quad A_1 = B^{-1}\Pi_1 \quad \text{and} \quad e_t = B^{-1}\varepsilon_t
\]

For notational purpose, we can define $a_{i0}$ as the element $i$ of the vector $A_0, \quad a_{ij}$ as the element in row $i$ and column $j$ of matrix $A_1$ and $e_{it}$ as the element $i$ of the vector $e_t$.

Thus the VAR (1) of equation 5 can be written with the new notation as follows:

\[
y_t = a_{10} + a_{11} y_{t-1} + a_{12} x_{t-1} + e_{1t}
\]

(equation 6)

\[
x_t = a_{20} + a_{21} y_{t-1} + a_{22} x_{t-1} + e_{2t}
\]

(equation 7)

$e_{1t}$ and $e_{2t}$ in equations 6 and 7 are the white noise because these are the combinations of $\varepsilon_{yt}$ and $\varepsilon_{xt}$, which are stationary by assumptions. The difference between the VAR model of equation 1 and 2 and the VAR model of equation 6 and 7 is that the first model is a structural or the primitive VAR while the second is called the VAR in standard format. The conventional Ordinary Least Square technique can be applied to VAR in standard form in order to obtain efficient estimates.

4.3 Forecasting Criteria

To evaluate forecasts generated by a certain model, method or technique many identifiers are available.

*Bias* is the average of residuals:

\[
B = \frac{1}{n}\sum e_t
\]

This is a systematic error in forecasts that appears due to drift of forecast from the actual observation.

*Mean Absolute Error (MAE)* is the average of the absolute errors.

\[
MAE = \frac{\sum Abs(e_t)}{n}
\]

*Mean Absolute Percentage Error (MAPE)* is the average of the ratio of the absolute errors and the actual observations.

\[
MAPE = \frac{\sum \left(\frac{Abs(e_t)}{Y_t}\right)}{n}
\]

the value may be written in percentage by multiplying with 100. The MAPE should be the lowest for a better forecast.
Mean Square Error (MSE) is the average of the squares of errors. It is computed as follows:

$$MSE = \frac{1}{n} \sum e_i^2$$

the value is interpreted as the variance which gives more weight to the large residuals or errors.

Root Mean Square Error (RMSE) is simply the square root of the mean square error.

$$RMSE = \sqrt{MSE} = \sqrt{\frac{1}{n} \sum e_i^2}$$

For the interpretation purpose this value which is considered like the standard deviation is preferred over the MSE.

5. Empirical Findings
5.1 Symmetric or Asymmetric Relationship
To investigate whether the relationship between the oil price and industrial production is symmetric or asymmetric and to forecast the industrial production using oil price the Vector Autoregression (VAR) is estimated. The VAR model is estimated with both linear and non-linear oil price specifications.

5.2 Linear VAR Specification
The linear oil price VAR specification consists of two variables that is the index of industrial production and the crude oil prices. On the basis of lag selection criteria of AIC, LR, FPE the lag order of the VAR model with linear oil price specification should be 15, which is not a surprise in case of monthly based data. Thus the VAR model with 15 months lag period is estimated. A summary of the results of VAR (15) is given in table 1. The table shows that for the first equation where the industrial production is dependent variable, the F-statistics 9.58 is greater than 4 which is significant and shows that the lags of industrial production and oil price significantly affect the current values of industrial production. The adjusted R-square is also greater which shows that 60 percent of the variations in the industrial production are explained by the lags of oil price and industrial production.

This shows a better fit. In the second equation where the oil price is dependent variable, the F-statistics is less than 4, which shows that the lags of industrial production have no significant effect on the current value of oil price. Besides this the Adjusted R-square is very low for the equation. So the results of VAR (15) show that a unidirectional causality runs from the oil price to the industrial production. Now in order look for the dynamic structure of the VAR model an idea about the Impulse Response Function (IRF) and the Variance Decomposition (VDC) for the VAR (15) model is needed.

5.2.1 Impulse Response Function
The impulse response function shows the dynamic response of macroeconomic variables to one standard deviation shock to other variable in the model. According to Runkle (1987) reporting the Impulse Response Function without the standard error bar is tantamount to reporting the regression coefficients without t-statistics. Thus as an indication of significance the 90 percent confidence interval is estimated. The figure for the IRF consists of three lines. The middle line shows the response of the macroeconomic variable to one standard deviation shock to error of other variable in VAR system.

The other two lines show the confidence bands. If the horizontal line falls between the confidence bands then the non-rejection of null hypothesis is evident. Farzanegan and Markwards (2009). The null in this case is that the oil shocks do not affect the industrial
production. Thus to investigate the response of industrial production in Pakistan to the changing oil prices the crude oil price have been utilized as shock variable.

The figure 1 shows the 12 period response of the industrial production to the shock in the crude oil price. The figure of IRF measures Standard deviation on the Y-axis and the periods after the initial shock at the X-axis. After the initial shocks to the oil price the industrial production decreases for the first 3 months reaching its minimum level in the second period after the shock. At the forth period of the shock the industrial production increases and from fifth period to the eighth period again it responds negatively. Thus making some oscillations the response of the industrial production to oil shocks converges to the initial level after 36 months period. The response of the industrial production to the oil shocks is significant because the horizontal line is touched by the confidence bands. The Impulse response Function shows a damp time path i.e. it converges through oscillations, which shows the stability of our VAR model and the stationarity of the time series.

5.2.2 Variance Decomposition

The Variance Decomposition shows the relative importance of each random shock to the variable in the model. The table 2 shows the VD (Variance Decomposition) for the forecast error of the industrial production for 12 months periods. For the first period the variance in the industrial production share by its own lags is 100 percent however for the coming periods this figure decline to around 92 percent in the 7th period and at end of 12th period it shows that almost 84 percent variations is explained by its own shocks. The share of oil price in the fluctuation of industrial production is zero for the first period and for the later periods it increases to around 7 percent in the 7th and at the end of 12th period almost 16 percent of the variations in industrial production is due to the oil shocks.

5.3 Non-linear VAR Specifications

The VAR model for the nonlinear oil price specification is estimated. The Mork (1989) definition of asymmetric oil price relationship is incorporated in the VAR model. He has defined his own increased and decreased in the oil prices. The formula for the positive oil price and negative oil price given by Mork (1989) is given below:

\[ \text{LoilP}_t^+ = \max (0, (\text{LoilP}_t - \text{LoilP}_{t-1}) \]
\[ \text{LoilP}_t^- = \min (0, (\text{LoilP}_t - \text{LoilP}_{t-1}) \]

Thus using the above formulae for positive and negative oil price the positive and negative oil price shocks has been calculated. A graphical summary of the negative and positive oil shocks is given in figure 2 below.

The estimated output of the VAR (13) with nonlinear oil price specification, based on the lag selection criteria of AIC, LR and FPE is estimated and the summary of the results is given in table 3. In the table 3 for the equation where the industrial production is dependent variable the F-statistics is greater than 4, which shows that the lags of negative and positive oil price have joint significant effect on the industrial production. Again the adjusted R-square is greater than 0.6, which shows a good fit. For the other two equations where the negative and positive oil price is
the dependent variables, the F-statistics is very low and also the adjusted R-square is close to zero. So, again it is proved, the unidirectional causality runs from the positive and negative oil price to the industrial production and the reverse case is insignificant.

5.3.1 Impulse Response Function
The figure 3 shows the responses of industrial production to the negative and positive oil price shocks. The first part shows the response to the positive oil price shocks. For the first two periods after the initial positive oil shock the industrial production decreases with the increase in oil price and then it increases till the third period after the shock. After the third period it again declines and reaches its minimum in the fifth period. In the sixth and seventh period the response is a bit increase and then decreased again. Thus going through a number of oscillations the industrial production converges to its initial level at almost 39th period after the shock. Again the impulse response function time path is damped. Since the horizontal line is not touched by the confidence bands therefore we conclude that the response of industrial production to the positive oil shock is insignificant.

In the second part of the figure the response of industrial production to the negative oil shocks is shown. After the initial negative oil shock the industrial production increases for the first two periods and then decreases for the third period. From third to eighth period after the negative shock the industrial production increases with the decrease in oil price. Then after some oscillations it converges to the initial level at 32nd period. Because the horizontal line is not touched by the confidence bands therefore we conclude that the response of industrial production to the negative oil price shock is insignificant. Since the response of the industrial production to both the negative and positive oil price is insignificant, therefore it is concluded that the relationship between the oil price and industrial production is linear or symmetric.

[Insert Figure 3 about here.]

5.3.2 Variance Decomposition
The Impulse Response Function gives us a qualitative response of the industrial production to the shocks in the oil prices. Thus the forecast error variance decomposition is examined to determine the share of proportion of movements in the series of industrial production that are due to the shocks in their own series as oppose to the negative and positive shocks in oil prices. The table 4 shows the forecast error variance decomposition of the industrial production for 12 months periods. Table shows that at the initial period the share of industrial production explained by its own lag is 100 percent but at later periods it decreases and reaches to 91 percent and at the end of 12th period the share of its own shocks in the variation of industrial production becomes almost 82 percent. However at the end of the 12th period almost 9 percent shares in the industrial production are explained by positive oil shocks and 8 percent is explained by the negative oil shocks. Since the difference in share of industrial production variations by the positive and negative oil price shocks are not much, therefore we conclude that the relationship between the oil price and industrial production is linear and symmetric.

5.4 Forecasting and Forecast Evaluation
The forecast are made using the selected ARIMA and VAR models from Dec 2006 to Sep 2008. Table 5 shows the actual growth rate of index of industrial production and the forecast made by ARIMA and VAR models. To assess the forecasting ability of a model we 20 observations at the end of the sample period are retained and are not used to estimate the models. The sample range from July 1991 to Sep 2008, but the ARIMA and VAR models are estimated for the period July
1991 to Nov 2006 and then the most efficient models are used to forecast the remaining observation of the sample and compared it with the actual observations.

Table 5 reports the various forecasting measures of the forecast error, namely the RMSE (Root Mean Square Error), MAE (Mean Absolute Error), MAPE (Mean Absolute Percentage Error) and the Theil’s statistics. The first two forecast error measures depend on the scale of dependent variable. These are used as relative measures to compare the forecast for the same series across different models. The smaller the error the better is the forecasting ability of that model accordingly. The Thiel statistics calculates the ratio of RMSE of the chosen model to the RMSE of the naive (i.e. assuming the value in the next period is the same as the value in this period and no change in the dependent variable).

Thus a value of one for the Theil’s statistics indicates that, on the average the RMSE of the chosen model is the same as that of the naive model. A Theil’s statistics in excess of one will lead to a reconsideration of the model as the simple naive model performs well. A Theil’s statistics less than one does not lead to an automatic acceptance of the model, but it does indicate that on the average the chosen model performs better than the naive model. The Theil’s coefficient always lies between zero and one, where zero indicates a perfect fit. The Thiel’s statistics are further decomposed into bias proportion, variance proportion and the covariance proportion. The bias proportion indicates how far the mean of the forecast series is from the mean of the actual series. The variance proportion tells us how far the variance in the forecasts series varies from the variance in the actual series. The covariance proportion measures the remaining unsystematic forecasting errors. The sum of the bias, variance and covariance proportion is equal to one. For a better forecast the bias and variance proportion should be as small as possible and all the bias should concentrate to the covariance proportion.

6. Conclusion
Since the response of the industrial production to both the negative and positive oil price is insignificant, therefore it is concluded that the relationship between the oil price and industrial production is linear or symmetric. Moreover, the forecasting evaluation criteria of Root Mean Square Error (RMSE) and the Mean Absolute Error (MAE) showed that the VAR model forecasts are close to the actual observations of the industrial production as compared to the ARIMA forecasts. Thus it is concluded that the oil price, among other factors, is an important factor in fluctuating the Pakistan industrial sector. Government should rationalize the taxes on the petroleum products. This will lead to stabilization of prices and the reduction of unbalanced consumption pattern, which in turn will lead to predictable government revenue and the reduction of those products for which reliance on imports is major.
References
Pakistan Economic Survey (Various issues), Ministry of Finance, Government of Pakistan, Islamabad.
Government Of Pakistan (Various issues), “Pakistan Energy Year Book” *Hydrocarbon Development Institute of Pakistan, Ministry of Petroleum and Natural Resource*.


### Table 1: Results of Linear VAR(15) specifications

<table>
<thead>
<tr>
<th></th>
<th>IIP as dependent Variable</th>
<th>Oil price as Dependent Variable</th>
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<tbody>
<tr>
<td>R-Square</td>
<td>0.6750</td>
<td>0.2400</td>
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<td>Adj: R-Square</td>
<td>0.6050</td>
<td>0.0759</td>
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<tr>
<td>F-Statistics</td>
<td><strong>9.5800</strong></td>
<td><strong>1.4600</strong></td>
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<tr>
<td>Log-likelihood</td>
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<td>227.72</td>
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<tr>
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<tr>
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<td>-2.8630</td>
<td>-1.7540</td>
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### Table 2: The Variance Decomposition of the Industrial production for linear VAR (15)

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<th>DLIIP</th>
<th>DLOILP</th>
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<tr>
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<tr>
<td>2</td>
<td>0.056036</td>
<td>97.61851</td>
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<td>3</td>
<td>0.057036</td>
<td>96.40341</td>
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</tr>
<tr>
<td>4</td>
<td>0.057746</td>
<td>95.27262</td>
<td>4.727380</td>
</tr>
<tr>
<td>5</td>
<td>0.058128</td>
<td>95.15095</td>
<td>4.849046</td>
</tr>
<tr>
<td>6</td>
<td>0.058208</td>
<td>94.14338</td>
<td>5.856615</td>
</tr>
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<td>7</td>
<td>0.058810</td>
<td>92.24228</td>
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<td>0.059396</td>
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<tr>
<td>9</td>
<td>0.059501</td>
<td>88.50451</td>
<td>10.495491</td>
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<td>10</td>
<td>0.059621</td>
<td>87.30238</td>
<td>12.697620</td>
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<td>11</td>
<td>0.059824</td>
<td>85.79707</td>
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<tr>
<td>12</td>
<td>0.059918</td>
<td>84.82250</td>
<td>15.177502</td>
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</table>

### Table 3: Results of the Non-liner VAR(13) Specifications

<table>
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<tr>
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<th>IIP as dependent Variable</th>
<th>Negative oil price as dependent variable</th>
<th>Positive oil price as dependent variable</th>
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<tr>
<td>R-Square</td>
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<td>0.2869</td>
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<td>Adj: R-Square</td>
<td>0.656</td>
<td>0.0447</td>
<td>0.0747</td>
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<td>F-Statistics</td>
<td><strong>9.314</strong></td>
<td><strong>1.2040</strong></td>
<td><strong>1.3520</strong></td>
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<td>Log-likelihood</td>
<td>342.9</td>
<td>327.49</td>
<td>329.20</td>
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<td>AIC</td>
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<td>-2.808</td>
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### Table 4: The Variance Decomposition for Industrial production for VAR (13)

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<td>Covariance Proportion</td>
<td>0.83360</td>
<td>0.84000</td>
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Figure 1: Impulse Response Function of Linear VAR (15) for 12 months periods.

Figure 2: Graphical representation of Mork’s negative and positive oil prices.

Figure 3: Impulse Response Function for Non-linear VAR (13)
Response to Cholesky One S.D. Innovations ± 2 S.E.
Relationship between Corporate Governance and Default Risk: Empirical Evidence from Pakistan

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Abstract
This study attempts to investigate relationship between corporate governance and default risk for the corporate sector of Pakistan. Firstly, it develops the Corporate Governance Index (CGI) and then ranks companies in terms of different indicators to evaluate the quality of corporate governance by analyzing different forms of disclosures available in the annual report as a proxy for the corporate governance. The evidence suggests that corporate governance is significantly related with the default risk/credit rating of corporate working in the corporate sector of Pakistan. The study also decomposes the corporate governance index into its various components in order to determine which of the components are more liable for default risk. It finds independence, ownership structure of the company, financial transparency and board of director’s quality are more significant components of corporate governance as compared to others forms of disclosure.

Key Words: Default Risk, Corporate Governance, Corporate Disclosure, Credit Rating

1. Introduction
The corporate rating reflects corporate creditworthiness of a firm and its default risk (Standard & Poor’s 2002). That is why that rating agencies are more concerned with better corporate governance in today’s world, because poor corporate governance does not only destroy the financial position of the firm but also results in the losses to its major stakeholders i.e. owners and creditors of the companies (Fitch Ratings, 2004). Corporate Governance is important for firms because separate ownership and control brings conflict of interest among the owners, creditors and Management of the company (Jensen & Meckling, 1976).

2. Previous Literature
A number of studies have been conducted to investigate the relationship between corporate governance and cost of debt (for instance, Bhojraj & Sengupta 2003, Collins & LaFond 2006). Similarly some studies have found that there is a negative association between firm likelihood of bankruptcy and corporate governance (for instance, Daily & Dalton 1994). The recent research has brought into focus the impact of corporate governance on of credit rating which in most is observed to be positive in terms of sustainability, board of director’s size, board of director independence and CEO duality (Overhue & Cotter, 2010).
Most of the previous studies confined their analysis to the restricted variables on governance, like the board size, board independence, audit committee independence, audit committee size and meeting frequency (Anderson et al, 2004). While (Bhojraj and Sengupta, 2003) considered the board independence and institutional ownership as a variable of governance. This study attempts to develop wide-ranging corporate governance index centered on the comprehensive corporate governance attributes on compliance, board of director’s quality, independence, ownership structure, external audit, procedures and financial transparency in case of Pakistan’s large manufacturing sector. It has been observed how all these attributes of corporate governance collectively and individually affect the default risk faced by a firm. The study makes use of the information from the annual reports in order to get the information about all the above stated attributes of corporate governance.

The study has been explained by the detailed conceptual framework given on next page. This conceptual framework illustrates how different attributes of corporate governance i.e. board of director quality, external audit, ownership structure, procedures, compliance and financial transparency are combined together to bring better governance in corporate and then how this governance proceeds further and effect the liquidity position of concern, level of leverage, size, growth, information asymmetry and reputation which ultimately results in bringing or not bringing the default risk to the firm in the form of better and poor credit ratings by rating agencies.

3. Hypothesis
Using an index of corporate governance, the quality of corporate governance is assessed and following hypothesis is empirically tested:

\( H_1: \) There is a positive relationship between default risk of a firm and corporate governance.
4. METHODOLOGY

4.1 Model to be Estimated
In order to find the validity of the proposed hypothesis and observe which of the components of corporate governance drives the result or contribute towards the default risk/credit rating following equations have been used.

\[
DR_{t+1} = \alpha + \beta_1 \text{CGSCORE}_i + \beta_2 \text{SIZE}_i + \beta_3 \text{LEV}_i + \beta_4 \text{GROW}_i + \beta_5 \text{REPU}_i + \beta_6 \text{IASY}_i + \beta_7 \text{LIQ}_i + \beta_8 \text{PER}_i
\]

4.2 Construction of Corporate Governance
In order to calculate the corporate governance score, a corporate governance index based on annual report disclosures has been designed to mark each company’s corporate governance quality. Construction of the index is based on the corporate governance indicators suggested by prior research like Cotter and Overheu (2010) and S&P (2002). The previous studies of Cotter & Overheu (2010), Nelson (2003), Weber (2006), Daily & Dalton (1994), Bhojraj & Sengupta (2003), Elloumi & Jean (2001) on corporate governance were limited to BOD, independence, CEO characteristics, CEO a same person as a chairperson, BOD composition, Audit Committee size etc.

The exception of this study is that it has used all the indicators collectively to see their joint effect on the firm default risk. Thus this study seems to be an addition in the existing literature available on the corporate governance and default risk in general and particular for Pakistan.

Moreover, the index used in our study also carry the marks for financial transparency information disclosure which was missing in the previous study Cotter and Overheu (2010), Nelson (2003), Weber (2006), Daily & Dalton (1994), Bhojraj & Sengupta (2003) and Elloumi & Jean (2001). Table 1 provides the summary of corporate governance index. The maximum possible score is 64 (4 general disclosures, 14 BOD, 4 ownership, 26 independence, 3 external audit, 2 procedures, 11 financial transparency). Details of the index development are given in appendix [Insert Table 1 about here.]

4.2.1 General Disclosures
The first component of the corporate governance index is general disclosures and it has been used as a proxy for the quality of compliance maintained by the management for the rules and regulations set by regulatory body (SECP) in Pakistan.

In order to check the quality of compliance the presence of corporate governance statement made by the company and in addition to it reference made in this statement to the code of corporate governance has been observed. In index each disclosure on corporate governance statement and code of corporate governance carry one score. While in index detailed disclosure on corporate governance statement and code of corporate governance contains 2 point.

4.2.2 BOD
Since corporate governance is a process by which director can control and direct the management of the company to maximize the interests of owners of the company Wong and Yeung (2000). Therefore, the director plays an important role in shaping the effectiveness of corporate governance.

In the previous studies of (Yermack, 1996, Eisenberg et al 1998) used the board size and board composition as a mechanism of board effectiveness and found at the end the firm with the smaller BOD and non executives has more market value and high profitability. On the contrary studies are Barnhart and Rosenstein (1998). However, most of the studies missed out such as personal attributes of BOD to determine their effectiveness. So, we considered the more personal attributes of BOD on; qualification and experience, which were missed out or limited to the education only in the previous study of Chan and Lau (2003).
To judge the quality of BOD the index includes each point for disclosures of board member’s qualification, experience, board committee, list of board of directors, remuneration, attendance of board of directors, board size, jobs of board of directors and establishment of investment committee for future plane etc. while index includes two points for detailed description on board members qualification, remuneration and board size.

4.2.3 Ownership
The purpose of considering the ownership disclosure is to observe, whether the ownership is in the hands of management or not. Because, those firms which are controlled by the management perform better than those firms which are controlled by the dispersed owners. Hence firm’s performance in one period can affect the structure of ownership control in subsequent years. Moreover, the concentrated ownership results in the reduction of agency cost (Short, 1994). The index includes each point if number of shares held by board members are disclosed and owned more than 30 percent of shares by board members. While for disclosing top five shareholders firm was given two points.

4.2.4 Independence
To observe the strength of the oversight role performed by the board, we made the assessment of the independence of BOD and relevant committees like in Asbaugh-Skaife et al (2006) and Anderson et al (2004). Board of director independence is one of the compulsory requirements given in the code of corporate governance issued by SECP on May 28th, 2002. A board which is independent and free from the conflict of interest can formulate the policies in the best interest of the company and other stakeholders (McCabe and Nowak, 2006).

In order to find the independence of board members two measures have been used. In first measure it is just find the director is non Executive Director or not (Clarkson et al. 2006). And in other measure, rules and regulations set in the code of corporate governance issued by SECP on May 28, 2002 have been followed. According to these rules a director would be considered an independent director if:

a. His interest in the total paid up capital is less than 5%.
b. He did not remain at the executive position in the company for last three years.
c. He/ She or his/her relative did not have any fiduciary relationship and pecuniary interest in the Contractual obligations other than the directorship and had no obvious relationship with the executive director like son and father and husband and wife.
d. He did not serve the company as a director for the period of more than ten years.
e. He did not have the relationship with the directors, executives of associated companies and related parties.

It has been assessed from the information available in annual report on details about BOD, Shareholding pattern and related party transaction like James & Overhue (2010). Along with the independence of the audit committee, independence of compensation committee and nomination committee like James and Cotter (2007). The presence of these committees may ensure the monitoring of the management, integrity of the financial statements prepared by the management and effectiveness of the internal control employed by the management in the company (Smith Report, 2003).

Moreover, in case of absence of audit committee, nomination committee and compensation committee. We considered the other committees available in annual report on human resource and environment. The information on independence on board members and relevant committees was observed from the disclosures available in 2008 annual report of firm. The index also includes the point for independence of board members and relevant committees on the basis of size of committees and number of meetings of committees held in 2008.
4.2.5 External Audit

As from the statutory point of view the board is liable for the appointment of external auditor. So, the quality of external audit implied by the management is normally considered as a part of corporate governance. In order to assess the quality of external audit being implied by the company, index includes each point for the company disclosed the name of its auditing firm. Moreover, one point also awarded if the firm was one of the four big audit firms. Similarly index includes each point if audit expenditures are 50 percent higher than the minimum audit fee set by ICAP. As previous study of James & Overhue (2007) indicates that higher fee paid to the auditor reduce his conflict of interest and he will be more independent and less inclined to the interest of management.

4.2.6 Procedures

In index points were also awarded for procedures. One point was awarded if jobs of board members were clearly disclosed. An additional point was awarded if the company disclosed that it had code of conduct in its annual report.

4.2.7 Financial Transparency

Because the managers are the custodian of public resources, which also includes the financial resources, due to which all the stakeholders especially creditors are interested in the financial disclosures of the company (Dewan, 2006). To check the transparency in the usage of financial resources the study has followed, the different indicators suggested by OECD available in the annual reports of the companies as a proxy for the financial transparency after the financial meltdown of 1997 (Dewan, 2006).

Similarly to find the level of financial transparency, the corporate has been marked in the corporate governance index on the basis of quality of the Financial Transparency Information Disclosures as follow, if the company has provided an overview of the trend in its industry, company provided the detail of its product, company provided the detail of its market share, company provided the details of Related Party Transactions (RPTs) company reported its earning forecast for upcoming years, company reported its output in the annual report in physical terms, company reported the efficiency indicators in the annual report like (Return on Assets and Return on Equity etc.), company provided the investment plan in the coming years in its annual report. Company provided the comparison of its performance with rest of the companies operating in the same industry has been given 1 score otherwise 0.

4.3 Data Sources

Unlike the previous studies James & Cotter (2007), James & Overheu (2010) and Skaife et al. (2006) default risk of company is captured by getting unpublished data of firm’s individual credit rating. For the detailed analysis of the proposed hypothesis initially 67 companies was considered, but then to keep the homogeneity in data and to get the satisfied results, sample of 36 companies has been used, and thus removed 31 companies because of difference in operations and non availability of data on the variables have been used in this study. Thus, at the end, the final sample consisted of 36 companies which met the criteria of being non finance/insurance/banking and which held PACRA credit rating in 2009 and filed an annual report in stock exchange in 2008. The information for constructing corporate governance index and for control variables was obtained from annual report of 2008. While daily stock prices data was obtained from Karachi stock exchange.

5. Results and Discussion

5.1 Descriptive Statistics

Table 2 shows the descriptive statistics of our corporate governance index, its important components and other control variables. The highest CGSCORE is 54 which is 83% (54/63) of total CGSCORE. While the lowest CGSCORE is 16 which is 25 percent (16/64) of total CGSCORE. The median and mean score of CGSCORE are 33.125 and 30.5 which are 52
percent and 48 percent of total CGSCOREt respectively, with a range of 10.27. The highest score obtained by the company on BODi is 13, while the minimum score obtained by a company on BODi is 05, which is 36 percent (5/14) of total BODi score. Similarly, mean and median score of BODi are 8 and 7 with a wide range of 2.42. The highest score obtained by a company for INDPi is 17. While the lowest score obtained by a company for INDPi is 1. The mean and median score of INDPi are 8 and 7 respectively. The highest score obtained by a company for COMPi is 04, which is the 100 percent (4/4) of the total COMPi score. While the lowest score obtained by a company on COMPi are 02, which is 50 percent (2/4) of total COMPi score. The median and mean score of COMPi is 4 and 3.5 respectively. The highest score obtained by a company on External Audit EXAUDITi is 03 and lowest score obtained by a company on EXAUDITi is 01. Similarly the descriptive statistics of FITi shows the highest score achieved by a company on the financial transparency is 11. Moreover, the lowest score obtained by a companies in the FITi is 3, which is 27 percent (3/11) of the total FITi score. The mean and median score obtained by companies are 8 and 8.5 for FITi respectively with a wide range of 2.5. The descriptive statistics on OWNi shows the highest score obtained by a company is 4. While the minimum score obtained by companies on OWNi is 01 with a range of 0.76.

According to table (2) maximum score obtained by the companies on PROi is 02. While the minimum score obtained by company is 1 with a range of 0.439155.

[Insert Table 2 about here.]

6.2 Model Estimation

In first equation CGSCOREt has been regressed against the default risk. Result of first equation in table (1) shows that the CGSCOREt is significant and positively related with the Default risk for which the Credit rating has been used as a proxy. Which indicates the firm with the good corporate governance has better corporate rating and low default risk and vice versa. These results are inconsistent with James & Overhue (2010) and consistent with Asbaugh-Skaife, Collins & La Fond (2006). Moreover, these results reveal in Pakistan, the corporate governance plays a vital role in determining its default risk. The other significant variable includes the performance of the firm and Leverage, due to which default risk occurs and credit ratings get affected. The regression results in table (1) shows performance is positively related with the Default risk/corporate rating as it was expected. Which means those firms whose performance is better they have the higher credit rating and hence the lower default risk. Similarly the regression results in table (1) about leverage indicates it is negatively associated with the Default risk/credit rating which means those firms which use more debt they have to pay more interest cost which increases their default risk by decreasing the credit rating. The previous literature on corporate governance also verifies it, the high performing firms have the higher credit rating risk and expected to have lower default risk while more levered firms have more expected default risk and lower credit ratings. (Sengupta, 1998; Bhojraj & Sengupta, 2003; Anderson et. al, 2004; James & Cotter, 2007).

In equation 1 our insignificant variables includes Size and Growth. Though the size is insignificant, but it is insignificant in right direction. While growth is surprisingly insignificant in opposite direction. Which might be indicating that it is easy to govern less growing businesses as compare to the enlarge and fast growing firms.

In order to determine which component of corporate governance from corporate governance index drives the result more, we decomposed the CGSCOREt into its components as per Index. In the equation (2) the CGSCOREt has been substituted with its component BODDISCt and regressed against the DRi+1/credit rating. BODDISCt is the marks of disclosure of BOD from the corporate governance index and shows the marks obtained by the company, for the quality of board members out of total BOD disclosure score (x/14).
Moreover, ISAY\textsubscript{i} has been introduced among the control variables and dropped LIQ\textsubscript{i} and PER\textsubscript{i} for parsimonious purpose. The result of equation (2) in above table (2) shows BOD\textsubscript{i} is significantly and positively related with default risk/credit rating. And thus reflects the firms which have more qualified and experienced board of directors, they are properly governed due to which their credit rating is high and expected default risk is low. Among the other control variables result in table (2) indicate again the significant variables are: Reputation and leverage with exactly the same sign as they were expected. Even though, among the insignificant variables size and Information asymmetry is the variable which is insignificant, but both are insignificant in right direction which is inconsistent with James & Cotter, 2007; Mahajan & Sharma, 1985) and consistent with the (Gilson, 1990, Daily & Dalton, 1994)

Like the equation (2) of study, In order to determine which component of corporate governance from corporate governance index producing the better result, we decomposed the CGSCORE\textsubscript{t} in to its components as per Index.

INDP\textsubscript{i} is the marks of Independence of BOD from the corporate governance index and shows the marks obtained by the company for the independence of its management and relevant committees; out of total score of INDP\textsubscript{i} score (x/26).

In the equation (3) the CGSCORE\textsubscript{t} has been substituted with its component INDP\textsubscript{i} and regressed against the DR_{t+1}/Credit rating. Moreover, in equation (3) to get, the robust results LIQ\textsubscript{i} and ISAY\textsubscript{i} has been dropped for parsimony purpose. The regression result in table (3) Indicates INDP\textsubscript{i} is significantly and positively related with the DR_{t+1}/Credit rating like BOD\textsubscript{i} and CGSCORE\textsubscript{t}. Which means an independent board and relevant committees can perform their oversight, monitoring and decisional role effectively, to mitigate the Default risk by improving the credit rating of company. Among the other control variables again the significant variables in equation (3) are: performance and leverage with exactly the same sign as they were expected, although Reputation is insignificant in this equation but it is insignificant in right direction. Moreover, from the result of equation (3) it could be concluded, like the CGSCORE\textsubscript{t}, within the Corporate Governance Score the component of INDP\textsubscript{i} is also significant, which is inconsistent with previous studies (Cotter and Overheu, 2010). Moreover, these results are consistent with Beasley et al. (2006), Abbot et al. (2003), Daily & Dalton (1994a) and Asbaugh-Skaife et al (2006).

In order to see whether the board members are complying with the rules and regulations set by the regulatory bodies which is an indication of stakeholder protection and proper governance of corporate. And to find, whether the compliance level of corporate is contributing towards default risk/CREDIT rating, in equation (4) the CGSCORE\textsubscript{t} has been substituted with COMPDIS\textsubscript{i}. Moreover, to get the robust result, LIQ\textsubscript{i} has been dropped. The result in above table (3) shows COMP\textsubscript{i} is not significantly related with the expected DR_{t+1}/Credit rating of companies operating in the Pakistan framework of corporate governance.

Similarly, among the control variables although the size is insignificant, but surprisingly it is insignificant in opposite direction, which is an indication, that, it is easy for the director of smaller company to comply with the rules and regulations than the company with the larger size. Even though Reputation is also insignificant, but it is insignificant in right direction. Moreover, table (3) shows among the other significant variables of the study is performance and leverage. These results are inconsistent with James and Cotter (2007).

Similarly in order to observe, whether, the external audit plays an important role in the DR_{t+1}/Credit rating of corporate working in the corporate frame work of Pakistan. In equation (5) CGSCORE\textsubscript{t} has been substituted with EXAUDIT\textsubscript{i} and regressed against the DR_{t+1}. The regression result in above table (3) indicates that EXAUDIT\textsubscript{i} is not significantly related with the default risk/credit rating. Among the other control variable like the previous equations PER\textsubscript{i} and LEV\textsubscript{i} is significantly related with DR_{t+1}/Credit rating. The coefficient sign of performance indicates as performance of the firm increases its creditworthiness in terms of credit rating
increase which ultimate reflect, reduction in expected default risk of the corporate. The level of leverage of the firm indicates, the more debt is used to run the business, results in lower credit rating and higher default risk. The sign of the coefficient indicates \( \text{LEV}_i \) is negatively related with the default risk as it was expected. Moreover, to get the robust result, \( \text{LIQ}_i \) has been dropped and \( \text{REPU}_i \) has been introduced among the control variables. These results are consistent with Rezaee, Olibe & Mnimier (2000).

Similarly to observe, whether, the financial transparency constitutes default risk. In equation (6) the \( \text{CGSCORE}_i \) has been decomposed into its various components and \( \text{FIT}_i \) has been regressed against default risk. The regression results in above table (3) reveals, financial disclosures, which have been used as a proxy for the financial transparency is almost significantly related with the \( \text{DR}_{t+1} \) at ten percent. Which indicates the lower credit rating and more default is because of the financial transparency. Among the other control variables, to get the robust results, the \( \text{REPU}_i \) has been dropped and \( \text{LIQ}_i \) has been introduced in equation (6). Moreover, table (6) shows among the control variable liquidity is positively and significantly related with the default risk, as it was expected. The positive sign of the coefficient of liquidity indicates the firm with more liquidity has the more creditworthiness in term of credit rating and thus enjoys the lower default risk.

Similarly the size is also significantly and positively related with the default risk, as it was expected, which shows the firm with more size has more ability to use its assets properly, which result in increased creditworthiness. These results are consistent with Parker et al. (2002) and inconsistent with James & Overhue (2010).

Like the previous equations to see the effect of \( \text{OWN}_i \) on \( \text{DR}_{t+1} \)/Credit rating of the corporate, working in the corporate Governance framework of Pakistan. In equation (7) \( \text{CGSCORE}_i \) has been substituted by \( \text{OWN}_i \), which is used as a proxy of concentrated ownership structure of corporate. To see concentrated ownership structure contributes towards \( \text{DR}_{t+1} \) or not, \( \text{OWN}_i \) has been regressed in equation (7) against the default risk.

Moreover, the results in above table (1) suggests \( \text{OWN}_i \) are significantly related with the default risk/credit rating of corporate working in the corporate governance framework of Pakistan. And shows those firms having more concentrated ownership their expected default risk decreases, which is inconsistent with Claessans et al. (2000) and Shleifer & Vishny (1997) and consistent with Short (1994). Among the other control variables like the previous equations, significant variable includes, leverage and performance. Even though \( \text{REPU}_i \) is insignificant, but it is insignificant in right direction.

In order to observe, whether, procedure drives the \( \text{DR}_{t+1} \) or not. In equation (8) the \( \text{CGSCORE}_i \) has been substituted with \( \text{PRO}_i \) (procedures), and regressed against the \( \text{DR}_{t+1} \). The regression results in above table (8) suggest the procedures are not significantly related with the default risk/credit rating of corporate working in the corporate governance framework of Pakistan. Moreover, among the control variables significant variables are, \( \text{LEV}_i \) and \( \text{PER}_i \) which is consistent with Elloumi & Goyaie (2001) and James & Overhue (2010). Although, \( \text{REPU}_i \) is insignificant but it is insignificant in right direction. Similarly, size is also insignificant, but surprisingly it is insignificant in opposite direction. Which may be an indication of the governance of the small firms is an easy, due to which its credit rating improves and default risk get lowers.

To check Muti-collinearity problem in data the variance inflation factor has been used. Variance Inflation Factor (VIF) and tolerance are both generally used measures of degree of multi-collinearity of the \( i \)th independent variable with the other independent variables in a regression model. Fortunately or unfortunately most commonly used rule of thumb by the practitioner associated with the VIF is rule of 10. The result in table (04) shows the value of VIF ranges from 1.01 to 13.0 and so only one value which is slightly higher than 10, which means there is not so much multi-collinearity among the independent variables.
Table 3: Regression Results

<table>
<thead>
<tr>
<th>Equation</th>
<th>R-squared</th>
<th>Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.997118</td>
<td>Intercept</td>
</tr>
<tr>
<td>2</td>
<td>0.93324</td>
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<tr>
<td>3</td>
<td>0.99233</td>
<td>Intercept, SIZE, CGSCORE</td>
</tr>
<tr>
<td>4</td>
<td>0.991381</td>
<td>Intercept, CGSCORE, LEV, GROW</td>
</tr>
<tr>
<td>5</td>
<td>0.991312</td>
<td>Intercept, CGSCORE, LEV, GROW, REPU</td>
</tr>
<tr>
<td>6</td>
<td>0.903449</td>
<td>Intercept, CGSCORE, LEV, GROW, REPU, IASY, BOD</td>
</tr>
<tr>
<td>7</td>
<td>0.992319</td>
<td>Intercept, CGSCORE, LEV, GROW, REPU, IASY, BOD, EXAUDT, FIT</td>
</tr>
<tr>
<td>8</td>
<td>0.991333</td>
<td>Intercept, CGSCORE, LEV, GROW, REPU, IASY, BOD, EXAUDT, FIT, LIQ, OWN, PRO</td>
</tr>
</tbody>
</table>

3.2 Explanation of Results of Diagnostic Tests

In order to ensure that the estimated models are consistent with the OLS assumption, several diagnostic tests have been applied. The result of Jarque-Bera normality test are insignificant in regression 1, 2, 3, 6, 7, 8, so we can not reject the normality test hypothesis of residuals even at 10 percent level of significance. The results of Breusch-Godfrey serial correlation LM Test suggests, we can not reject the null hypothesis of no serial correlation. The result of ARCH test suggest that squared residuals are homoscedastic. Similarly Ramsey’s test result suggests that specification of all the models is appropriate and the parameters of the models are stable.

7. Conclusions and Future Directions

Our results show that default risk/credit rating is significantly related with the corporate governance, a finding consistent with previous literature. While within the corporate governance board of director’s disclosure, independence, financial information and transparency disclosure, and ownership disclosure which are used as a proxy of board of director quality, independence of board of directors and committees, financial transparency and concentrated ownership structure showed the significant relationship with the default risk/credit rating. On the other hand, external audit, procedures, and compliance disclosures which are used as a proxy for the quality of
management in terms of monitoring, smooth functioning of employees and compliance to the rules and regulations set by the regulatory bodies showed the insignificant relationship with the default risk, which means our corporate are well governed on the matters of monitoring, functioning of employees and compliance to the rules and regulations set by the regulatory bodies. Amongst the control variables, liquidity, leverage and performance are significantly related with the credit rating/expected default risk. One surprising finding of this study is that that size of the firm is insignificant in wrong direction, while the growth of the firm is also insignificant, but it is insignificant in right direction which shows that size of the corporate does not matter in default risk.

This study has covered only the limited attributes of corporate and seen their impact on default risk. Our review of literature has explained the several aspects considered in the construction of corporate governance index. Undoubtedly, in the ownership structure of corporate in the modern era the institutional owner and institutional creditor have the important stake in the corporate which must be considered while finding the relationship between corporate governance and default risk.

Similarly default risk may be because of other many other factors which are afar from the boundary of corporate governance. It is valuable in the future to do more detailed study that involves many of these factors important in bringing the default for a corporate. We assert that using the same measure of default risk on larger sample of firms for an extended period will show more clearly how corporate governance affect the default risk over the years.

A view is that default risk of a firm could be observed from the stock prices of that particular company as these prices are outlook of the inner of the company. But unfortunately because of some political disturbances and domestic violence in the Pakistan statistically insignificant result obtained at the end. Now in future in more normal circumstances this relationship will be observed which is expected to be statistically significant.

8. Recommendations

On the basis of results of the study it could be recommended to the policy makers and SECP to check the ownership structure of the company. As our results and literature reviewed indicates that the concentrated ownership decreases the default risk of the company by improving the credit ratings.

Similarly financial transparency in the use of financial resource is a question mark on the corporate, due to which the level of transparency needed to be improved by improving the disclosure quality and providing the detailed information on the financial affairs of the company rather than just focusing the compulsory financial statements. This extra detail on the financial affairs of company will enhance confidence of the investors, lenders and thus decreases the default risk by increasing the credit-worthiness of the company. On the basis of results obtained it is recommended that the SECP must introduce the new rules and regulations for controlling the board of director and convince the corporate for disclosing the detail information on board of directors and improving their profile spreading from their personal attributes to job related experience. So, that they can perform their oversight, monitoring and decisional role effectively.

Moreover, to reduce the conflict of interest among the board members and improve the monitoring role performed by the different committee, it is required to introduce the more outsiders and increase the size of these committees so that they can play their role of monitoring effectively.
References


Parker et al. (2002). Corporate Governance and corporate failure a survival analysis. *Corporate Governance 2*(2), 4-12.


<table>
<thead>
<tr>
<th>Table 1: Corporate Governance Index</th>
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<tbody>
<tr>
<td><strong>GENERAL DISCLOSURE</strong></td>
</tr>
<tr>
<td>The annual report consists of the statement of compliance with code of corporate governance?</td>
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<tr>
<td>Reference is made to the code of corporate governance principle of Pakistan</td>
</tr>
<tr>
<td>Statement of compliance is made with the code of corporate governance in Pakistan</td>
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<tr>
<td><strong>Total Score of General Disclosure</strong></td>
</tr>
<tr>
<td><strong>Disclosure of BOD</strong></td>
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<tr>
<td>List of BOD is provided in the annual report</td>
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<tr>
<td>A list of Board Committee is provided in the annual report</td>
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<tr>
<td>Detail of Director’s remuneration is provided in annual report</td>
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<tr>
<td>Experience of BOD is disclosed in annual report</td>
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<td>Qualification of the BOD is disclosed</td>
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<tr>
<td>Attendance of BOD at meeting is Disclosed</td>
</tr>
<tr>
<td>Directors are Classified as executive or outsiders</td>
</tr>
<tr>
<td>Board Size disclosed</td>
</tr>
<tr>
<td>Jobs of BOD is disclosed</td>
</tr>
<tr>
<td>BOD established any investment committee or future production plane in coming years</td>
</tr>
<tr>
<td><strong>Total Score Of Disclosure of Board</strong></td>
</tr>
<tr>
<td><strong>Ownership Disclosures</strong></td>
</tr>
<tr>
<td>No of shares held by the Directors are disclosed and more than 30% of total shares issued</td>
</tr>
<tr>
<td>Top Share holders are disclosed</td>
</tr>
<tr>
<td>Cross ownership</td>
</tr>
<tr>
<td><strong>Total Score of Ownership Disclosures</strong></td>
</tr>
<tr>
<td><strong>INDEPENDENCE</strong></td>
</tr>
<tr>
<td>CEO not Same person as chairperson</td>
</tr>
<tr>
<td>Proportion of non executive members to total members of BOD</td>
</tr>
<tr>
<td>Proportion of independent members</td>
</tr>
<tr>
<td>Independent chairperson</td>
</tr>
<tr>
<td><strong>AUDIT COMMITTEE</strong></td>
</tr>
<tr>
<td>Size Of Committee</td>
</tr>
<tr>
<td>Proportion of non executive members</td>
</tr>
<tr>
<td>Proportion of independent members</td>
</tr>
<tr>
<td>Frequency of Meetings of Audit Committee during year</td>
</tr>
<tr>
<td><strong>RENUMERATION/COMPENSATION COMMITTEE</strong></td>
</tr>
<tr>
<td>Size of committee</td>
</tr>
<tr>
<td>Proportion of non executive members</td>
</tr>
<tr>
<td>Proportion of independent members</td>
</tr>
<tr>
<td>Independent Chairperson</td>
</tr>
<tr>
<td><strong>NOMINATION COMMITTEE</strong></td>
</tr>
<tr>
<td>Size of committee</td>
</tr>
<tr>
<td>Proportion of non executive members</td>
</tr>
<tr>
<td>Proportion of Independent Members</td>
</tr>
<tr>
<td>Independent Chairperson</td>
</tr>
<tr>
<td><strong>TOTAL MARKS OF INDEPENDENCE</strong></td>
</tr>
<tr>
<td><strong>EXTERNAL AUDIT</strong></td>
</tr>
<tr>
<td>Company Disclose the name of its audit Firm or not</td>
</tr>
<tr>
<td>Percentage of audit fee to total expenses</td>
</tr>
<tr>
<td>Big Four audit Firm</td>
</tr>
</tbody>
</table>
Total Marks Of External Audit

<table>
<thead>
<tr>
<th>PROCEDURES</th>
<th>03</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobs of BOD is disclosed and Clear to him</td>
<td>1</td>
</tr>
<tr>
<td>Company has a code of conduct in its annual report</td>
<td>1</td>
</tr>
</tbody>
</table>

Total Marks Of Procedures

<table>
<thead>
<tr>
<th>Financial Transparency Information Disclosure</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company provided the detail of its related party transactions or not</td>
<td>1</td>
</tr>
<tr>
<td>The company provide an overview of trends in its industry</td>
<td>1</td>
</tr>
<tr>
<td>Company provide the detail of its products or services produced/provided</td>
<td>1</td>
</tr>
<tr>
<td>Company provided the detail of its market share</td>
<td>1</td>
</tr>
<tr>
<td>Company report its earning forecast or not</td>
<td>1</td>
</tr>
<tr>
<td>Company report output in physical terms in its annual report</td>
<td>1</td>
</tr>
<tr>
<td>Company provided the output forecast of any kind or not</td>
<td>1</td>
</tr>
<tr>
<td>Company provided the efficiency indicator or not</td>
<td>1</td>
</tr>
<tr>
<td>Company Disclosed the plane of its investment in the coming years</td>
<td>1</td>
</tr>
<tr>
<td>Does the company provided the details of its investment plane in the coming years</td>
<td>1</td>
</tr>
<tr>
<td>Company provided the comparison of its performance with other companies operating in the same industry</td>
<td>1</td>
</tr>
</tbody>
</table>

Total Marks Of Financial Disclosure

| TOTAL MARKS OF CORPORATE GOVERNANCE DISCLOSURES                          | 11 |

Table 2: Descriptive Statistics for the Sample of 36 Companies (Based on 2008 data)

<table>
<thead>
<tr>
<th>BOD</th>
<th>CGSCORE</th>
<th>COMP</th>
<th>EXAUDIT</th>
<th>FIT</th>
<th>GROW</th>
<th>INDP</th>
<th>Iasy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>7.75</td>
<td>33.125</td>
<td>3.472222</td>
<td>2.597222</td>
<td>8.25</td>
<td>0.456435</td>
<td>6.791667</td>
</tr>
<tr>
<td>Median</td>
<td>7</td>
<td>30.5</td>
<td>4</td>
<td>3</td>
<td>8</td>
<td>0.451179</td>
<td>5</td>
</tr>
<tr>
<td>Maximum</td>
<td>13</td>
<td>54</td>
<td>4</td>
<td>3</td>
<td>11</td>
<td>1.071701</td>
<td>17</td>
</tr>
<tr>
<td>Minimum</td>
<td>5</td>
<td>16</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>0.032659</td>
<td>1</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>2.334524</td>
<td>10.2784</td>
<td>0.608798</td>
<td>0.545363</td>
<td>2.406836</td>
<td>0.266919</td>
<td>4.774</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LEV</th>
<th>LIQ</th>
<th>OWN</th>
<th>PER</th>
<th>PRO</th>
<th>PROU</th>
<th>SIZE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>0.589751</td>
<td>1.670797</td>
<td>3.111111</td>
<td>0.057852</td>
<td>1.222222</td>
<td>0.833333</td>
<td>8.41E+09</td>
</tr>
<tr>
<td>Median</td>
<td>0.341482</td>
<td>1.795187</td>
<td>3</td>
<td>0.01031</td>
<td>1</td>
<td>1</td>
<td>5.08E+09</td>
</tr>
<tr>
<td>Maximum</td>
<td>2.136649</td>
<td>2.530674</td>
<td>4</td>
<td>0.232333</td>
<td>2</td>
<td>2</td>
<td>3.39E+10</td>
</tr>
<tr>
<td>Minimum</td>
<td>0.014443</td>
<td>0.39388</td>
<td>1</td>
<td>-0.0119</td>
<td>1</td>
<td>0</td>
<td>10647310</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>0.543557</td>
<td>0.726593</td>
<td>0.747483</td>
<td>0.076812</td>
<td>0.421637</td>
<td>0.87831</td>
<td>8.83E+09</td>
</tr>
</tbody>
</table>

Notes:
- CGSCORE = corporate governance score obtained by the company out of total corporate governance score (64).
- BOD = board of director score from the corporate governance index showed as a proportion of x/14.
- COMP = compliance score from the corporate governance index expressed as a proportion of x/26.
- OWN = ownership score from the corporate governance index expressed as a proportion x/4.
- EXAUDIT = external audit score from the corporate governance index expressed as a proportion x/3.
- PRO = procedure score from the corporate governance index expressed as a proportion x/2.
- FIT = financial transparency score from the corporate governance index expressed as a proportion x/11.
- GROW = growth has been considered as the proportion of tangible assets to total assets.
- PER = performance of the firm is calculated by dividing earning before interest, tax, depreciation and amortization by Total assets.
- LEV = leverage is calculated by dividing the total long term loans and advances by total equity.
- REPU = statement of CSR (Corporate Social Responsibility) given in the annual report of the company has been used as a proxy for reputation.
- SIZE = size of corporate has been calculated by taking the sum of book value of all tangible assets from annual report.
- ISAY = measure information asymmetry ISAY, the standard deviation of the daily stock prices of the sampled companies has been calculated.
<table>
<thead>
<tr>
<th>Variables</th>
<th>Equation 1</th>
<th>Equation 2</th>
<th>Equation 3</th>
<th>Equation 4</th>
<th>Equation 5</th>
<th>Equation 6</th>
<th>Equation 7</th>
<th>Equation 8</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGSCORE</td>
<td>13.06314</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>GROW</td>
<td>1.793003</td>
<td>1.701098</td>
<td>1.809290</td>
<td>1.894781</td>
<td>1.806786</td>
<td>1.834266</td>
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<td>1.826957</td>
</tr>
<tr>
<td>LEV</td>
<td>3.905048</td>
<td>3.653017</td>
<td>3.124973</td>
<td>3.174246</td>
<td>3.135352</td>
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</tr>
<tr>
<td>SIZE</td>
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<td>1.356229</td>
<td>1.323690</td>
<td>1.415842</td>
<td>1.26842</td>
<td>0.4094</td>
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<tr>
<td>PER</td>
<td>...</td>
<td>5.360640</td>
<td>5.218026</td>
<td>5.168490</td>
<td>...</td>
<td>5.712289</td>
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<tr>
<td>REPU</td>
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<td>LIQ</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>10.33172</td>
<td>...</td>
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<tr>
<td>BOD</td>
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<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>INDP</td>
<td>...</td>
<td>...</td>
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<td>...</td>
<td>...</td>
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<td>...</td>
<td>...</td>
</tr>
<tr>
<td>COMP</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>1.257637</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>EXAUDIT</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>1.017675</td>
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<td>...</td>
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<td>FIT</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
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<td>...</td>
<td>...</td>
</tr>
<tr>
<td>OWN</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>1.473016</td>
<td>...</td>
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<tr>
<td>PRO</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>1.045924</td>
<td>...</td>
</tr>
<tr>
<td>IASY</td>
<td>2.5143</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
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</tr>
</tbody>
</table>
### Specification and Diagnostic Tests

#### Table 5: Results of Diagnostic Tests:

<table>
<thead>
<tr>
<th>Tests</th>
<th>Equation-1</th>
<th>Equation-2</th>
<th>Equation-3</th>
<th>Equation-4</th>
<th>Equation-5</th>
<th>Equation-6</th>
<th>Equation-7</th>
<th>Equation-8</th>
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</thead>
<tbody>
<tr>
<td><strong>Normality Test</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Jarque-Bera</td>
<td>1.529626</td>
<td>3.962066</td>
<td>1.508107</td>
<td>1.508107</td>
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<tr>
<td></td>
<td>(0.465421)</td>
<td>(0.137927)</td>
<td>(0.470456)</td>
<td>(0.470456)</td>
<td>(0.055075)</td>
<td>(0.787979)</td>
<td>(0.570791)</td>
<td>(0.087183)</td>
</tr>
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<td><strong>Breusch-Godfrey Serial Correlation LM Test</strong></td>
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<td></td>
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<td></td>
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<tr>
<td>F-statistic</td>
<td>0.331906</td>
<td>0.407359</td>
<td>0.407359</td>
<td>0.407359</td>
<td>1.223793</td>
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<tr>
<td></td>
<td>(0.5690)</td>
<td>(0.5233)</td>
<td>(0.5233)</td>
<td>(0.5233)</td>
<td>(0.2780)</td>
<td>(0.7702)</td>
<td>(0.7171)</td>
<td>(0.0811928)</td>
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<tr>
<td>Observed R²</td>
<td>0.407359</td>
<td>0.2911237</td>
<td>0.2911237</td>
<td>0.2911237</td>
<td>1.850601</td>
<td>2.275257</td>
<td>5.003825</td>
<td>1.503825</td>
</tr>
<tr>
<td></td>
<td>(0.5233)</td>
<td>(0.0880)</td>
<td>(0.0880)</td>
<td>(0.0880)</td>
<td>(0.1737)</td>
<td>(0.153323)</td>
<td>(0.0811928)</td>
<td></td>
</tr>
<tr>
<td><strong>ARCH Test</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.0403)</td>
<td>(0.0394)</td>
<td>(0.0086)</td>
<td>(0.0112)</td>
<td>(0.0095)</td>
<td>(0.0933)</td>
<td>(0.1963)</td>
<td>(0.1837)</td>
</tr>
<tr>
<td>Observed R²</td>
<td>0.646224</td>
<td>2.911237</td>
<td>3.416134</td>
<td>6.140184</td>
<td>2.330589</td>
<td>6.410587</td>
<td>1.626801</td>
<td>6.214500</td>
</tr>
<tr>
<td></td>
<td>(0.0159)</td>
<td>(0.0880)</td>
<td>(0.0456)</td>
<td>(0.0464)</td>
<td>(0.0095)</td>
<td>(0.0933)</td>
<td>(0.1963)</td>
<td>(0.1837)</td>
</tr>
<tr>
<td><strong>Ramsey's RESET Test</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>F-statistic</td>
<td>19.29184</td>
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<td>2.330589</td>
<td>6.410587</td>
<td>1.626801</td>
<td>6.214500</td>
<td>1.472783</td>
<td>1.428390</td>
</tr>
<tr>
<td></td>
<td>(0.0000)</td>
<td>(0.248387)</td>
<td>(0.0093)</td>
<td>(0.0933)</td>
<td>(0.1963)</td>
<td>(0.1837)</td>
<td>(0.2350)</td>
<td>(0.2421)</td>
</tr>
</tbody>
</table>

#### Endnotes

1. The disclosures used as a proxy for financial transparency in this study have been suggested by S&P 2002.
3. Information on big four audit firms was obtained from ICAP.
4. ICAP issued a circular on 13th August 2008 in which they set the minimum audit fee on the basis of account receivable turnover rate for the firm. See [www.icap.org.pk](http://www.icap.org.pk)
ABSTRACT
This study examined principal’s personal traits as determinants of leadership effectiveness as perceived by teachers. Four hundred senior most teachers of higher secondary schools in Punjab selected through simple random sampling technique participated in the study. The researcher developed a questionnaire for the teachers to evaluate their principal’s personal traits (emotional maturity, self confidence, sense of humor). The multiple regression, analysis of variance (ANOVA) and t-test were used as statistical tool for data analysis. Findings from the study revealed that a positive correlation exists between three predictive variables and leadership effectiveness. It was recommended that principal’s personal traits should be one of the factors in appointing teachers to administrative posts.

Key words: Principal, Personal traits, Leadership effectiveness,

INTRODUCTION
Leading is one of the key management functions which have attracted the attention of many researchers worldwide. Leadership is a process by which an individual (principal) influences and coordinates the activities of others (subordinates) for the achievements of school goals (Ibukun, 1997). In the same direction (Oredein, 2004) submitted that the major function of a principal in a system is to stimulate teachers and to provide consultation and administrative services to the teachers needed. (Fafunwa, 1980) was of the opinion that the principal is an administrative head, a manager, a supervisor, an instructional leader, a curriculum innovator and a catalyst towards planned revolution. The principal of a higher secondary school is expected to demonstrate leadership effectiveness enriched with desired personal traits.

A principal’s leadership effectiveness is the quality of his personal traits and leadership behavior perceived by school population in general and faculty members in particular. The focus of the leadership studies in a school system was to identify and describe the characteristics of an effective school leadership (De Bevoise,1998,Sweeney,1998,Tukl,1998,Boyer,1997,Lightfoot’,2005). The assumption of the researchers is that the high school principal as a leader is enriched with desired personal traits and acceptable leadership behavior(Cohen,1997,Serqiovanni,1995).
Apparently, the personal traits of a principal co-determine his effectiveness. The list of personal factors associated with effective leadership is quite long. For educational leadership, emotional maturity, self confidence and sense of humor are particularly important. (Witten, 1974) found certain personal traits are predictors of principal’s leadership effectiveness. (Martine, 1988) tried to explore personality factors and behavioral characteristics of the principals as determinant of leadership effectiveness. Rachel L.(2006) explored sense of humor in his doctoral dissertation, "the effects of principal’s humor orientation and communication competence on principal’s leadership effectiveness as perceived by teachers”

STATEMENT OF PROBLEM

The success or failure of the school is often attributed to the roles and functions of the principal. The irony of the situation is that teachers are appointed into positions of principals without considering the required personality traits of the teachers which strongly influence their administrative effectiveness. Therefore, the study investigated certain personal traits as determinants of principal’s leadership effectiveness.

RESEARCH HYPOTHESIS

It was hypothesized that

H01: There is no significant contribution of selected personal traits on principal’s leadership effectiveness.

H02: There is no significant contribution of each of the independent variables (emotional maturity, self confidence and sense of humor) on dependent variable (leadership effectiveness)

METHODOLOGY

Population and Sample

This study was a descriptive research of the survey type. The population of the study consisted of all the senior teachers (subject specialists, senior subject specialists) working in government boys higher secondary schools in Punjab. Working on daily basis with their concerned principals, gives them a unique insight into the factors influencing principal’s leadership effectiveness. A sample of four hundred teachers participated in the study.

Instrumentation

The researcher developed a questionnaire to measure certain personal traits of the principals as determinant of perceived leadership effectiveness. The teachers were personally contacted at their duty post during school hours for the administration of the instrument. After collation of the scores, the multiple Regression, ANOVA and t-test were used to analyze the data. The hypotheses were tested at 0.05 level of significance.
RESULTS

Table 1: Multiple regression table of independent variables emotional maturity, self confidence and sense of humor on leadership effectiveness

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of square</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Significant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>3248.656</td>
<td>3</td>
<td>1082.885</td>
<td>5.214</td>
<td>.005</td>
</tr>
<tr>
<td>Residual</td>
<td>82452.136</td>
<td>397</td>
<td>207.688</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>85700.792</td>
<td>400</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Results indicated that emotional maturity, self confidence and sense of humor taken together account for 30.2% of the variable in leadership effectiveness. \( R^2 = 0.302 \)

This is reflected in F-ratio F at \( F(3, 397) = 5.214 \) which implies that these three independent variables are important predictors of leadership effectiveness.

Table 2: Summary of individual contribution of the predictors and criterion variable

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized coefficient</th>
<th>Standardized coefficient</th>
<th>t</th>
<th>significant</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>( \beta )</td>
<td>Std.error</td>
<td>( \beta )</td>
<td></td>
</tr>
<tr>
<td>Emotional maturity</td>
<td>1.611</td>
<td>.0681</td>
<td>0.812</td>
<td>2.682</td>
</tr>
<tr>
<td>Self confidence</td>
<td>2.321</td>
<td>.0812</td>
<td>0.763</td>
<td>2.051</td>
</tr>
<tr>
<td>Sense of humor</td>
<td>.453</td>
<td>.0883</td>
<td>0.175</td>
<td>1.892</td>
</tr>
</tbody>
</table>

Data analysis revealed that the three independent variables on leadership effectiveness are significant except sense of humor. Therefore emotional maturity, self confidence, sense of humor contributes significantly to leadership effectiveness. However, emotional maturity contributed most with a t-value of 2.682, followed by self confidence with t-value of 2.051 and lastly by sense of humor with t-value of 1.892.

DISCUSSION

The first hypothesis which states that there is no significant contribution of emotional maturity, self confidence and sense of humor on principal’s leadership effectiveness was rejected. This means that there are significant contributions of these variables on leadership effectiveness.

The findings revealed that a combination of emotional maturity, self confidence, sense of humor when taken together could be effective in determining leadership effectiveness.

CONCLUSIONS

Results indicated that emotional maturity, self confidence and sense of humor taken together account for 30.2% of the variable in leadership effectiveness. \( R^2 = 0.302 \)
This is reflected in F-ratio F at \{F 3.397\} = 5.214 which implies that these three independent variables are important predictors of leadership effectiveness.

It has been empirically established in this study that personal traits (emotional maturity, self confidence, sense of humor) when combined together have a positive correlation and relationship with principal’s leadership effectiveness.

Data analysis revealed that the three independent variables on leadership effectiveness are significant except sense of humor. Therefore emotional maturity, self confidence, sense of humor contributes significantly to leadership effectiveness. However, emotional maturity contributed most with a t-value of 2.682, followed by self confidence with t-value of 2.051 and lastly by sense of humor with t-value of 1.892.

It is so necessary for a high school principal to be enriched with desired personal traits to be more effective.

**RECOMMENDATIONS**

The following recommendations are made:

1. Personal traits are the strongest determinants of principal’s leadership effectiveness.

2. The teachers selected to administrative posts should necessarily possess personality traits and charismatic looks.

3. If a principal is naturally having such traits, it is so encouraging otherwise he should try to develop in himself such personality traits so the teachers may feel at ease in his presence and work with due interest and pleasure.
References

Witten, R. G. (1979). Personality traits predictors of principals’ efficiency on selected administrative functions as perceived by teachers.
The Perceptions of Teachers and Students, towards failure in the subject of English at secondary level

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Liaquat Hussain
Institute of Education and Research, Gomal University, D.I.Khan, KPK, Pakistan.

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Institute of Education and Research, Gomal University, D.I.Khan, KPK, Pakistan.

Muhammad Ali
Computer programmer, Exam Section, Gomal University, DIK, KPK, Pakistan.

ABSTRACT
The problem under study was The Perceptions of Teachers and Students, towards failure in subject of English at secondary level. The main objective of the study was to know about the viewpoints of teachers and students about the failure in English. The study may be helpful in facilitating the learning of English by controlling the causes of failure in this subject. All the male and female secondary schools comprised population of the study. District Bakhar was selected for the Research purpose. A sample of 10 schools (5 male + 5 female) was selected from Bakhar on random basis. Five (5) students and Five (5) teachers from each of the 10 schools were selected on random basis. A questionnaire was used for data collection. A percentage statistic was used for the analysis of data.

Keywords: Perceptions; Teachers and Students; Failure; Subject; English; Secondary level

INTRODUCTION
No nation on the globe can make progress in all fields of life, without having proficiency and good command on English. It is great wonder that quality of instruction in English and results of exams: in the subject of English are lowest of the other entire subject. This is situation from primary to degree level. It is an admitted fact that of the time and energy is consumed in learning and teaching English. In spite of this our students are weak in English. In the light of above discussion we can easily concluded that English language is very significant and valuable medium for seeking knowledge and skills. Realizing the importance and need of English government has made it compulsory from very fist year of schooling. In spite of the Government efforts we have to find out the cause of high failure rate and low proficiency of our school and colleges in this subject. After locating responsible factors of poor standard of English in our country we have to take proper and appropriate steps and means to improve the poor situation in this regard. Essay writing is one of the most important elements of English language. The present situation is that our students are incapable to express themselves in verbal and written form. They feel reluctant in writing, reading and speaking English.

In the subject of English we teach our students composition, translation, pronunciation, dialogue, drama, essay writing and comprehension. But teaching of composition is an important aspect process of teaching learning. The goals and objectives teaching English and entire composition of teaching as foreign language are involved in composition. In composition we can easily test, the spelling, tenses, punctuation, sequence of sentence.
For teaching English teachers generally use translation method which is an old method of teaching, therefore our students cannot get command over English subject and one can examine that there are large numbers of students who are failed in English subject at secondary level.

Keeping in to view the failure in the subject of English this study in designed to know the causes of this evil practice and to suggest some remedies.

**STATEMENT OF THE PROBLEM**

The problem under study was to investigate “The Perceptions of Teachers and Students, towards failure in the subject of English at secondary level “.

**OBJECTIVES OF THE STUDY**

Following were the main objectives of the study:
1. To identify main areas which lead student towards failure in English
2. To investigate the causes of students failure in the subject of English.

**SIGNIFICANCE OF THE STUDY**

1. The study may be helpful in judging the causes of failure in English.
2. The study may be helpful for the teachers in teaching of English as to make this subject more interesting.
3. The study may be helpful in facilitating the learning of English by controlling the causes of failure in this subject.
4. Another importance of this study may be to discord the complexities in the way of English teaching.
5. The foremost significance of this study may be to search whether we can control the causes, which are leading towards failure in English, or not. The research findings will contribute to the effectiveness of English teaching and finally it will make students to get commend over this subject.

**LIMITATION AND DELIMITATIONS**

Researcher developed instrument was used for conducting research. There was no built in questionnaire for the purpose of data collection. The study was delimited to only male and female Government High Schools. Only ten (10) Government High Schools were randomly selected for the study.

**REVIEW OF RELATED LITERATURE**

English is widely spoken in the world. According to Aysah Mueen (1992). “English meets the tests of practical value. It is the language of the world in all fields of the arts, hard sciences, humanities and social sciences in international trade, commerce and diplomacy are conducted in English” Pakistan is no exception. There English is taught and learnt as an important language second only to the National language i.e. Urdu. Aysha Mueen (1992) further says that English is used as an official language Pakistan as 80 % correspondence is carried out in English and it needs to be fostered as a means of education, communication and a practical tool. Pakistan and other non English speaking countries throughout the world are realizing that if English language teaching is neglected, there will be decline in the field of science, technology and commerce. Keeping in view the importance of English in Pakistan, the achievement of the students in the subject is not up to the mark. Khamisani, Amena (1983) has analyzed the situation in Pakistan and noticed that there is a rapid and marked decline not only in the students, knowledge of English literature and their response to it, but chiefly in the proper use of English syntax.

According to Haycraft (1993) the Asian people are facing problem in teaching and learning of English while those problem include lack of expert knowledge, lack of spoken, English and facilities which are making English effective. Robisson, H Allam (1985) has also discussed same type of problems within classrooms of teaching English. Done Byrne (1979) writes about the nature of the writing skill follow” When we write, we use graphic symbols; that is, letters or
combination of letter which relates to the sounds we make when we speak. According to Bryne (1979), writing involves the encoding of a message of some kind that is we translate out thoughts into language.

Gatherer (1980) States: “Writing is least studied of all forms of communication, it is surprising that the basic skills of communication on paper should have been a so little researched. What scholarship does exist on writing is mainly concerned with the classification of composed texts. Gatherer (1980) further States: "The psychology of writing is still largely undiscovered: the description I have given is probably much too primitive. There are many other features to be taken into account.

According to Jereme Resner (1975) "When a child first starts to write, he draws pattern. He is not printing letters until he things of them as symbols. Then, as he learns the individual letter names and their pattern as he chunks individual elements into larger unites-writes or prints letters, but he has to think about them and how to make his hand perform the necessary movement. As he just practice, he acquire facility". Just as the new drivers, becomes the experienced drivers and able to stop thinking about what separate section, he is to perform, so, too does the new writer become the experienced writer and stop thinking about how to control his hand.

Handedness Rasner (1975) states. "The child should use always the same hand, and it should be what even he writes best with. It you are un-certain about which one that is, test him. You do not need a formal test. Have him print with one hand then the other and compare the two. Almost invariably, one will be better than the other. That is the hand he should write with.

S.P. Corder quoted by Valerie Kinsella (1988) tracing the history of research on foreign language states. "In the course of learning a second language learners regularly produce utterances in speech and writing which judged by the rules of the second language are erroneous- or ill formed.

According to John Bright (1976), Learning to write is a matter of (a) establishing mechanical habits of fluent movement and (b) understanding which differences in the way letters are formed, significant and which do not matter. There are not many movements to lean because the same basic ones are used in a number of different letters. For example, the basic strokes of i, t, and l are the same down and round. The basic strokes of h, n, m, p, are the same, down up and over. The basic of all the following letters in an anti clock wise movement c, e, o, o.a.d. g, q.

Nazir, Ahmed (1982) says “the translation method aims at teaching English by giving word-for-word, phase for phase, or sentence for sentence equivalents in the mother tongue for English word, phase or sentences and vice versa”. The mother tongue his the natural medium over which we have full control.

METHOD OF RESEARCH

Population
All the male and female secondary schools comprised population of the study.

Sample
District Bakhar was selected for the Research purpose. A sample of 10 schools (5 male + 5 female) was selected from Bakhar on random basis. Five (5) students and Five (5) teachers from each of the 10 schools were selected on random basis.

Development of Instrument
Researcher himself identified various areas of problems in teaching of English with the help of experts and on the basis of these areas questionnaire was developed. Before giving final touch to questionnaire it was discussed with different experts from the different departments of the Gomal University, DIKhan.
Procedure

Researcher himself visited every school included in the sample and administered questionnaire to the teachers and to the students.

Analysis of Data

The collected data were tabulated and analyzed by the researcher and percentage statistic was used for the analysis of data.

PRESENTATION AND ANALYSIS OF DATA

Table-1 Showing The Responses Of Teachers And Students Regarding Lack Of Interest In English Language.

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Teachers</td>
<td>50</td>
<td>60%</td>
</tr>
<tr>
<td>Students</td>
<td>50</td>
<td>55%</td>
</tr>
</tbody>
</table>

Table-2 Showing The Responses Of Teachers And Students Regarding Teaching Of English By Untrained English Teacher

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Teachers</td>
<td>50</td>
<td>40%</td>
</tr>
<tr>
<td>Students</td>
<td>50</td>
<td>65%</td>
</tr>
</tbody>
</table>

Table-3 Showing The Responses Of Teachers And Students Regarding Lack Of Practice In Speaking English Language.

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Teachers</td>
<td>50</td>
<td>100%</td>
</tr>
<tr>
<td>Students</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table-4 Showing The Responses Of Teachers And Students Regarding Use Of Traditional Method In Teaching Of English Language.

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Teachers</td>
<td>50</td>
<td>72%</td>
</tr>
<tr>
<td>Students</td>
<td>50</td>
<td>70%</td>
</tr>
</tbody>
</table>
Table 5  Showing The Responses Of Teachers And Students Regarding Over Loaded Students As A Cause Of Failure In English Language.

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Teachers</td>
<td>50</td>
<td>67%</td>
</tr>
<tr>
<td>Students</td>
<td>50</td>
<td>65%</td>
</tr>
</tbody>
</table>

Table 6  Showing the Responses Of Teachers And Students Regarding Crowded Classroom As A Cause Of Failure In English Language.

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Teachers</td>
<td>50</td>
<td>74%</td>
</tr>
<tr>
<td>Students</td>
<td>50</td>
<td>71%</td>
</tr>
</tbody>
</table>

Table 7  Showing The Responses Of Teachers And Students Regarding Out Of Date Examination System.

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Teachers</td>
<td>50</td>
<td>90%</td>
</tr>
<tr>
<td>Students</td>
<td>50</td>
<td>85%</td>
</tr>
</tbody>
</table>

Table 8  Showing The Responses' Of Teachers And Students Regarding Cue Pure Of Pakistani Society As A Cause Of Failure In English Language.

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Teachers</td>
<td>50</td>
<td>30%</td>
</tr>
<tr>
<td>Students</td>
<td>50</td>
<td>40%</td>
</tr>
</tbody>
</table>

Table 9  Showing The Responses Of Teachers And Students Regarding English As A Difficult Subject.

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Teachers</td>
<td>50</td>
<td>76%</td>
</tr>
<tr>
<td>Students</td>
<td>50</td>
<td>81%</td>
</tr>
<tr>
<td>Table-10</td>
<td>Showing The Responses Of Teachers And Students Regarding Insufficient Time Given To English In Timetable.</td>
<td></td>
</tr>
<tr>
<td>-----------------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Respondent</td>
<td>Number</td>
<td>Percentage</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Teachers</td>
<td>50</td>
<td>47 %</td>
</tr>
<tr>
<td>Students</td>
<td>50</td>
<td>50%</td>
</tr>
</tbody>
</table>

<p>| Table-11 | Showing The Responses Of Teachers And Students Regarding Insufficient Time Given To English In Timetable. |
|-----------------------------------------------|</p>
<table>
<thead>
<tr>
<th>Respondent</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Teachers</td>
<td>50</td>
<td>47 %</td>
</tr>
<tr>
<td>Students</td>
<td>50</td>
<td>50%</td>
</tr>
</tbody>
</table>

<p>| Table-12 | Showing The Responses Of Teachers And Students Regarding Lack Of Trained English Teachers Failure In The English Subject |
|-----------------------------------------------|</p>
<table>
<thead>
<tr>
<th>Respondent</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Teachers</td>
<td>50</td>
<td>50 %</td>
</tr>
<tr>
<td>Students</td>
<td>50</td>
<td>75%</td>
</tr>
</tbody>
</table>

<p>| Table-13 | Showing The Responses Of Teachers And Students Regarding Is The Right To Say That The Lack Of Practice In English Speaking Is The Cause Of High Failure In English Subject |
|-----------------------------------------------|</p>
<table>
<thead>
<tr>
<th>Respondent</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Teachers</td>
<td>50</td>
<td>62 %</td>
</tr>
<tr>
<td>Students</td>
<td>50</td>
<td>60%</td>
</tr>
</tbody>
</table>

<p>| Table-14 | Showing The Responses Of Teachers And Students Regarding That You Will Admit It That Traditional Method Of Teaching In The Cause Of High Failure In The Subject Of English |
|-----------------------------------------------|</p>
<table>
<thead>
<tr>
<th>Respondent</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Teachers</td>
<td>50</td>
<td>62 %</td>
</tr>
<tr>
<td>Students</td>
<td>50</td>
<td>65%</td>
</tr>
</tbody>
</table>
Table-15  
**Showing The Responses Of Teachers And Students Regarding That Over Load Of Tent On The Students The Cause Of Failure In The English Subject**

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Teachers 50</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>Students 50</td>
<td>90%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Table-16  
**Showing The Responses Of Teachers And Students Regarding That It Is Right That The Crowededness Classroom Is The Cause Of High Failure In The English Subject**

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Teachers 50</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>Students 50</td>
<td>60%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Table-17  
**Showing The Responses Of Teachers And Students Regarding That It Is True Out Of Data Examination System Is The Cause Of Failure In The English Subject**

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Teachers 50</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Students 50</td>
<td>100%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Table-18  
**Showing The Responses Of Teachers And Students Regarding That The Complication Of English Subject Is The Cause Of High Failure**

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Teachers 50</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Students 50</td>
<td>60%</td>
<td>40%</td>
</tr>
</tbody>
</table>
### Table-19 SHOWING THE RESPONSES OF TEACHERS AND STUDENTS REGARDING THAT LACK OF HIGH ENGLISH TEACHERS THE CAUSES OF HIGH FAILURE

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Number</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teachers</td>
<td>50</td>
<td>82%</td>
<td>18%</td>
</tr>
<tr>
<td>Students</td>
<td>50</td>
<td>72%</td>
<td>28%</td>
</tr>
</tbody>
</table>

### Table-20 Showing The Responses Of Teachers And Students Regarding That It Is True Insufficient Time Given To English Is The Cause Of High Failure In English

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Number</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teachers</td>
<td>50</td>
<td>90%</td>
<td>10%</td>
</tr>
<tr>
<td>Students</td>
<td>50</td>
<td>60%</td>
<td>40%</td>
</tr>
</tbody>
</table>

### Table-21 Showing The Responses Of Teachers And Students Regarding That Use Of Grammer Translated Method Is The Cause Of High Failure In English

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Number</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teachers</td>
<td>50</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Students</td>
<td>50</td>
<td>100%</td>
<td>0%</td>
</tr>
</tbody>
</table>

### Table-22 Showing The Responses Of Teachers And Students Regarding That Lack Of English Speaking Environment Is The Cause Of High Failure In English Subject

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Number</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teachers</td>
<td>50</td>
<td>90%</td>
<td>10%</td>
</tr>
<tr>
<td>Students</td>
<td>50</td>
<td>95%</td>
<td>5%</td>
</tr>
</tbody>
</table>
Table-23  **SHOWING THE RESPONSES OF TEACHERS AND STUDENTS REGARDING THAT HAVING NO COMPETENT ENGLISH TEACHERS AT SCHOOL LEVEL IS THE CAUSE OF HIGH FAILURE IN ENGLISH**

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Number</th>
<th>Percentage</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teachers</td>
<td>50</td>
<td>70%</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>Students</td>
<td>50</td>
<td>80%</td>
<td>20%</td>
<td></td>
</tr>
</tbody>
</table>

Table-24  **Showing The Responses Of Teachers And Students Regarding That No Use Of A.V Aids In The Classes Is The Cause Of High Failure In English Subject**

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Number</th>
<th>Percentage</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teachers</td>
<td>50</td>
<td>40%</td>
<td>60%</td>
<td></td>
</tr>
<tr>
<td>Students</td>
<td>50</td>
<td>60%</td>
<td>40%</td>
<td></td>
</tr>
</tbody>
</table>

Table-25  **Showing The Responses Of Teachers And Students Regarding That No Use Of Group Work Activities At The English Class Room Is The Cause Of High Failure In English Subject**

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Number</th>
<th>Percentage</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teachers</td>
<td>50</td>
<td>45%</td>
<td>55%</td>
<td></td>
</tr>
<tr>
<td>Students</td>
<td>50</td>
<td>72%</td>
<td>28%</td>
<td></td>
</tr>
</tbody>
</table>

**FINDINGS**

Following findings were drawn from the statistical results:

1. 60% teachers and 55% students considered that due to lack of interest in the subject of English there was failure in the subject of English. While 55% parents, 40% teachers and 45% students, did not consider it as a cause of failure in English.
2. 40% teachers and 65% students considered that teaching of English by untrained teacher was cause of failure in this subject. While 45% parents, 60% teachers and 35% students did not consider it as a cause of failure in English.
3. 100% teachers and 100% students considered that due to lack of practice in speaking English language there was failure in the same subject.
4. 72% teachers and 70% students considered that due to use of traditional method in teaching of English there was failure. While 38% parents, 28% teacher and 30% students did not consider this as a cause of failure.
5. 67% teachers and 65% students considered that due to over loaded students there was failure in the subject of English. While 15% parents, 33% teachers and 35% students did not consider this as a cause of failure.
6. 74% teachers and 71% students considered that crowded classroom was the cause of failure in the subject of English. While 36% parents, 26% teachers and 29% students did not consider it as a cause of failure.

7. 90% teachers and 85% students considered that due to out of date examination system there was failure in the subject of English. While 20% parents, 10% teachers and 15% students did not consider it as a cause of failure.

8. 30% teachers and 40% students considered that culture of Pakistani society which to some extent against the teaching of English was the cause of failure. While 70% teachers and 60% students, did not consider it as a cause of failure.

9. Society which is to some extent against the teaching of English was the cause of failure in the subject of English. While 70% teachers and 60% students, did not consider it as a cause of failure. 76% teachers and 81% students considered that English was a difficult subject and this was the cause of failure. While 37 parents, 24% teachers and 19% students did not consider it as a cause of failure.

10. 47% teachers and 50% students considered that insufficient time given to English in timetable was the cause of failure. While 40% parents, 53% teachers and 50% students did not consider it as a cause of failure.

11. 47% teachers and 50% students considered that insufficient time given to English in timetable was the cause of failure. While 53% teachers and 50% students did not consider it as a cause of failure.

12. 50% teachers and 75% students considered that lack of trained teacher time cause of high failure in the English subject. While 50% teachers and 25% students did not consider it as a cause of failure in English.

13. 62% teachers and 60% students considered that due to lack of practice in speaking English language. While 38% teachers and 40% students did not consider it as a cause of failure in English.

14. 62% teachers and 65% students considered that due to use of traditional method in teaching of English there was failure lack. While 38% teachers and 35% students did not consider this as a cause of failure in English.

15. 80% teachers and 90% students considered that due to over loaded of tent there was failure in the subject of English. While 20% teachers and 10% students did not consider this as a cause of failure.

16. 70% teachers and 60% students considered that crowded classroom was the cause of failure in the subject of English. While 30% teachers and 40% students consider it as a cause of failure.

17. 70% teachers and 100% students considered that out of data examination system is the cause of failure in the English subject.

18. 50% teachers and 60% students considered that lack of high English teachers is the cause of high failure. While 50% teachers and 40% students is as the cause of failure.

19. 82% teachers and 72% students considered that lack of high English teachers are the cause of high failure. While 18% teachers and 28% students consider it as a cause of failure.

20. 90% teachers and 60% students considered that insufficient time given to English in time is the cause of high failure in English.

21. 100% teachers and 100% students considered that use of grammar translation method is the cause of high failure in English.

22. 90% teachers and 95% students considered that lack of English speaking environment is the cause of high failure in English. Subject while 10% teachers and 5% students it is as a cause of failure.

23. 70% teachers and 80% students considered that having no competent English teachers at school level is the cause of high failure in English. Subject while 30% teachers and 20% students it is as a cause of failure.

24. 40% teachers and 60% students considered that no use of A.V Aids is the cause of high
failure in English subject while 60% teachers and 40% students consider it is as a cause of high failure.

25. 45% teachers and 72% students considered that no use of group work activities at the English class room is the cause of high failure in English subject. While 55% teachers and 28% students consider it is as a cause of high failure

CONCLUSIONS

Following conclusions were drawn in the light of findings of the study:

1. Majority of the respondent considers that lack of interest in the subject of English is the cause of failure in the subject of English.
2. Majority of parents & students consider that untrained teachers are the cause of failure in this subject.
3. Hundred percent respondent considered that due to lack of practice in speaking English language there was failure in the same subject.
4. Majority of respondent considers that traditional method of teaching is a cause of failure.
5. Most of respondent consider that over loaded students are the cause of failure in the subject of English.
6. Majority of respondent consider that crowded classroom was the cause failure in the subject of English.
7. Most of respondent consider that out of date examination system is the cause of failure in the subject of English.
8. Most of parents & students consider that English is a difficult subject therefore students are failing.
9. Most parents were consider that insufficient time given to English in timetable is also the cause of failure was the cause of failure in English subject.
10. Most of the students were considering that lack of interest in English language is the high failure.
11. Most of the teachers were considering that in sufficient time given to English in time table is the cause of high failure in the subject.
12. Most of the respondent were considering that lack of trained English teacher the cause of high failure in English subject.
13. Most of the respondent were considering that the lack of practice in English speaking is the cause of high failure in English subject.
14. Majority of the respondent were considering that traditional method of teaching in the cause of high failure in the subject of English.
15. Most of the students were considering that over loaded of tent on the students the cause of failure in the English subject.
16. Majority of the respondent were considering that the crowdedness class room is the cause of high failure in English subject.
17. Most of the respondent were considering that out of date examination system is the cause of failure in the English subject.
18. Most of the students were considering that complication of English subject the cause of high failure.
19. Most of the respondent was considering that high English teachers are the cause of high failure in English subject.
20. Majority of the students were considering that insufficient time given to English in time is the cause of high failure in English subject.
21. Majority of the student were considering that use of grammar translation method is the cause of high failure in English subject.
22. Majority of the respondent were considering that lack of English speaking environment is the cause of high failure in English.
23. Majority of the respondent were considering that having no competent English teachers at school level is the cause of high failure.

24. Majority of the respondent were considering that no use of A.V Aids in the classes is the cause of high failure in English subject.

25. Majority of the respondent were considering that no use of group work activities at the English class room is the cause of high failure in English subject.

RECOMMENDATIONS

Following recommendations were made in the light of the findings and conclusions.

1. Modern techniques of leaching must be added in the teacher-training program.
2. The teachers should encourage the students for learning.
3. The government should provide trained English teaches to all the schools.
4. Proper measures may be taken to change the negative attitude of the teachers and students towards English.
5. Modern system of examination may be followed.
6. The findings of the study may be sent to higher authorities for the betterment of leaching English in Pakistan.
7. Individual attention may be given to every student.
8. The Government should provide the books of English to all the mediums or to each medium i.e. Urdu and English medium.
9. Practice in speaking English may be given due attention.
10. Sufficient time may be given to English in school timetable.
References
Professional Development of English Teachers: The Saudi Arabian Context

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Abstract
Teaching in general and English language teaching (ELT) in particular is a challenging task. In order to be effective in the classroom most teachers need a background of training: pre-service or in-service. Professional development as a component of in-service training has been found very effective in educational sector as there is always a chance that a new incumbent doesn’t possess suitable qualification or experience. Teaching of English in Saudi Arabia requires great deal of expertise in the subject and enough exposure to the teaching scenario of the bilingual context. The aims and objectives of teaching of the target language often remains a dream, however, the governmental efforts are sincere. In this case, the professional development of the concerned English teachers may be proved to be helpful in the process of attainment of the conceived objectives.

The present paper tries to explore the need of professional development for English teachers in Saudi. It is generally found that most English teachers face problems in teaching the target language. Among the factors that are supposed to be responsible, the in-service training (continuous professional development) is very crucial. There are many aspects that can be directly or indirectly associated with the concept of professional development. The following are some of them: teacher’s background, their perception regarding the need of teacher development, effect of effective training on human resource development, attitude of teachers towards professional development, effectiveness of professional development, participation in such programs and utilization of the program input to the actual teaching/learning situation.

Keywords: ELT, training, professional development, strategies, learning theories.

1. Introduction

The concept of professional development can’t be ignored in any teaching situation. It has become almost a necessity in the modern time. There are many studies that reveal the poor results of educational practices related to the teaching of English in Saudi Arabia. But, most of the time, there exists a controversy over the factors that affect the results or outcomes of learning. The teachers always blame the attitude of the learners for failure of learning while the administration and families blame the teachers. Moreover, there is a fact that if there is no learning there is no teaching. This philosophy obviously emphasizes the role of the teachers, and holds the teachers accountable for failures in the process of learning the target language (English).

It is found that quite a lot of the professionals are not suitably trained in their areas of specialties such as ELT/EFL/ESOL. Thus, it is inevitable to ignore the relevance of professional
1. Need and Importance of Professional Development

Professional development is a broad term, encompassing a range of people, interests and approaches. Education is getting global and competitive day by day. Both the parents and the nation want a creative mind in children. The background of the target students in English in both the countries is supposed to be humble, and the learners are unable to practice the target language at homes, in the markets or society to the extent they should. So the teacher's role becomes greater. The teacher needs an effective teacher-training so as to be able to assimilate the educational values and ideas of one's own culture and of modern needs. The nation needs the services of millions of teachers who have trained minds and not stuffed brains so that the ultimate development of human resource can be targeted. The actual training requires the following aspects to be fulfilled: teacher’s attitude, philosophical change, technology oriented attitude, skill oriented teaching/learning, human resource development etc.

2. Research context of professional development

Recently many studies have been carried out in the area of professional development. However, the trend of investigations started long ago. In this connection, the studies that created the very base of professional development in education include: Griffin, 1983; Guskey, 1986; Joyce & Showers, 1988; Lieberman & Miller, 1979; Orlich, 1989; Wood & Thompson, 1980, 1993 etc. However, people are still found having doubts regarding the practical relevance of such researches. Since the goal of most modern professional development efforts is the ultimate improvement in the institutions, and the improvement is usually measured by the gradual performance of the academic staff, institutions that ultimately lead to the uplift of the target learners.

Some researchers suggest that professional development efforts designed to facilitate change must be beneficial for those who are very much in the field of practice: (McLaughlin, 1990; Weatherley & Lipsky, 1977; Jin, Y., & Yang, H. Z., 2006). Others indicate that an emphasis on individuals is detrimental to progress and more systemic or organizational approaches are necessary (Tye & Tye, 1984; Waugh & Punch, 1987). Many experts stress that reforms in professional development must be initiated and carried out by individual teachers and school-based personnel (Joyce, McNair, Diaz, & McKibbin, 1976; Lambert, 1988; Lawrence, 1974; Massarella, 1980). Others emphasize the most successful programs are those which are guided by a clear vision that sees beyond the walls of individual classrooms and schools, since teachers and school-based individuals generally lack the capacity to conceive and implement worthwhile improvements on their own (Barth, 1991; Clune, 1991; Mann, 1986; Wade, 1984).

Some reviewers argue the most effective professional development efforts approach change in a gradual and incremental fashion, not expecting too much at one time (Doyle & Ponder, 1977; Fullan, 1985; Mann, 1978; Sparks, 1983). Others insist on broadening the scope of professional development programs that are expected to yield better results if implemented well (Berman & McLaughlin, 1978; McLaughlin & Marsh, 1978).

The case of educational institutions in Saudi isn’t much different. The attempt to develop the teachers professionally has been emphasised for a long time. Many Saudi educational institutions
utilized the opportunities of having academic exchanges with the institutions of USA, Canada, UK etc. Yet, it is felt that a lot more can be achieved in near future in the area of teacher/professional development especially when we relate the two concepts: teacher development and pedagogy.

3. Professional Development and pedagogy
Teaching as an activity is always associated with philosophy, sociology and psychology. As an interdisciplinary subject, education/teaching derives many things from social psychology, consequently building a base for pedagogy. The attitude of teachers towards training or ongoing development should always be positive. Though pre-service training is always better, the role and importance of on the job training can never be underestimated. Motivation of on the job teachers towards their profession and their continuous professional development is another important area that needs to be studied in depth in order to make the process of professional development of the English teacher a great success. In this connection, the teachers should be directly involved in defining priorities about what are their real problems and able to select appropriate solutions (Tobin, 1988, Hewson and Hewson, 1988). It is also important to analyze the consequences of teachers' attitudes. Pre-service courses can benefit from that knowledge and guide the selection of courses and methodologies to insure a good foundation for the teachers. One possible way to permit a critical evaluation could be putting together the two groups (teachers and students). Pedagogy should be developed in relation to the current needs, and professional development should be focused on the pedagogical aspects including the learning needs.

3.1. Teacher development and Quality English Language Education

The teacher is the most important element in any educational programme. It is the teacher who is mainly responsible for implementation of the educational process at any stage. No amount of investment in education can improve quality of education unless there are well qualified English teachers to impart quality language education. In order to target quality education, the teacher should have quality training and expertise. It is expected that most trained and professional teachers should have the following traits in order to be effective and efficient.

Despite the availability of resources and increased emphasis on the use of technology, many teachers, whether pre service: Doering, A., Hughes, J. E., & Huffman, D. (2003), Zhao, Y., Pugh, K., & Sheldon, S. (2002), or experienced, currently feel ill prepared to use technological tools and resources for teaching of contents. The factors may be contributing to pre service, novice, and veteran teachers’ struggles with integrating technology into their teaching in innovative and effective ways. First, school leaders call for technology integration without actually defining their vision for integration (Perry & Aragaldo, 2001). Teacher factor is the most important of all in the educational setting. It is the teacher’s responsibility to afresh his knowledge, update his potential and equip himself with the advancement of the society and use of technology in general and educational environment in particular (Khan: 2005, p.197). There are many ways in which the teachers can develop themselves in their respective fields.

CPD (Continuous professional development is one of those means that has been suggested by almost all the modern pedagogues in this situation when the world has become a global village, and the education of all types can be pursued from anywhere and anyway.
4. Expectations from the English teacher in Saudi Arabia

Teaching is an art as well as a science. Without a proper development of teaching skills a teacher can’t prove himself to be an effective instructor in his classes. He has to justify his position by showing different traits and skills while teaching the target learners. Apart from some well known qualities of a teacher in general such as qualification, training and experiences, a teacher is always expected to display some modest but significant behavior patterns and characteristics in his day to day interaction with the learners. If a teacher lacks the following characteristics he is supposed to attend teacher development programs in order to modify his teaching potential, attitude and readiness to deliver in the best possible manner.

4.1. Characteristics of an English Teacher: Pedagogic perspective

On the basis of my educational background, teacher training, and relevant experience, an effective teacher’s qualities may be summed up as under:

A teacher of English is primarily a knowledgeable person not only in his subject but also in the foundations of education/teaching: psycholinguistic and sociolinguistic etc. He should also know what and why he is teaching a subject like English, and how can the subject be taught in the best possible manner. In order to be effective and learner centered, he is expected to prepare his lessons well before starting a new unit especially functional grammar. In order to be target oriented in his approach, the teacher should assess the performance of the students on individual basis as well as among colleagues. In this case, it is better that he keeps current records of the students and update the same from time to time. If a teacher is professional, he will always share his pedagogic experience with his colleagues as well as the administration. Being a facilitator, an effective teacher is required to motivate the learners as the learning of English as a foreign language usually becomes monotonous.

Education is a life-long process, and formal teaching continues until one is in his profession, therefore continuous development is also as natural as the practice of teaching. In order to grow further, a dedicated teacher should stay in touch with the latest advancement in the field of ELT such as integrated curriculum, integrated English, communicative approach to language teaching etc. This can facilitate him to discover the possibilities of innovations in teaching and exploitation of available resources such as technology and e-learning material. Above all, the teacher is expected to be able to diagnose the learning difficulties and accordingly evolve innovative teaching/learning strategies for better results.

4.2. Background of English teachers in Saudi Arabia: The practical Experience of

Teaching English in Saudi is quite thought provoking and knowledge oriented. There are many factors that contribute to the existing situation. Saudi Arabian educational context is different from many developing countries for two important reasons: controlled population, and government's specific policies and implementations. The Saudi government is able to invest the amount of money whatever is required. And, the Saudi population is not that much like India or China that the government can’t focus on each and
every student. On the other hand, in the over populated and economically stressed countries, education is usually neglected for its own locally adverse situation.

At the higher education level, ESL/EFL teachers in particular are more responsible for imparting education in general and the target language in particular to those students who don’t have favorable conditions for learning. In this case, the concerned teacher, apart from being well educated and sophisticatedly trained, should be well motivated, have clear vision, know teaching strategies, motivating techniques so that his teaching can be more interesting, and the learning yields results and outcomes.

In Saudi Arabia, in most technical/professional colleges, there are basically three kinds of English teachers: native speakers, bilinguals, and the teachers from India, Pakistan and other similar countries. Each type has specific characteristics, and faces specific teaching problems. The background and training doesn’t contribute a lot, however, a suitably equipped teacher may successfully minimise the learning difficulties. The training like CELTA, DELTA, TESOL, EFL, ESL, ESP, B.Ed., M. Ed etc are generally found less effective because these do not meet the need of the local teachers and specific classroom situations. Therefore, in order to abridge the gap between education/training and actual practice, there is an urgent need to develop the existing academic staff through professional programs so that the teachers may not face too many problems due to a substantial change in the educational set up and technology based teaching scenario.

5. The ultimate need of teacher development

It is good to have such a combination of native speakers, bilingual and unilingual teachers to have them as facilitators. But CPD (Continuous Professional Development) must go on in order to avoid waste of human resource. Training and professional development is always essential in this fast changing society. Thus, in order to be update, modern and sophisticated, one should attend in-service training or professional development programs. It is always appreciated if the teachers of English are research oriented, but ironically speaking, most teachers of Saudi are disinterested in any such program. They think that this is an academic embarrassment to take part in any training program. They innocently forget that every teacher is not a born teacher rather some are made.

6. Conclusion

Teaching is the noblest profession and the teacher is the role model. Everyone is a society is bound to respect a teacher because value system is always attached to them in particular. Teachers in general and English teachers in particular are always accountable for bringing certain desired changes in society in general and students in particular. English being the lingua franca holds very important position in the global scenario of sociolinguistic perspective. It is rightly considered as one of the major tools of socialization, instrument of technological and scientific changes. Saudi Arabia is no exception to such changes and developments. English as an international language and a means of instruction is Saudi Arabia is being duly emphasized
these days. Many researches are being undertaken in the area to diagnose problems and find out solutions if any. In spite of the fact that the government has taken many genuine and serious steps to impart knowledge and develop the level of English in the country, the students face a lot of problems during the courses of study. Apart from so many other factors, teacher remains the most crucial aspect of teaching-learning environment. It has been assumed if English teachers are properly trained/developed and appropriately educated in the branches like Educational philosophy, educational sociology, educational psychology and pedagogy, the chances of further waste can be minimized or even removed from the English education system of Saudi Arabia.
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EFFECT OF SMALL CLASS SIZE ON THE ACADEMIC ACHIEVEMENT OF STUDENTS AT SECONDARY SCHOOL LEVEL

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ABSTRACT
This research work was focused on the “effect of small class size on the academic achievement of students at secondary school level”. Class size is the number of students a teacher instructs in a classroom at a point in time. Class size produces significant effect on student academic achievement at secondary school level. In this research work researcher has analyzed that if class size is small then the academic achievement of students is high because they can easily participate in the each and every activities i.e. discussion, question answer, feedback etc. In this research work a sample of 400 students of 10th class was taken from four rural and four urban high schools. To analyze the data Chi Square ($\chi^2$) test was used. The results of this research work showed that small class size play a very essential role in increasing the academic achievement of students at secondary school level.

Key Words: Small class size, Academic Achievement, Secondary school

INTRODUCTION
Education is a very vast and ample subject. No doubt it has virtually unlimited range and scope and hence the same is the case with issues and problems in education which are not only innumerable but also multiplying with every coming day. It is here by intended to undertake one such issue out of excess of problems for research which concerns the number of students in a class and its alleged effects on the academic achievements of the students of that particular class. The purpose of the study is to bring into focus and spotlight the acute problem of overcrowded classes of schools and how these effect the overall achievement of the students at secondary school level. This problem has its roots in recent past and is closely related to the unrestricted and undisciplined growth of population, which is rightly termed as the explosion of population. As this growth of population is inconsistent and incompatible with our resources which are not increasing or not being utilized by us accordingly. That is why our resources cannot cope with the fast growing needs of the population and its sequel is the over crowded and over populated classes besides other impacts and consequences.

Now seen in this perspective it is not an easy task to handle this problem successfully and workout some permanent and long lasting solution for it. But at last we can grasp at the different aspects and facets of this problem and it’s for reaching and multifarious effects on the progress of individuals and also on society as a whole. Class size is considered a very important factor in decreasing or increasing the academic achievement of children. At
secondary school level students need maximum guidance, discussion, counseling and they want to share their ideas with their teachers and this is only and only possible when the numbers of students are limited in the class rooms, in crowded class rooms it is impossible. At secondary school level the courses are tough, lengthy, difficult, and some time vague they need continuous supervision and discussion for better learning, and this better learning is possible in the small classrooms.

STATEMENT OF THE PROBLEM
The problem under study was to determine the effect of small class size on the academic achievement of students at secondary school level.

OBJECTIVES OF STUDY
Following was the objective of the study: -
1. To explore the effect of small class size on the academic achievement of students at secondary school level.

SIGNIFICANCE OF THE STUDY
The results of the study would be useful for the following reasons:-
1. This proposed study is of immense value to the education in general and to our academic institutions in particular, as with the help of this study the effects can be adopted to reduce its alleged adverse effects on the achievements especially academic achievements of various students.
2. The upshot and expected outcomes and findings of this research work can be used by education departments at Provincial and National level for forming their future education polices keeping in view the possible results of this study.
3. The study provides information about the overcrowded classes and the effect of these classes on the academic performance of students at secondary school level.

HYPOTHESES
H₀: (Null Hypothesis) There is no significant effect of small class size on the academic achievement of students at secondary school level.

H₁: (Alternative Hypothesis) There is significant effect of small class size on the academic achievement of students at secondary school level.

EXPLANATION OF TERMS AND ABBREVIATIONS
Terms and abbreviations used in the study are as under: -
1. α Level of significance.
2. d.f Degree of freedom.
3. DIKhan Dera Ismail Khan

REVIEW OF RELATED LITERATURE
Krueger and Whitmore (2001) identified that small class size benefits for students. Researchers explain that how small class sizes narrow the achievement gap, reduce grade retention, decrease behavioral problems, reduce truancy, and increase graduation
rates. According to author class size increase the academic achievement of students and also develop self confidence which is very much lacking in the large class size.

Fletcher (2009) found that increased participation in high school sports, extracurricular activities, honors, and advanced placement courses among students who attended smaller class sizes. The researcher also found that the class size has indirect relationship with the student’s achievement.

On the bases of researchers discussion there is a long term effect of smaller class size on student academic achievement. Achilles (1993), Finn and Achilles (1999), Nye (2001b), Konstantopoulos and Chung (2009), Nye (2001a), and Nye (1999) claims that students in the smaller class sizes retained their advantage over other students who attended larger. Researchers also found that students who attended smaller classes continued to outperform those students who had attended larger classes in mathematics, language arts, and science tests through ninth grade. Moreover, these researchers claim that these advantages of smaller class size not only in the primary or elementary schools but continued generally throughout high school.

**California Class Size Reduction Program (CSRP)**

Stecher and Borhnstedt (2000) and Mitchell and Mitchell (1999) explains that the California CSRP used a quasi-experimental design to study the impact of smaller class sizes on student achievement using two nonrandomized comparison groups but no control group, on the bases of these groups the California CSRP claims that the smaller class size increases the academic attainments of students.

**Student–Teacher Ratio**

Rees & Johnson (2000) in schools, such ratios are indicative of possible staff changes. The school should engage some teachers if the student-teacher ratio is 50:1. If the ratio is very low i.e. 10:1 classes could be combined. The normal student-teacher ratio should be 20:1.

**Historically Development of Implications**

Word et al (1994). Historically there has been a steady decline in pupil-teacher ratio. In 1929-1930 the people teacher ration was 30, in 1939-40 it was 29.1, in 1949-50 it was 27.5 and by 1965-1966, it had dropped to 24.6. These figures represent average ratio for all enrolled public schools students. Elementary school ratio run some what higher and secondary school ratio run some what lower. For instance, the elementary school pupil-teacher ratio for 1955-5.6 was 29.6 and the secondary school ratio was 21.2. The US office of education has predicted that by 1975-80 the elementary ratio will drop to 25.1 and the secondary ratio will be reduced to 20.2. The projections indicate that during the same period the total number of elementary students and teachers will drop slightly and the number of secondary students and teachers will increase about 30 percent.

Rees & Johnson (2000) Classes with too many students are often disrupting to education. Academic performance of the students at school level affected by too many students in a class, so larger class decrease the academic performance and smaller class increase the academic performance of the students at school level.
Card & Alan (1996) explain that lower student to teacher ratios are better at teaching students difficult subjects just like physics, mathematics, biology and chemistry, than those with a higher ratio of students to teachers. The schools with lower student to teacher ratios are much better, have a higher attendance and have more confidence with in the different institutions. Children who attend schools with a smaller pupil-teacher ratio and a better educated teaching staff appear to earn higher wages as adults than children who attend poorer schools.

Molnar (1999) explain that on the bases of more popular studies on student-teacher ratio effects were those done in relation with Student Teacher Achievement Ratio (STAR) and Student Achievement Guarantee in Education (SAGE) Program. Researchers associated with all of these programs found significant benefits linked with smaller class size.

Class Size and Academic Achievement
Glass and Smith (1979) using meta-analytic techniques researchers reviewed approximately 80 class-size studies conducted between 1900 and 1978. On the bases of these researches the researchers concluded that reductions in class size resulted in increases in academic achievement. To obtain significant increase in educational attainment however required a dramatic reduction in class size. Decrease in the class size up to 15 results in significant increase in student’s achievement. Researchers pointed out that in 1980 many of the achievement gains were based on tutorials or extremely small classes.

METHODOLOGY OF THE RESEARCH STUDY

Population
Population of study consisted of all the 10th class male students of higher secondary schools in District Dera Ismail Khan, Pakistan.

Sample
For this research study four rural and four urban male high schools were selected randomly, so total eight male high schools were selected. Total 400 male students from small classes and large classes were selected randomly from these eight schools, 50 students from each high school. So a sample of 200 male students from rural areas and 200 male students from urban areas were randomly selected from these schools.

Instrument
Questionnaire as an instrument was used in this research study. The instrument was developed and validated to get the opinion of the students about the class sizes and the academic achievement. Researcher personally served the questionnaire to the students, the students were asked to give the exact response / figure to the items.

Procedure
In order to know the effect of small class size on the academic achievement of students a questionnaire was used. The questionnaire was developed, validated and improved in the light of feedback. Difficulties and ambiguities pointed out and removed in consultation with
the experts in the relevant field. Researcher himself visited the schools distribute questionnaire and collects the data.

What is a "Small Class"? Jackson (2005) Researchers have found that gains in achievement generally occur when class size is reduced to less than 20 students.

Rowntree (2008) the national average (which has been improving over recent years) is about 16:1 for secondary schools, but there is a wide variation.

**Best class size for maximizing student achievement**
The smaller class sizes in the Student-Teacher Achievement Ratio (STAR) project were 13 to 17 students while the larger class sizes were 22 to 25 students. While the Student Achievement Guarantee in Education (SAGE) project used smaller class sizes of 15 or less and a variety of larger ones, the California Class Size Reduction Program (CSRP) used class sizes of less than 20 as well as various class sizes of more than 20.

Keeping in view the above discussion the class size was classified into two categories “Small” and “Large”. The number of students in small classes was less than or equal to 20 and the number of students in large classes was more than 20. Academic achievement of the child was also classified into two categories “High achievement” and “Low achievement”, High achievement for 1st division students and low achievement for 2nd division and 3rd division students. First division from 60% to 100% Second Division from 45% to 59% and third division from 40% to 44%

**STATISTICAL ANALYSIS**
In order to know the effect of small class size on the academic achievement of students at secondary school level Chi-square ($\chi^2$) distribution was used. The effect of these variables was estimated at 0.05 level of significance.

Chaudhary (2000) The Chi-square distribution was first obtained in 1875 by F.R Helmert a German Physicist. Later on in 1900 Karl-Pearson showed that as n approaches infinity a discrete multinomial distribution may be transformed and made to approach a Chi-square distribution ($\chi^2$). The Chi-square ($\chi^2$) distribution contains only one parameter, called the number of degree of freedom. The formula for Chi-square distribution is as under:-

$$\chi^2 = \frac{n(ad - be)^2}{(a + b)(c + d)(a + c)(b + d)}$$

where $\nu = (r - 1)(c - 1)\text{d.f.}$, Where $2 \times 2$ Contingency table= $\frac{a}{c} \frac{b}{d}$

**FOR URBAN STUDENT**
Table: 1 Showing effect of small class on the academic achievement of students.

<table>
<thead>
<tr>
<th></th>
<th>Small Class</th>
<th>Large Class</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Achievement</td>
<td>87</td>
<td>21</td>
<td>108</td>
</tr>
<tr>
<td>Low Achievement</td>
<td>11</td>
<td>81</td>
<td>92</td>
</tr>
<tr>
<td>Total</td>
<td>110</td>
<td>90</td>
<td>200</td>
</tr>
</tbody>
</table>
To measure the effect of small class on the academic achievement of the students, Chi-square distribution was used. Calculated Chi-square value was found to be 94.46 which is greater than the table value of 3.84 at \( \alpha = 0.05 \) with one degree of freedom. \( \chi^2 = 94.46 > 3.84 \) So there is a significant relationship at 0.05 level of significance. Hence \( H_1 \) “There is significant effect of small class on the academic achievement of students at secondary school level” is accepted.

### Summary

The problem under study was to investigate the effect of small classes on the academic achievement of students at secondary school level. For the purpose of collection of data, a questionnaire was developed, validated and administered personally to the students. Data was analyzed with the help of Chi-square (\( \chi^2 \)) distribution as a statistical analysis technique. It has been found that small classes play a very crucial role in increasing the academic achievement of the students at secondary school level.

### Findings

**For urban school**

The calculated value of Chi-square is 94.46 while table value is 3.84.

**For rural school**

The calculated value of Chi-square is 78.35 while table value is 3.84.

### Conclusion

There is a significant effect of small classes on the academic achievement of 10th class students for rural and urban schools. It is concluded that for both the schools, there is an indirect relationship between the variable i.e., smaller the class greater will be the academic achievement and larger the class lower will be the achievement.

### Recommendations

There are following recommendations on the bases of the findings and conclusions:-

1. Parents may choose those schools in which the strength of students in the classes is small in order to increase the academic achievement of their children.
2. The same type of research can also be applied for the female schools.
References


COMPARATIVE STUDY OF HOME TUITION AND TUITION CENTERS REGARDING ACADEMIC ACHIEVEMENT OF STUDENTS AT SECONDARY SCHOOL LEVEL

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ABSTRACT
This research work was focused on the “comparative study of home tuition and tuition centers regarding academic achievements of students at secondary school level”. In this comparison it was conducted that home tuition produces significant effect on student academic achievements as compared to tuition centers. In this research work on the bases of results researcher has analyzed that when students get home tuition then their academic achievements is high as compared to tuition centers. A sample of 80 students of 10th class from eight different high schools was taken. For analyzing the data we have used t-test.

Key Words: Home Tuition, Tuition centers, Academic, Achievements, Secondary school

INTRODUCTION
Generally there are two kinds of tuition system working in Pakistan i.e. home tuition and tuition centers. In home tuition private home tutor come to the student’s home at the preferred time set by the student. This saves a lot of traveling time for student and the parent. A good home tutor is not just familiar with the school syllabus but he or she is familiar with the children. Home tutor often gives real life examples of the concepts taught in the books to reinforce understanding for the purpose of clarification. In home tuition simple memorizing techniques, exam techniques, question answer technique and other study techniques are also imparted from the tutor to the student. In home tuition with the right tutors and lots of practice, a weak student can be coached to do well in future exams. From home tuition the main benefit is that the student will receive personal attention. This is something that students cannot get in their schools. It is often seen that many students may not get a chance to clarify their doubts in class. Some students may be too shy to ask their teachers. Therefore in home tuition the hundred percent focused one-to-one attentions during tuition will help the student to understand topics that he or she is weak in.

On the other hand for parents who do not like home tuition, or if the home tutors are not available near the home then the alternative is tuition centers. There are many tuition centers located all over Pakistan. The advantages include to the tuition centers are the lower tuition fees and the provided study material. The main disadvantage of the tuition centers is the absence of one-to-one attention. In tuition centers even in a small tuition class, there are minimum 5 students to 1 teacher, thus the teacher’s time is shared among all the students. Some time tuition centers are located at a high distance due to which the student spent more time in traveling. Moreover, at tuition centers the classes have fixed timings, and are not as flexible as home tuition.

Now a day in Pakistan any kind of tuition is considered a very important positive force in the academic achievements of children. At secondary school level students need maximum guidance to compete with their class fellows, to decrease their deficiencies, to increase their performance and to solve the each and every academic problem of school. For this purpose those students get tuition
facilities whose parents are not involved with their academic activities. At secondary school level the courses are tough, lengthy, difficult and some time vague; these courses need continuous attention, so in this way parental regular involvement or the tuition is the best way to solve the problem. In Pakistan the most parents provide tuition facilities to their children due to some reasons i.e. the parents are illiterate, they are too much busy in their jobs, they came late in their homes or they are too much busy in increasing their economic condition and to facilitate their children etc. So they want to increase the academic ability of their children for this purpose they arrange tuition for their children. If at home parents are not involved in the school academic activities of their children and can not provide any tuition facility to their children then their children feel difficulties in solving the school assignments as a result they take less interest in the academic activities and show poor performance.

In Pakistan there are different people who provide tuition facilities, some professional tutors provide tuition facilities they are already working in the schools or colleges, they are experienced and trained. Some students after completion of master degrees and due to non availability of jobs they become tutors and provide tuition facilities, for the purpose of earning. Some students get tuition from their elder brother, sister, uncle, neighbor or any non professional educated person freely. In all these ways of tuition the purpose is only and only to increase the academic achievement of their children. Time spent on tuition has an important effect on academic learning and academic achievement. Tuition facility engages the students for some time after the school time, in this engagement student learn something which is much better. In almost every place of the country there are so many tuition centers provide tuition facilities. They provide each and every type of coaching facilities for the academic enhancement of the students. Tuition centre have more students and more expensive as compared to home tuition. From the surface, yes, tuition centre appear to have more students. That's because tuition centre usually conduct classes in large groups while home tutors tend to teach students individually, and the lessons are often at home.

STATEMENT OF THE PROBLEM
The problem under study was to compare the performance of home tuition and tuition centers regarding academic achievements of students at secondary school level.

OBJECTIVES OF STUDY
Following was the objective of the study: -
ii. To compare the home tuition and tuition centers regarding academic achievements of students at secondary school level.

SIGNIFICANCE OF THE STUDY
The results of the study would be useful for the following reasons:-
1. This study provides information about the home tuition and tuition centers regarding academic achievements of children at secondary school level.
2. This study is significant for those parents who are not involved in the academic activities of their children.

HYPOTHESES
H0: (Null Hypothesis) There is no significant difference of home tuition and tuition centers regarding academic achievements of students at secondary school level.
H1: (Alternative Hypothesis) There is significant difference of home tuition and tuition centers regarding academic achievements of students at secondary school level.

EXPLANATION OF TERMS AND ABBREVIATIONS
Terms and abbreviations used in the study are as under:-

- a. $\alpha$ Level of significance.
- b. d.f Degree of freedom.
- c. DIKhan Dera Ismail Khan

REVIEW OF RELATED LITERATURE
Jacqueline L (2010) being a subject specialist in the teaching learning process, I often asked a question by parents, “Is getting tuition on home or going to a tuition centre better?” I always receive the quick and different reply that tuition centers are better. Then I ask why? Because they have more students and the teachers will be qualified. Now I explain that why this answer is worrying. After the declaration of research reports that the home tuition is better, having cleared the air, what are the other alternatives? The most obvious competitor to tuition centers would be home tuition. Home tuition is better because is cheaper than the tuition centers and also the children get individual attention which is lacking in the tuition centers. In addition, it is more suitable, flexible and according to the parent’s behavior that tutors travel to your house and can adapt to your schedule. At home tuition tutors can remain under your analysis at all times if you want to ensure that they are working properly. Despite the benefits of home tuition, some parents are concerned over the fact that the tutors are students themselves. Yes, most tutors are students themselves who are offering tutoring services to earn some allowance but they are highly qualified. Although expensive tuition is not always the best, select reliable tutors at reasonable rates, or be prepared to pay a heavy price instead.

ROLE OF TUITION IN THE PERFORMANCE OF STUDENTS
Koch H L (1995) many parents consider that the best inheritance they can give to their children would be education. For this purpose parents encourage their children to do well in school, due to this best support, there children find difficult academic subjects a challenge, but these subjects are in the approach of their parents so the children feel difficulties and they need home tuition. Private home tuition can play an important role in the form of removal of difficulties of difficult science subjects. In difficult science subjects getting your child to practically take part in academics is a tough job.

Laosa G (1989) in schools student study so many subjects, some subjects are easy and some are difficult i.e. science subjects. So when teachers assign work in science subjects they feel difficulties and need regular guidance. Thus, regular forms of parent’s participation can do very well in solving the problems of their children, and if parents are illiterate then they need individual attention just like parents then home tuition is the best alternative to solve all the problems of the children as compared to the tuition centers.

Becker B S (2001) what is the most significant advantage of private home tuition? In home tuition individual attention is provided to the student which is very much lacking in the schools. In secondary school level students are curious about different type of things, so for this curiosity they want to ask some questions from their teachers but in school situation they cannot ask any question but with the help of private tuition they can remove their confusion, difficulties and can do best in the classroom.
SIGNIFICANCES OF HOME TUITION

Goh C (2010) it is the individual differences that each and every child is different and performs differently at home and in schools. Some children are very intelligent and some need extra attention. In order to meet this competency private home tuition has become necessary for the student; as a brilliant student has to compete with other while weak students have to struggle for getting good marks. There are various significances of private home tuition for both students and parents. Some significances of home tuition are given below:

1. In home tuition the students are in the special attention from their tutors which may be the lacking point in their traditional classrooms and in the tuition centers.

2. Since home tuition helps the students to build confidence and hence improve their learning process. Home tuition is very important for student to discover the most effective way for learning.

3. Sometimes the students are afraid of difficult type of subjects i.e. science subjects, but with the help of private home tuition, they are able to sole these difficulties. If tutor is regular, qualified and hard worker then they are able to improve their performance.

4. In private home tuition, the students are able to share the opinions, ideas and difficulties with their tutors and they feel no hesitation to tell them about their difficulties which may not be possible in the regular classroom sessions or in the tuition centers. Private home tuition open every communication channel for teachers and students in which they participate and remove difficulties.

5. In private home tuition, parents are able to get in touch with the teachers to see the progress of their children. The parents are well informed about each and every activity of their child.

Kay N C (2010) the popularity of private home tuition is increasing day by day as compared to tuition centers. Many parents still believe that private home tuition really not only benefits younger children but also beneficial for high school. Moreover, home tuition for high school students at this level develops sound independent study skills; focus on continuous learning on their own and improve confidence in the students. From home tuition students can get all the guidance and support you need by contacting a reputable and experienced.

Why Private Tuition? Will a tutor help?

Hughes K (2010) on the bases of findings as a parent you may choose a home tutor for private tuition to help your child who has not achieved the lecture of teacher. Private home tuition is too much near to your needs, because in home tuition individual attention is provided to the children’s. Private Home tuition can increase levels of school performance, increase the confidence of a child, enjoyment, motivation and readiness in a subject and develop study skills that can be applied on various subjects. Private home tuition is not just for children; adult can also improve their performance in this way.
Charles Cheow (2010) Since in a school there are so many subjects are offered to the students some subjects are easy and according to the mental level of the students but some subjects are difficult and confusing these subject demand consistent guidance and supervision, with the help of tuition centers these difficulties can be removed. If parent choose better tuition center then they can enhancing their knowledge will benefit them greatly when it comes time to take entrance exams. When a child brings home poor grades one of the first things that bring to mind is the thought of a tuition centre. If the child and their teacher are not able to work well together then this problem can be solved with the help of classroom teaching and if there is still an issue with the level of learning, decide for the suitable and well performed tuition centers. Since there are so many students in tuition centers so they can attached with each other so in this way they can solve their problems and remove their confusions. Since parents cannot solve all the problems of their children so children often respond well to outside influences. Tutors on the tuition centers are able to best teach a child the study skills and critical thinking skills necessary to further their education. Encouraging students individually is impossible in classes, but this difficulty can be solved in the tuition centers. A tuition center that focuses on a small student to teacher ratio will see their pupil success rates skyrocket.

METHODOLOGY OF THE STUDY

Population
Population of study consisted of all the 10th class male students of higher secondary schools in District Dera Ismail Khan, Pakistan.

Sample
Sample # 1: For this research study five rural male elementary schools were selected randomly, from these schools eight students from each school were selected in which four get home tuition and four go to tuition centers. Total 40 students are selected in which 20 get home tuition and 20 go to the tuition centers.

Sample # 2: For this research study five urban male elementary schools were selected randomly, from these schools eight students from each school were selected in which four get home tuition and four go to tuition centers. Total 40 students are selected in which 20 get home tuition and 20 go to the tuition centers.

Instrument
Instrument used in this research study was a questionnaire, developed and validated to get the data about the students who get home tuition and those students who go to the tuition centers and the data about the academic achievements of all these students. Researcher personally served the questionnaire to the students, the students were asked to give the exact response / figure to the items.

Procedure
In order to compare the home tuition and tuition centers regarding academic achievements of students a questionnaire was used. The questionnaire was developed, validated and improved in the light of feedback. Difficulties and ambiguities pointed out and removed in consultation with the experts in the relevant field. Researcher himself visited the schools distribute questionnaire and collects the data.
STATISTICAL ANALYSIS

ANALYSIS OF DATA
The data collected through Questionnaire and the scores of sample were calculated, summed and mean scores were calculated, “t” test and co-efficient of variation was used as statistical technique.

Chaudhary et al (1996), “The co-efficient of variation is also used to compare the performance of two candidates” (p.106).

Alam (2000), “Consistency or stability is used as terms opposite to variation (or dispersion). A data is considered more stable if it has less variation and likewise it is less stable if variation is more”. (p.151)

Chaudhary et al (1996), the applied formulae of test were as under:

\[ t = \frac{(\bar{x}_1 - \bar{x}_2) - (\mu_1 - \mu_2)}{\sigma_1 \sqrt{\frac{1}{n_1} + \frac{1}{n_2}}} \quad \text{With} \quad v = n_1 + n_2 - 2 \quad \text{d.f} \]

Where \( \bar{x}_1 = \frac{\sum f_1 x_1}{\sum f_1} \) and \( \bar{x}_2 = \frac{\sum f_2 x_2}{\sum f_2} \)

Pooled Estimation = \( S_p^2 = \frac{(n_1 - 1)S_1^2 + (n_2 - 1)S_2^2}{n_1 + n_2 - 2} \)

Where \( S_1^2 = \frac{1}{n_1 - 1} \sum (X_{1i} - \bar{X}_1)^2 \) and \( S_2^2 = \frac{1}{n_2 - 1} \sum (X_{2i} - \bar{X}_2)^2 \)

Co-efficient of Variation = \( C.V = \frac{S}{\bar{X}} \times 100 \)

Where \( S = \text{standard deviation} \) and \( \bar{X} = \text{Mean} \)

ANALYSIS AND INTERPRETATION OF DATA
The study aimed at comparing the home tuition and tuition centers regarding academic achievement of students at secondary school level.

Comparison of home tuition and tuition centers regarding academic achievement of students of rural areas.

<table>
<thead>
<tr>
<th>Group of Students</th>
<th>N</th>
<th>Group Mean</th>
<th>S.D</th>
<th>C.V</th>
<th>d.f</th>
<th>( \alpha )</th>
<th>t- tabulated</th>
<th>t-Calculated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Tuition</td>
<td>20</td>
<td>29.17</td>
<td>2.37</td>
<td>8.12</td>
<td>38</td>
<td>0.05</td>
<td>2.021</td>
<td>7.37</td>
</tr>
<tr>
<td>Tuition Centers</td>
<td>20</td>
<td>22.02</td>
<td>3.51</td>
<td>15.94</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The above table indicates that the mean of academic achievement of home tuition and tuition centers students were 29.17 and 22.02 respectively, SD in the scores of two samples was 2.37 and 3.51 respectively. The obtained t-Calculated value 7.37 is greater than then the t- tabulated 2.021 so we reject \( H_0 \) and accepts \( H_1 \) and concludes that there is significant difference of home tuition and tuition centers on the academic achievements of students at secondary school level. The difference was in the favor of those students who get home tuition facility. The Co-efficient of Variation (C.V) of home tuition students and tuition centers students is 8.12 and 15.94 respectively. Since C.V of those students who got home tuition is less than the tuition centers students so there is consistency in the academic achievement of home tuition students on the aspect of academic achievement.
Comparison of home tuition and tuition centers regarding academic achievement of students of urban areas.

<table>
<thead>
<tr>
<th>Group of Students</th>
<th>N</th>
<th>Group Mean</th>
<th>SD</th>
<th>C.V</th>
<th>d.f</th>
<th>α</th>
<th>t-tabulated</th>
<th>t-Calculated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Tuition</td>
<td>20</td>
<td>26.15</td>
<td>4.03</td>
<td>15.41</td>
<td>38</td>
<td>0.05</td>
<td>2.021</td>
<td>4.804</td>
</tr>
<tr>
<td>Tuition Centers</td>
<td>20</td>
<td>19.65</td>
<td>4.31</td>
<td>21.93</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The above table indicates that the mean of academic achievement of home tuition and tuition centers students were 26.15 and 19.65 respectively, SD in the scores of two samples was 4.03 and 4.31 respectively. The obtained t-Calculated value 4.804 is greater than then the t-tabulated 2.021 so we reject H0 and accepts H1 and concludes that there is significant difference of home tuition and tuition centers on the academic achievements of students at secondary school level. The difference was in the favor of those students who get home tuition facility. The Co-efficient of Variation (C.V) of home tuition students and tuition centers students is 15.41 and 21.93 respectively. Since C.V of those students who got home tuition is less than the tuition centers students so there is consistency in the academic achievement of home tuition students on the aspect of academic achievement.

SUMMARY
The problem under study was to compare the home tuition and tuition centers regarding academic achievements of students at secondary school level. A questionnaire was developed, validated and administered personally to the students. Data was analyzed with the help of t-distribution as a statistical analysis technique. It has been found that private home tuition plays a very crucial role in the academic achievements of the students at secondary school level as compared to the tuition centers, because at home tuition tutors pay full attention which is very much missing in the schools and in the tuition centers.

FINDINGS
For rural school
The calculated value of t-distribution is 7.37 while table value is 2.021.

For urban school
The calculated value of t-distribution is 4.804 while table value is 2.021.

CONCLUSION
There is a significant difference of home tuition on the academic achievements of 10th class students for rural and urban schools as compared to the tuition centers. The academic achievement of those students who get home tuition is better than those who went to the tuition centers.

RECOMMENDATIONS
There are following recommendations on the bases of the findings and conclusions:-
3. This study may indicate that home tuition is the best alternatives of the parental involvement.
4. This study may indicate that parents can play an important role in strengthening their children education if they provide home tuition service from the experienced and academically sound teachers.
5. The same type of research can also be applied for the female schools.
REFERENCES


Surveying of innovation levels and Characteristics
Case study: East Azerbaijan Province SMEs

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Abstract
Innovation is the embodiment, combination, or synthesis of knowledge in original, relevant, valued new products, processes, or services. The importance of innovation in organizations competitiveness is an undeniable fact. Innovations reflect a critical way in which organizations respond to either technological or market challenges. Small and Medium sized enterprises (SMEs) constitute 95 % of Iranian firms. According to Iran statistic website the value added of 95 % of Iranian firms is just about 10 % of the whole value added in country. This study assumes the lag of innovation is the reason of uncompetitive nature of East Azerbaijan Province SMEs. This paper reports on the results of a study that examined barriers to firms’ innovation among a sample of 86 managers of small and medium-sized enterprises (SMEs) in East Azerbaijan Province. Findings of the study show that the most significant barriers are associated with costs, whereas the least significant are associated with lag of information. The survey results show that East Azerbaijan Province SMFs are not collaborating with universities and higher education institutions; they do not see university as a main source of information. Then it is not a surprising point that 31% unemployment rate is reported in 2010 however 60 % of studied SMEs reported lack of skilled labour as a barrier to innovation.

Keywords: Organizations, Innovation, SMEs

Introduction
Rogers defined innovation as “an idea, practice, or object that is perceived as new by an individual or unit of adoption”. Innovations reflect a critical way in which organizations respond to either technological or market challenges (Brenner 1987, Comes-Casseres 1994, 1996, Smith et al, 1992, Hage, 1988). The survival and growth of business enterprises increasingly depends on their ability to respond to globalization and rapidly changing in market demands, technologies and consumer expectations. Emerging opportunities and threats forced companies to investigate and invest more on innovation to decrease risk of becoming uncompetitive. As Debdulal Dutt’a Roy(2008) noted” innovations may be directed to change the organizational structure (the degree of complexity, formalization, and centralization), technology (introduction of new equipment, tools or methods, automation, or computerization) and human resources (changing the attitudes and behavior of organizational members through processes of communication, decision making, and problem solving)”.

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With increasing global competition and quickly spreading knowledge, the future of many businesses depends upon their ability to innovate. The ability of a company to not only keep up with its current business practices, but to exceed its own – and its competition's – expectations are critical to survival (http://www.realinnovation.com).

Due to the great contribution of the innovative activities to the firms’ competitiveness and success, it is of great interest to identify the barriers and obstacles that limit the development of innovative activities in firms. A number of studies show that firm differences in barriers to innovation were related to cost, institutional constraints, human resources, organizational culture, flow of information and government policy (Mohen and Roller 2005; Baldwin and Lin 2002). There are many good reasons for paying attention to small and medium sized enterprises (SMEs). They constitute the 94 percent of Iranian firms (amar.org), they are a main source of employment, and they are flexible. Iran defines SMEs as independent businesses that employ less than 250 people (Iranian Commission, 2003).

This paper reports the results of a study that examined barriers to innovation among a sample of 86 SMEs in the East Azerbaijan Province. East Azerbaijan Province economy has not been growing in terms of GDP in compare with other provinces in Iran during the period 2006-2008. Innovation contributes to sustained long-run economic growth through industry-wide spillover (Grossman and Helpman 1990; Romer 1986). The value added of 94 % of Iranian firms is just about 10 % of the whole value added in country (amar.org). John Cantwell (2003) defined Competitiveness as the possession of the capabilities needed for sustained economic growth in an internationally competitive environment. The importance of innovation in organizations’ competitiveness is an undeniable fact. This study assumes the lag of innovation is the reason of uncompetitive nature of Iranian SMEs. Finding the current innovation situation and primary obstacles to innovation in East Azerbaijan Province of Iran are the main goals of this study. In particular, by using empirical data, the paper sheds light on the issue: the characteristics and behaviors that distinguish innovator firms and non-innovator firms. The remaining sections of the paper are organized as follows: the second section presents previous research on innovation and barriers to innovation, the third section describes the methodology used in the analysis, which is discussed in the fourth section. The fifth section concludes the paper.

**Innovation and its importance for Enterprises**

"Innovation . . . is generally understood as the successful introduction of a new thing or method . . . Innovation is the embodiment, combination, or synthesis of knowledge in original, relevant, valued new products, processes, or services". (Luecke and Katz, 2003). Rogers defined innovation as “an idea, practice, or object that is perceived as new by an individual or unit of adoption”. (Swanson, 1994). To attain the business environmental policy goals, enterprises will either have to bring about modifies in the way people do something, or changes in technology. Innovation is one of the main processes by which those changes come about.

Innovation is not fully about the development of new product (services). Enterprises can also take advantages administrative innovation (improving internal control, coordination, and structure), and technical innovations (changes to technology or work processes). Davila et al (2006) organized reasons why enterprises undertake innovation in the following way:

1-Improved quality
2-Creation of new markets
Community innovation survey (2007) defined nine factors as motivation factors to innovation, increased range of goods or services, Entered new markets or increased market share, Improved quality of goods or services, Improved flexibility of production or service provision, Increased capacity for production or service provision, Reduced costs per unit produced or provided, reduced environmental impacts or improved health and safety, Met regulatory requirements, Increased value added. Organizations which generate and implement more good ideas about better, more efficient ways of working have a distinct advantage in a competitive environment. To achieve success over a long period of time, all organizations need to hold innovation (Andy Couchman et al, 2004). With The globalization phenomena, market expansion, and increased customers’ expectations and competition among firms, innovation has become more market-driven, more rapid and intense, more closely linked to scientific progress, more widely spread throughout the economy (OECD, 2000). Organizations may also facilitate innovation through project teams or R&D departments (Morton 1971, Zaltman, Duncan, and Holbek 1973). Services sector R&D, for example, rose from less than 5% of total business enterprise R&D for the OECD area as a whole in 1980 to more than 15% in 1995. In countries that measure services R&D well, such as Canada, it now amounts to about 30% of total business enterprise R&D (OECD, 2000). Steve Jobs defined Innovation has nothing to do with how many R&D dollars you have... It's not about money. It's about the people you have, how you're led, and how much you get it. He argued that there are no definitive metrics for innovation. Measures of innovative success vary by company and industry. He defined R&D and patent creation as the most common metrics of innovation:

- **R&D** – This metric assumes that the amount of money spent on research and development directly correlates to the amount of innovative products, processes and services that get to the public.
- **Patent creation** – Some companies create patent after patent and boast of their innovative capabilities. While this may be well and true for a few, if the numbers of patented products, processes, and services are now making it to the marketplace, then their relevance diminishes.

The propensity of countries to seek sources of innovation and knowledge wherever they are present has increased considerably in terms of patenting in the 1990s. The internationalization of patenting has not been equally rapid in all countries: the available evidence shows that US patents have a larger, and more rapidly growing, proportion of foreign co-inventors than those of Europe or Japan. An interesting point about innovation was found in Paul Windrum (2006) “Innovation begets further innovation”. He argued that Through organizational innovation, managers gain a more specific view of the different activities of the firm, and see the potential creative opportunities that arise through breaking
down ‘departmental silos’ and creating novel synergistic activities. Rogers argue that any innovations have characteristics which explain the rate of their adoption:

- **Relative advantage**: “the degree to which an innovation is perceived as better than the idea it supersedes”;
- **Compatibility**: “the degree to which an innovation is perceived as being consistent with existing values, past experiences, needs of potential adopters”
- **Complexity**: “the degree to which an innovation is perceived as difficult to understand and use”
- **Trial ability**: “the degree to which an innovation may be experimented with on a limited basis”
- **Observability**: “the degree to which the results of an innovation are visible to others.”

Innovations are considered as a major engine to enhance their performance and to strengthen their competitive position in the market by companies (Vareska van de Vrande, 2008).

**Barriers to innovation**

As many studies show, innovation has positive effects on the firm; it is interesting to find out why not all firms engaged in innovation activities. Laura Palmer-Noone discussed that Most of these leaders believed that their greatest challenges to innovation were to be found inside their institution. In her findings traditional institutional culture, or institutional inertia cited as a significant barrier to innovation. A number of studies show that firm differences in barriers to innovation were related to cost, institutional constraints, human resources, organizational culture, flow of information, and government policy (Mohen and Roller 2005; Baldwin and Lin 2002).

Support of employees for changes in their firms depends on the kind of innovation implemented. While changes in the organization of work that are introduced independently of investments in new machinery are encountered by resistance, investments in new machines, production sites, etc. are supported by employees (Thomas Zwick). It is not always a barrier against innovation but it may retard or change the innovation plans (Schaefer, 1998). Antonia Madrid-Guijarro ET. Al (2009) emphasized on a resource-based view of organizations. They introduced financial resources, human resources and external resources as barriers to innovation.

Cost has been mentioned as one of the most important barriers to innovation. High innovation costs have a negative and significant effect on the innovation propensity (Lim et al, 2007 and Silva et. al, 2007). Arguments can arise between the need to invest in innovation and the risk aversion common among managers/owners (Hausman 2005; Frenkel 2003), with small firms being especially subject to such conflicts because of their limited financial resources. A study in Canada reveals that set up costs, rather than the running costs, are of greater concern for those that intend to engage in innovation activities (CSLS, 2005). Understanding of economic risks associated with innovation activities would have a low degree of association with firms' experience in innovation activities (Lim et al, 2007). The most financial theories such as transaction cost theory and agency theory linked risk and financial exposure, in the way that with higher risk being associated with higher financial exposure and lower risk with lower financial exposure (Brigham and Ehrhardtii, 2005). Transaction cost theory analyzes the fact that the intangibility and specificity combined with investment in technology, by increasing transaction costs, may decrease the firms’ propensity
to financing innovation with debt. Agency theory argues that the high risk of innovative activities and the existence of information asymmetries can increase problems with debt financing. An increase in debt may lead to an increase in conflicts between lenders and the firm. Several previous studies point to the negative influence of debt on innovation activity (Giudici and Paleari 2000). But Dr Xavier L. Comtesse et al (2002) argued that financial issues were not considered to be major barriers to innovation in Switzerland. C.C. Colton viewed the company culture and leadership as two prominent barriers to innovation. He argued that if the company's culture isn't set up to accept new ideas and creative contributions from its staff then inventions will be unable to break through to the marketplace. Employee commitment and effort is required in adoption of innovation (Acemoglu and Pishke, 1999). Resistance to change which results from poor employee skills and inadequate training is viewed as an important organizational challenge by many researchers. It also argued that small business managers often lack the types of education and training that have been linked with a successful innovation strategy (Hausman, 2005). Shanteau and Rohrbaugh (2000) argued that Weak management support is another innovation choke point because innovation can disrupt established routines and schedules. Barriers to innovation also included organizational inertia and structured routines that may limit the ability of incumbent firms to identify new opportunities and adapt to environmental changes (Nelson and Winter (1982); Hannan and Freeman (1984)). Obstacles that were external to the firm are clearly more important than internal ones, perhaps because most internal issues can be resolved by a firm that is committed to its innovation activity (Lim et al, 2007). Global competition, government policy, and economic uncertainty require that firms effectively communicate to managers the importance of innovation as a core firm strategy that will help maintain market competitiveness (Antonia Madrid-Guijarro et al, 2009). Because of high competitive pressures, firms are forced to adopt new technologies so as to gain a competitive advantage (Porter, 1985). Many researchers suggested that firms in more turbulent external environments have higher potential for innovation, because turbulent environments trigger firms to incorporate innovation into their business strategy in order to remain competitive and, ultimately, survive (Antonia Madrid-Guijarro et al, 2009). Lack of information about market opportunities, changes in technology, and government policy _which impact managers' adoption of innovation as a strategy to better meet customer needs and to help make the firm more competitive_ is viewed as other barriers to innovation. Lack of market information related to the potential requirement and preferences of the end-user may lead to a firm producing products that are not meeting the users’ needs, and hence may lead to lack of customer responsiveness towards firms’ innovative products. In other words, recognition of the requirement of potential customers is important to ensure the success of firms’ innovation process (Lim et al, 2007). Lack of government assistance was defined as the third most important barrier to innovation in European countries by Piatier (1984) research.

Maria José Silva (2007) defined nine barriers to innovation as the base of his research.

- The high economic risk
- The high cost of innovation
- The lack of financing
- The organizational rigidities
- The lack of skilled personnel
- The lack of information about technology

Maria José Silva (2007) defined nine barriers to innovation as the base of his research.
The lack of information on market
The lack of customers' responsiveness
The government regulations

The high cost of innovation
The lack of financing
The lack of skilled personnel
The high economic risk
The organisational rigidities
The Government regulations
The lack of customers' responsiveness
The lack of information on technology
The lack of information on market

Figure 1: Barriers to innovation in Portuguese firms (Silva, Maria, Leitão, João and Raposo, Mário 2007)

In what concerns the significance of each restraining factor of innovation, four significant variables are detected. The high economic risk and high cost of innovation are defined as economic factors that prevent innovation in Portuguese firms. The first important point is that the firm can't innovate and grow unless you're willing to take risks. However, in the current regulatory and tort environment, companies are more focused on risk reduction than ever before. The lack of financing sources has a negative and significant effect on the innovation propensity. For its turn, the lack of qualified personnel restrains the propensity of the firm for innovating and also for developing the innovation process. The lack of customers’ responsiveness to new products has also a negative and significant impact on the propensity for innovating. The study of Lim et al (2007) investigates empirically the obstacles to innovation faced by manufacturing firms in Malaysia based on data from the Third National Survey of Innovation (NSI-3). NSI_3 defined nine obstacles to innovation same as the Portuguese research (cost of innovation, economic risks, lack of sources of finance, lack of information on markets, lack of information on technology, lack of skilled personnel, lack of customers’ response, legislation and regulation and organizational rigidities).
The results provide insights that high innovation costs have a negative and significant effect on the innovation propensity. The same is detected for the barrier associated with excessive perceived economic risks. For its turn, the lack of information on the market restrains the propensity of the firm for innovating and also for developing the innovation process. The lack of appropriate sources of finance has also a negative and significant impact on the propensity for innovating.

### Research Methodology

The data for this study was gathered from questionnaires surveyed to a sample of 86 SMEs of the East Azerbaijan Province. The questionnaires were distributed among the managers because previous studies reported that managers' attitude significantly impacted innovation climate (Storey 2000; Lefebvre, Mason, and Lefebvre 1997; West and Anderson 1996). The questionnaire which is used is the same as the UK innovation survey questionnaire 2007. Some changes is made in questions such as Geographical locations. In order to increase confidence in the validity of the measures, the questionnaire was distributed to five managers for the purpose of pilot testing and led to modifications in some part of questions. Reliability of the inequity scale was \( \alpha = 0.9 \). Construct reliability hence appear adequate.

### Description of Sampling

From the 86 distributed questionnaires, 50 were completed and returned for the response rate 58.13 %.

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>1-9</th>
<th>10-50</th>
<th>51-250</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing and services</td>
<td>28.6</td>
<td>57.1</td>
<td>14.3</td>
</tr>
</tbody>
</table>
Level of innovation activities among SMEs

According to the result of questions four and eight, from 50 respondents, 64% were innovators and the 36% rest were non-innovators. Innovation takes place through a wide variety of business practices, and a range of indicators can be used to measure its level within the enterprise or in the economy as a whole. These include the levels of effort employed (measured through resources allocated to innovation) and of achievement (the introduction of new or improved products and processes). This section reports on the types and levels of innovation activity over the three-year period 2006 to 2008. Innovation activity is defined here as where enterprises were engaged in any of the following:
- Introduction of a new or significantly improved product (goods or service) or process
- Engagement in innovation projects not yet complete or abandoned
- Expenditure in areas such as internal research and development, training, acquisition of external knowledge, or machinery and equipment linked to innovation activities.

| Table 3: Innovation-active enterprises: by type of activity, 2006 to 2008 |
|-------------------------------------------------|------|
| Innovation -activities                         | 64   |
| Product(good/service) innovator                | 50   |
| Process innovator                              | 64   |
| Abandoned activities                            | 17.6 |

Around 17.6% of SMEs report abandoned projects. The proportion of enterprises having participated in some innovation-related activity (64 per cent) shows that SMEs recognize the need to assign resources to innovation. The most commonly reported activities were in marketing research, followed by a considerable investment in all form of design.

Figure 2: Breakdown of innovation activities
Area of activities
The businesses surveyed were asked which markets they operated in. Figure 3 show that 80 \% of East Azerbaijan Province enterprises operate at a regional level, about 44 \% at Iran level and 0 \% worldwide. Just under a quarter (20 per cent) of businesses reported any exports for the years 2006–2008.

Barrier to innovation
Successful and evidence-based policy interventions require an understanding of the barriers to business innovation. These barriers can be internal obstacles that the enterprise encounters while carrying out innovation activities as well as external factors preventing innovation. The survey asked about a range of constraining factors and their effect on the ability to innovate. Table 4.3 shows the mean and standard deviation of each category of constraints.

Table 3: Barriers to innovation

<table>
<thead>
<tr>
<th>Barriers to innovation Factors</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excessive perceived economic risk</td>
<td>50</td>
<td>3.48</td>
<td>1.035</td>
</tr>
<tr>
<td>Direct innovation costs too high</td>
<td>50</td>
<td>3.28</td>
<td>1.051</td>
</tr>
<tr>
<td>Cost of finance</td>
<td>50</td>
<td>3.44</td>
<td>1.051</td>
</tr>
<tr>
<td>Availability of finance</td>
<td>50</td>
<td>3.40</td>
<td>1.030</td>
</tr>
<tr>
<td>Lack of qualified personnel</td>
<td>50</td>
<td>3.20</td>
<td>0.990</td>
</tr>
<tr>
<td>Lack of information on technology</td>
<td>50</td>
<td>3.12</td>
<td>1.043</td>
</tr>
<tr>
<td>Lack of information on markets</td>
<td>50</td>
<td>2.84</td>
<td>1.057</td>
</tr>
<tr>
<td>Dominated by established enterprise</td>
<td>50</td>
<td>3.20</td>
<td>1.069</td>
</tr>
<tr>
<td>Uncertain demand</td>
<td>50</td>
<td>3.08</td>
<td>1.243</td>
</tr>
<tr>
<td>Governmental regulations</td>
<td>50</td>
<td>2.64</td>
<td>1.306</td>
</tr>
<tr>
<td>International regulations</td>
<td>50</td>
<td>2.76</td>
<td>1.188</td>
</tr>
</tbody>
</table>

The results provide insights that high excessive perceived economic risk have a negative and significant effect on the innovation propensity. The same is detected for the barrier associated with the lack of financing sources. For its turn, uncertain demand restrains the propensity of the SMEs for innovating and also for developing the innovation process. The high innovation cost has also a negative and significant impact on the propensity for innovating. Few enterprises felt constrained by a lack of information on market, while a lack of qualified personnel was viewed as one of the most important constraining factor by half of the SMEs.
Why enterprises did not innovate
The survey also attempts to gain an appreciation of the possible reasons why businesses were not involved in innovation activity during the period 2006 to 2008.

As the figure 5 shows by 55.8 % of factors constraining innovation is cited as the main reason why enterprises did not innovate. No need due to market conditions is reported as important factor by 29.4 of SMEs.

Driving forces of innovation
On this occasion, the survey sought information about motivation factors for innovation. Respondents were asked to rank a number of drivers for innovating on a scale from no impact, through low, medium or high.
According to Table 4, from the respondents view there is a significant mean difference among driving factors of innovation. Improved quality of goods or services is reported as the main motivational factor of innovation. Entered new markets or increased market share, Met regulatory requirements and Increased value added were wildly reported.

Methods to protect the value of innovation
The survey collected data on business perceptions of the relative importance of different means of protecting intellectual property, reported in table 5. These included formal intellectual property rights as well as strategic mechanisms such as being first to market. The data show that Trademarks are the most important factors and it is followed by Patents and Registration of design.

Table 5: The mean and standard deviation of methods to protect the value of innovation

<table>
<thead>
<tr>
<th>Protection Method</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registration of design</td>
<td>50</td>
<td>2.88</td>
<td>1.547</td>
</tr>
<tr>
<td>Trademarks</td>
<td>50</td>
<td>3.20</td>
<td>1.309</td>
</tr>
<tr>
<td>Patents</td>
<td>50</td>
<td>2.92</td>
<td>1.510</td>
</tr>
<tr>
<td>Copyrights</td>
<td>50</td>
<td>2.44</td>
<td>1.593</td>
</tr>
<tr>
<td>Secrecy</td>
<td>50</td>
<td>2.28</td>
<td>1.679</td>
</tr>
<tr>
<td>Complexity of design</td>
<td>50</td>
<td>2.44</td>
<td>1.514</td>
</tr>
</tbody>
</table>

Information Sources of innovation
Respondents were asked to rank a number of potential information sources on a scale from ‘no relationship’ to ‘high importance’. The mean and standard deviation of each category (information source) is shown in Table 4.7
These sources are:
- Internal – from within the enterprise itself or other enterprises within the enterprise group
- Market – from suppliers, customers, clients, consultants, competitors, commercial laboratories or research and development enterprises
- Institutional – from the public sector such as government research organizations and universities or private research institutes, and
- Other – from conferences, trade fairs and exhibitions; scientific journals, trade/technical publications; professional and industry associations; technical industry or service standards.

Table 6: The mean, number and standard deviation of Information resources

<table>
<thead>
<tr>
<th>Information sources</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within your enterprise group</td>
<td>50</td>
<td>2.88</td>
<td>1.547</td>
</tr>
<tr>
<td>Suppliers of equipment</td>
<td>50</td>
<td>3.40</td>
<td>1.143</td>
</tr>
<tr>
<td>Clients or customers</td>
<td>50</td>
<td>3.52</td>
<td>1.111</td>
</tr>
<tr>
<td>Competitors or other enterprises within your industry</td>
<td>50</td>
<td>3.00</td>
<td>1.429</td>
</tr>
<tr>
<td>Consultants, commercial labs or private R&amp;D institutes</td>
<td>50</td>
<td>2.28</td>
<td>1.526</td>
</tr>
<tr>
<td>Universities or other higher education institutes</td>
<td>50</td>
<td>1.80</td>
<td>1.457</td>
</tr>
<tr>
<td>Government or public research institutes</td>
<td>50</td>
<td>2.04</td>
<td>1.603</td>
</tr>
<tr>
<td>Conferences, trade fairs, exhibitions</td>
<td>50</td>
<td>1.80</td>
<td>1.429</td>
</tr>
<tr>
<td>Scientific journals and trade/technical publications</td>
<td>50</td>
<td>2.32</td>
<td>1.477</td>
</tr>
<tr>
<td>Professional and industry associations</td>
<td>50</td>
<td>2.24</td>
<td>1.492</td>
</tr>
<tr>
<td>Technical, industry or service standards</td>
<td>50</td>
<td>2.64</td>
<td>1.613</td>
</tr>
</tbody>
</table>

The results show that client or customers were cited as the most important source of information by East Azerbaijan Province SMEs and it is followed by suppliers of equipments. Universities and other higher education institutes were seen as the least important source of information.

Co-operation agreements (Attitudes of SMEs respect to types of partners)
As it is displayed in the table below (Table 7), the smaller and greater means are for Universities or other higher education institutions and Suppliers of equipment, materials, services, or software respectively. From the information provided by table 7, this can be suggested that SMEs have fewer propensities about co-operation with universities or other higher education institutions while the most frequent partners for co-operation were suppliers of equipment.

Table 7: The mean rank of different types of partners

<table>
<thead>
<tr>
<th>Different type of partners</th>
<th>Mean Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other business within your enterprise group</td>
<td>4.56</td>
</tr>
<tr>
<td>Suppliers of equipment, materials, services, or software</td>
<td>4.64</td>
</tr>
<tr>
<td>Clients or customers</td>
<td>4.40</td>
</tr>
<tr>
<td>Competitors or other businesses in your industry</td>
<td>4.28</td>
</tr>
<tr>
<td>Consultants, commercial labs, or private R&amp;D institutes</td>
<td>3.26</td>
</tr>
<tr>
<td>Universities or other higher education institutions</td>
<td>2.88</td>
</tr>
<tr>
<td>Government or public research institutes</td>
<td>3.98</td>
</tr>
</tbody>
</table>
Wider forms of innovation

Innovation is not wholly about the development or use of technology or other forms of product (goods and services) and process change. Enterprises can also change their behavior or business strategies to make themselves more competitive, often in conjunction with product or process innovation, but also as independent means of improving competitiveness. Enterprises were asked whether they had made major changes to their business structure and practices in the three-year period 2004 to 2006. The findings are summarized in Table 8.

<table>
<thead>
<tr>
<th>Table 8: Wider forms of innovations percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>New organizational structure</td>
</tr>
<tr>
<td>Change in marketing strategy</td>
</tr>
<tr>
<td>Change in corporate strategy</td>
</tr>
<tr>
<td>Advanced management techniques</td>
</tr>
</tbody>
</table>

The results were initially summarized using statistics (means and frequencies percentages) to provide a better understanding of the respondents and characteristics of the responding companies.

From the 86 distributed questionnaires, 50 were completed and returned for the response rate 58.13%.

80% of East Azerbaijan Province SMEs operate at a regional level, about 44% at Iran level and 0% worldwide. Just under a quarter (20 per cent) of businesses reported any exports for the years 2006-2008 (see figure 3).

Innovation takes place through a wide variety of business practices, and a range of indicators can be used to measure its level within the enterprise or in the economy as a whole. These include Internal R & D, External R & D, Acquisition of machinery equipment and software and hardware, Acquisition of external knowledge, Training, All forms of design, Changes to product or service design, Market research, Changes to marketing methods, launch advertising.

According to Table 3, overall, 64% of enterprises were classed as being innovation-active during 2006-2008. The proportion of enterprises having participated in some innovation-related activity (64%) shows that firms recognize the need to assign resources to innovation. The most commonly reported activities were in market research, followed by a considerable investment all forms of design. The internationalization of R&D seems to be a useful instrument to mitigate the effects of barriers to innovation often faced by SMEs (Tiwari and Buse 2007). During 2006-2009, about 45% of enterprises participated in Internal and External R & D. Summing up; these early results seem to suggest that a larger share of enterprises is participating in just one mode of innovation behavior but the innovation which was occurred in East Azerbaijan Province SMEs was new to the SME not to the national market.

In accordance with the total of the sample SMEs and the analysis of the Figure 4, we observe that the main barriers to innovation are economic factors namely, excessive economic risk, lack of financing, cost of financing and high cost to innovation. In what concerns the internal
factors the lack of skilled personnel should be stressed. The factors associated with the lack of information on markets and governmental regulations are less restraining to innovation. Among all obstacles, ‘Excessive perceived economic risks’ seems to be the foremost important obstacle faced by all SMEs. The Excessive perceived economic risk was cited being of ‘high’ importance by 75 per cent of the SMEs. On the other hand, only about 4.2 per cent of SMEs perceived this obstacle as ‘not relevant’ to their innovation activities.

‘Lack of appropriate sources of finance’ was cited as being of high importance by about 66.7 per cent of the SMEs and not relevant by about 4.2 per cent of them. These findings are consistent with the findings of Baldwin and Lin (2001) who in their study of impediments to advance technology adoption found cost-related problems being the most frequently reported by the Canadian manufacturing firms.

As recently as 2003 a report from the prestigious Gartner Research and Consulting Group suggested that 25 per cent of IT projects were not producing a realistic return on investment. In the same year, the UK Ministry of Defence was criticized for wasting £120m on a failed inventory project. For this reason Iranian SMEs are not interested in investment in costly projects (such as IT/IS) as the survey shows it. Worsening financial position of the firm suggests that when companies increase debt and reduce liquidity, then innovation activities decrease. This result is consistent with those of Freel (2000) and Chiao (2002). Additionally, because of higher risk exposure, firms may opt against using debt to finance innovation. Lenders who are risk averse may also be averse to funding risky innovation initiatives. As a result, SMEs might pursue relatively safe and non-innovative projects through use of internal capital (Galende and De la Fuente, 2003).

The lack of financial resources hinders many SMEs from initiating or – even worse – completing their innovative ideas. As reported in Table 3, 17.6 % of SMEs had abounded innovation activities. SMEs have problems to acquire loans because financial institutions are often reluctant to (co-)finance risky innovation projects. Another financial constraint refers to the problem of getting access to public funding for innovative ideas and bureaucratic application procedures associated with them. Further, it was pointed out that innovation projects must be delayed owing to regulatory reasons until the application has been approved. However due to limited resources SMEs, in contrast to larger ones, rarely have the chance to establish the relationships needed.

‘Innovation costs too high’ was cited as being of ‘high’ importance by about 58.3 per cent of the SMEs and ‘not relevant’ by about 4.2 per cent of them.

Shifting from an inward to a more outward orientation was raised because the costs and risks of innovation have increased and firms have become more specialized. The role played by research in firms’ commercial strategies has also changed. As the range of technologies necessitated for innovation has spread out and technologies have become more complex, companies can no longer cover all relevant disciplines. Many key developments draw on a wide range of scientific and commercial knowledge, so that the need for co-operation among participants in different fields of expertise has become greater in order to reduce uncertainty, share costs and knowledge and bring innovative products and services to the market (OECD, 2000). According to table 7, The results of the survey on East Azerbaijan Province province of Iran shows that in Iranian SMEs the most frequent partners for co-operation were suppliers (76 per cent of enterprises with co-operation were suppliers) and other business in their enterprise (72 per cent). Around 44 per cent of collaborators included universities amongst their partners.
SMEs that perceive “lack of customer’s responsiveness to new products” show fewer propensities to innovate. This result is in accordance with the interactive model of innovation, with the market-pull approach and the Porter model. These approaches demonstrate that the satisfaction of the market requires the incorporation of innovations. Therefore, if the SMEs believe the market is not accepting the new products, it has no incentive to innovate, and then this consciousness ends up creating a barrier to innovation.

The business Dominated by established enterprise was cited as being of high importance by about 58% of the SMEs.

In many cases, ICT significantly reduced the costs of outsourcing and co-operation with entities outside the firm. It has helped go down the natural monopoly character of services such as telecommunications; it is a key technology for speeding up the innovation process and reducing cycle times. It has played an important role in making science more efficient and linking it more closely to business. When 58% of the SMEs see the monopoly as a barrier to innovation, it shows that in the area of study, SMEs do not use ICT as much as they should.

The lack of qualified personnel was viewed as one of the most important constraining factor by about half of the SMEs. The study of Hoffman et al. (1998) supports these results, when defending the thesis that lack of qualified staff can be a serious constraint to the development of the innovation process.

The study of Tiwari and Buse October (2007) indicated two reasons for scarcity of skilled labour:

a) Demographic developments (“aging population”) (Reinberg & Hummel, 2004)

b) Lack of student interest in engineering and natural sciences (IWD (2007))

But the condition is different in East Azerbaijan Province. Unemployment rate was reported 13.8% in Spring 2009 and unemployment rate of people between 15-24 years old was reported 29.0% in Spring 2009 (see www.amar.org.ir).

Lack of information on market, governmental and international regulations were reported as the least important obstacles to innovation.

The survey sought information about motivation factors for innovation (table 4). Respondents were asked to rank a number of drivers for innovating on a scale from no impact, through low, medium or high. Improved quality of products or services was cited as the main motivation factor by 64% of SMEs and Improved flexibility of production or service provision and Reduced environmental impacts or improved health and safety are seen as important by almost 30% of SMEs. The objectives of Reduced costs per unit produced or provided (61%) and meeting regulatory requirements (by 59%) were also widely reported.

Successful innovations often generate intellectual property that businesses will try to protect. The survey collected data on business perceptions of the relative importance of different means of protecting intellectual property such as registration of design, trademark, patent, copyright, secrecy, and complexity of design. Registration of design is cited as the most important way of protecting innovation by 71.4% of East Azerbaijan Province SMEs. Patent and Trademark are viewed as high important by 68.2 and 66.7% of SMEs (see table 5).

Table 6 can show the overall status of each of Information resources more clearly. By a quick look at the table, it becomes obvious that the main Information source for East Azerbaijan Province SMEs is clients or customers and followed by suppliers of equipment.

In the United States, the Bayh-Dole Act (1980) helped to strengthen the role of science in the innovation process and facilitate industry-university collaboration. But there is evidence that
Universities and other higher education and conferences, trade fairs, exhibitions are cited as important information resources to just about 20% of studied SMEs. Also, as it is cited before East Azerbaijan Province SMEs have the least partnership with universities.

Innovation is not wholly about the development or use of technology or other forms of product (goods and services) and process change. Enterprises can also change their organizational structure, marketing strategy, corporate strategy, and advanced management techniques to make themselves more competitive. As reported in Table 8, 63.6% of Iranian SMEs made changes to their management strategy during 2006-2008. As would be expected, a great proportion of SMEs engaged in one or more of these changes. Advanced management techniques were most commonly reported, with the introduction implementing new organizational structures being least frequent.

**Conclusion**

Innovation affects firms' ability to compete successfully in an increasingly global market. This paper examines forces to innovation, and product, process, and management innovation activities and barriers to innovation among a sample of 88 East Azerbaijan Province manufacturing SMEs located in the East Azerbaijan Province of Iran. The East Azerbaijan Province economic situation is interesting due to the need to increase the investment in innovation by manufacturing SMEs. This need is because recent regional GDP has not been growth in the past three years.

In the selected case (East Azerbaijan Province SMEs), an in-depth study of eleven barriers to innovation was done through distributing questionnaires. The research results revealed that the economic factors such as excessive economic risk, lack of financial resources, lack of availability of finance, and high cost of innovation have determined the propensity of SMEs about innovation. However, Lack of customer responsiveness and lack of qualified personnel were viewed as other important constraints to innovation.

The survey results indicate that innovation is also becoming increasingly popular among SMEs. After all, small SMEs often lack resources to develop and commercialize new product in house and as a result are more often inclined to collaborate with other enterprises in their own business. There is growing evidence that innovation in areas such as ICT or biotechnology draws increasingly and more directly on scientific progress. The idea of facilitating industry-university collaboration strengthens. The survey results show that Iranian SMEs are not collaborating with universities and higher education institutions nevertheless we expected based on the literature. Van de Ven (1986) argues that as individuals have access to more information about available innovations and are more globally informed about the implications of innovative ideas, they are better able to relate the "parts to the whole." In general, individuals with a broader awareness of the consequences and implications of innovative ideas facilitate the process of organizational innovation.

The survey results indicate that East Azerbaijan Province SMEs prefer to engage more in market research, followed by a considerable investment in changes all forms of design. According to Morton (1971), Zaltman, Duncan, and Holbek (1973) Organizations facilitate innovation through project teams or R & D departments. But there is evidence that East Azerbaijan Province SMEs do not concentrate on R & D investment as one of the main innovation activities.
Enterprises reported market and internal sources as most important for information on innovation. This suggests that enterprises tend to rely on their own experience and knowledge coupled with information from customers and clients, suppliers.

The survey discovered that improved quality of goods/services increase the propensity of SMEs to innovate. And Also in the field of protection of innovation, Registration of design and Trademark were viewed as important ways of protecting innovation in East Azerbaijan Province SMEs.

The results of the study may be useful for both government and SMEs. The finding can be used in the development of public policy aimed at supporting and encouraging innovation among SMEs in East Azerbaijan Province.

When conducting a research, occurrences of some obstacle are inevitable and in fact it is difficult to find a research that has been carried out easily without facing any problem. This study is not an exception and some problems came up as well. The expectation about the response rate was not met. And also, there were financial questions about the amount of investment in innovation activities but none of the SMEs answered these kinds of questions. It took more time than the estimated time (3 week), for the respondents to return the questionnaires. This alone resulted in change in the plans and the study fell a few days behind the schedule. The size of the sample is such that it is difficult to generate the finding of this study to the whole population of SMEs in Iran.

For further research it would be interesting to examine why Lack of unskilled labour is cited as an important barrier to innovation by 50 % of SMEs; however the unemployment of educated people is reported 29.0 % in Spring 2009. It would be also helpful to conduct researches which examine and compare barriers to innovation between SMEs in other countries and Iranian SMEs.
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Managerial Grid Model in Iranian prosperous organization

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Abstract
Porpuse - The Porpuse of this study is surveying and applying managerial grid model in iranian prosperous organization, according to Robert Blake and Jane Mouton dominant patterns of behavior to understanding the dominant leadership style and consequently studying its effects on organizational performance. Methodology/Analysis - this research employs the two dimensions of the leadership grid in the organization and by utilizing the administration of questionnaire, defines the ranking of each dimension. The resulting scores are then intermixed and placed on a two-dimensional grid. Findings - the research provides an opportunity for managers to critically assess their own performance and consequently recognize their strengths and weaknesses in order to improve their general leadership skills. The Finding of study shows that , all companies are roughly close to the middle-of-the-road management area (5, 5 score) in the leadership grid.

Keywords: Leadership style, Successful organization, The Managerial Grid Model

Introduction
The activity of leading a group of people or an organization, or the ability to do this is leadership. Over the years, leadership has been studied immensely in various tenors and theoretical foundations [6]. Much effort has been made to apprehend better leadership in organizations during the last fifty years [17]. Moreover, there are plenty of momentous reasons for the popularity of the topic and continuation of researches, of which the leading and prominent one is resolutely changing the business environment. Thereupon, organizations are faced with changes like never before, calling for greater leadership skills at every level of the organization in order to deal with enhancing challenging problems and hardships [17].

Moreover, the long-term health of an organization will be driven by the strength of its leadership—not just at the top, but also in every division or department and at each level of the organization [16]. In the long run, the essence of effective leadership is what makes each and every business prosperous. The reason is that exploiting effective leadership through choosing and employing a proper style provides the opportunity of fully utilizing and taking advantage of the skills and abilities of staff at any organizational level for the purpose of accomplishing and fulfilling organizational goals. A cardinal point is that this is not just a foremost problem for larger businesses. However, even if you exclusively hire one or two
people as your employees, it is still indispensable to be assured that you make the utmost of their skills, abilities, and aptitudes. Consequently, people without a clear sense of where they are supposed to go will be unproductive or underproductive, wasting the organization’s time and money [16] and as a result the organization moves too slowly and may be deviated from its right direction which imposes a direct impact on the company’s future survival.

Accordingly, there is a wide range of methodologies and models for studying leadership styles. Pursuant to the main purpose of this research which includes defining the dominant leadership style and consequently studying its effect on organizational performance, the one we are getting help from is called the Leadership Grid or the Managerial Grid Model. The model was developed by Robert Blake and Jane Mouton in 1964, 1978, and 1985 and the research was accomplished at the Universities of Michigan and Ohio State for the first time [11]. Furthermore, regarding Marturano and Gosling “this grid appears to be the most well-known model of managerial behavior and is still being used in leadership development and consulting practices around the world” [11]. This model originally identified five different leadership styles based on two dimensions of ‘concern for people’ and ‘concern for production’ in the organization - on a scale from 1 (minimum concern) to 9 (maximum concern), two additional patterns of behavior have been identified by Blake and McCanse in 1991 [11].

This research is based on survey and employs quantitative research methodology. By utilizing the administration of questionnaire, we try to define the ranking of each dimension. Afterwards, the resulting scores are intermixed and placed on a two-dimensional grid. This way allowed us to determine the dominant and more employed leadership style among the Iranian successful organizations in separation of their managers, employees, and altogether and consequently comparing the perceptions of employees in regard to the employed style by their managers. Totally, leadership is one of the several assets a successful manager must have within her/his organization since this can be considered as a core competency for the organization. For this purpose, we are going to conduct a survey in order to find out about one of the most important secrets of successful organizations.

Literature Review

Based on the study of Jogulu and Wood, preliminary research which was accomplished by Burns in 1978 inferred that “leadership is one of the most observed and least understood phenomena on earth”. The inquiry to augment and expand our apprehending of leadership has issued to a vast body of research and literature which has spanned centuries [5]. Furthermore the business environment is tremendously changing; greater “competitive pressures facing organizations today, business has become more complex, and the increasing globalization and internationalization of business” are considered as the leading and prominent factors calling for grander leadership competences and proficiencies at every levels of an organization as well as enhancing the requests for leaders to be capable to work across distances, cultures and countries [17].

Generally, there are many different definitions for leadership but more recently, the GLOBE Study of 62 societies has precised on the definition of “leadership” by describing it as “the ability of an individual to influence, motivate, and enable others to contribute toward the effectiveness and success of the organizations of which they are members. Hence, the focus spans over influence to comprise stimulation, incitation, and enabling of others to assist accomplish the goals of the organization”. Likewise, the competency to monitor others is given no eminence in this late definition of leadership [5]. Consequently, definitions of
leadership tend to focus on the interpersonal relationships that exist between the leader and the follower, or the group of followers [20]. A common plot amongst various definitions of leadership is that leadership is considered as interpersonal processes between individuals in a group working toward a goal which is held in common. Ergo, existing relevancy between leaders and followers are leveling and integral to the apprehending of leadership [11].

Leadership involves the head and the heart. It is both analytical and interpersonal. Having the range and repertoire to be cold-blooded, rational, and decisive at times, and at other times warm-blooded, nurturing, and participative, and knowing when to be which, is a huge personal challenge [19]. Thereupon, it is proposed that tomorrow’s leaders may require to hold visions, values, assumptions and paradigms that are in accordance with having a team-oriented, empowered workforce in order to be most successful. As a result they are required to “think and act differently, using innovation and personal values to help guide their actions, instead of following textbook solutions” [6]. The successful leader, therefore, has an ability to be in the present and see the situation free from preconceived ideas” [4] and consequently, organizations with effective and successful leaders tend to [3]:

- innovate
- respond to changes in markets and environments
- creatively address challenges
- sustain high performance

According to Wagner [18], the twenty-first century leader should have the following specifications:

- No longer believes that to give away power is to lose something
- Possesses a global and holistic perspective
- Creates and communicates vision
- Employs strategic thinking
- Promotes and initiates change
- Embraces and values diversity and inclusiveness
- Manages technology and distributes information
- Inspires, motivates, and stimulates, leading through personal persuasion and valuing emotions as well as ideas
- Models integrity and ethical behavior, obeying unenforceable and self-imposed laws
- Integrates an ongoing system of evaluation, creating more open, effective, empowered, and excellent organizations
- Respects and values people with support, understanding, care and empathy

Thus, today’s world is a dynamic world. Organizations are changes like never before. Hence, “we need leaders to challenge the status quo, to create visions of the future, and to inspire organizational members to want to achieve the visions” [14]. Consequently, evidence reviewed by Leithwood [8] suggested that prosperous leadership creates a persuading sense of intention in the organizations by “developing a shared vision of the future, helping build consensus about relevant short-term goals and demonstrating high expectations for colleagues work”.

One last comment before we move on: For years, people have asked White, What does it take to lead successfully? His short answer has always been: Just do three things day: First, set high aspirations for your organization. Second, recruit great people. Third, bring tremendous energy and enthusiasm to work every day [19].
Leadership Style and The Managerial Grid Model

One of the very first questions which may be prevalence to the mind of any individual is to ask what we mean by ‘style’? “Style is usually seen as the way we behave and behavior reveals itself in many ways”. The manner we behave is a high-powered reflection of our individuality and character, the product of the often incognizant and unaware processes that are at work within us [7]. There are almost as several various definitions of “leadership style” as there are persons who have tried to define the concept. At one level the concept of ‘leadership style’ is simple to define: “it is the style that a leader adopts in their dealings with those who follow them. Clearly, underlying this is an assumption that there is a ‘right’ and a ‘wrong’ style” [7]. Because leadership cannot be accomplished without followers and always has situational factors that have to be taken into consideration, Kippenberger defines leadership style as the point of interaction between three things [7]:

1. The leader’s character type – their values, attitudes, and beliefs, their position and experience;
2. The followers’ character types – their values, attitudes, and beliefs, their cohesiveness as a group; and
3. The situation – the nature of the task, the life-stage of the organization, its structure and culture, its industry, and the wider socio-economic and political environment.

Explicitly, appropriate leadership style can attract employees and stimulate them on to novel, incentive, and challenging objectives [2]. Therefore, “there is a continuum of possible leadership styles extending from complete autocracy at one extreme to total democracy at the other”. Organizational leaders demonstrate broad alterations in the styles and behaviors which they represent and display at work. While some managers used a diversity of leadership styles and behaviors in their day-to-day activities, others exerted more than one of the leadership styles or behavior dimensions [12]. However, proper and effective leadership style(s) depends on the context [2]. Market circumstances change, internal circumstances change, external pressures change, or alternatively there may be a period of stability. These factors mean that as a business adapt to these different circumstances, then the type of leader that is best suited to the business will also alter. Thus, although, many different models are available for studying leadership styles, but the one we are getting help from is called The Leadership Grid or The Managerial Grid Model which has been developed by Blake and Mouton. Regarding to Marturano and Gosling, this grid appears to be ‘the most well-known model of managerial behavior’ and is still being used in leadership development and consulting practices around the world [11]. We will discuss the different components of the grid model more in detail.

The Leadership Grid (called the Managerial Grid in its earlier version; Blake and Mouton 1964, 1978, 1985) was another, more practical approach mirroring the findings of the research done at the Universities of Michigan and Ohio State. This model and the respective questionnaire identify and analyze manager behavior within two useful dimensions – ‘concern for people’ and ‘concern for production’ – on a scale from 1 (minimum concern) to 9 (maximum concern). The managerial grid has 81 possible combinations, but identifies seven major styles [10]. Using the axis to plot leadership ‘concern for production’ versus ‘concern for people’, Blake and Mouton defined the following seventh dominant patterns of behaviors:

1. ‘Impoverished management’ (1, 1 score): Managers in this position have little concern for people or productivity, Mostly ineffective, avoid taking sides and stay out
of conflicts [13]. In other words, minimum effort is being exerted in regard to both dimensions by rather indifferent or even apathetic managers [11].

2. ‘Middle-of-the-road management’ (5, 5 score): This management behavior is also known as organization man management [12]. Managers exercising this style seek to balance their concern for people and their concern for the tasks involved on a level of adequacy and moderation [11].

3. ‘Country-club management’ (1, 9 score): Highly friendly relations and a very good atmosphere have the clear prevalence over low concern for productivity and task completion within this leadership style [11]. Managers avoid any conflicts and seriously focus on being well liked. Their ultimate goal is to sustain people happy [13].

4. ‘Authority-compliance management’ (9, 1 score): Job performance and task completion are the major focus of this result-driven leadership style. Relationship and communication with people is reduced to the minimum necessary for clear instructions and performance control [11]. Managers consider creativity and human relations unnecessary [13]. In other words, managers under this condition are very autocratic; the leader has strict work rules, policies, and procedures. Also the leader views punishment as the most effective means to motivate employees.

5. ‘Team management’ (9, 9 score): This leadership style has a very high consideration for both tasks and people. Fostering commitment through supportive relationships and teamwork is equally important to promoting the efficiency and effectiveness of the organization [11].

Furthermore, two additional patterns of behavior have been identified by Blake and McCanse (1991):

- Paternalism/Maternalism: Some leaders appear to use both the ‘Country-club management’ as well as the ‘Authority-compliance management’ style without integrating them. Benevolent behavior is demonstrated only to secure goal achievement and job performance [11].
- Opportunism: Any combination of leadership styles can be demonstrated at various times by managers who strive for personal advancement rather than for job performance or relationship building [11].

The following figure (Figure 1) and table (table2) demonstrates the managerial grid model.
Table 1. The leaders characteristics according to the grid model

<table>
<thead>
<tr>
<th>Components of the Managerial Grid Model</th>
<th>Leader's Characteristics</th>
</tr>
</thead>
</table>
| 1 Impoverished Management (1, 1 score) - The Impoverished Manager | 1. Mostly ineffective  
2. avoid taking sides  
3. stay out of conflict  
4. The leader has neither a high regard for creating systems for getting the job done, nor for creating a work environment that is satisfying and motivating. |
| 2 Middle-of-the-Road Management (5, 5 score) - The Status Quo Manager | 1. The compromiser, sensitive, keen, and strong to keep everyone happy.  
2. The leader is not strong on either task or people.  
3. The leader is underachieving, failing to get the best out of people or their productive capacity.  
4. Settling for average performance and often believe that this is the most anyone can expect. |
| 3 Country-Club Management (1, 9 score) - The Country Club Manager | 1. The leader will seek compromises between staff members and solutions that are acceptable to everyone.  
2. The leader focuses on being agreeable and keeping human relations smooth.  
3. Although innovation may be encouraged, the leader tends to reject good ideas if they are likely to cause difficulties between staff members. |
| 4 Authority-Compliance Management (9, 1 score) - The Sweatshop Manager | 1. Very autocratic  
2. They tend to rely on a centralized system and the use of authority.  
3. The leader has strict work rules, policies, and procedures.  
4. The leader views punishment as the most effective means to motivate employees. |
| 5 Team Management (9, 9 score) – The Fully Functioning Manager | 1. The leader will discuss problems with the staff members, seek their ideas and give them freedom of action.  
2. Difficulties in working relationships will be handled by encouraging people directly and attempting to work out solutions with them. |
| 6 Paternalism – The Paternalistic Manager | Some leaders appear to use both the ‘Country-Club Management’ and the ‘Authority-Compliance Management’ style without integrating them, in exchange for compliance and loyalty. |
| 7 Opportunism – The Opportunistic Manager | Any combination of leadership styles can be demonstrated at various times by managers who strive for personal advancement rather than for job performance or relationship building. |

During the following study, the researchers try to test the following hypotheses:
1. A common leadership style is applied among the selected fortune 100 Iranian organizations.
2. The employees’ perception about the type of employed leadership style is the same as their managers.

And also they try to provide answers for the following research questions. They are as follows:
- Is a special leadership style employed among the selected fortune 100 Iranian organizations?
- Do the employees have the same perception about the type of employed leadership style in their organizations?

It is worthy of attention that in posing questions, the authors hardly attempt to consider the following factors:
1. Being momentous in terms of theory and application
Research Methodology

Even though, this research project was inspired by Blake and Mouton works, and has been intended to utilize their leadership styles definition, but the research design employed is based on the administration of questionnaire in face-to-face interviews. The fundamental reason for this choice is related to the main purpose of the project; this study more focuses on defining and investigating the dominant leadership style and consequently studying its effects on organizational performance in separation of people's position in the organizations and Blake and Mouton concentrated on defining and comparing various leadership styles or management behaviors. Furthermore, the research provides the opportunity of studying employees’ perception about the type of employed style in their organizations and simultaneously compares it with the current employed one by their managers. It is worthy of attention that during conducting this study, the researcher faces with the following limitations:

- Getting a long time of permission for conducting the research in the six various Iranian organizations
- Time limitation of managers and employees
- “The time needed for data collection increases markedly for delivery and collection of the questionnaires where the samples are geographically dispersed” (15).

The Design Strategy

The survey strategy is the chosen strategy among several various existing strategies during this study. The major reasons for selecting such strategy are as follows [15]:

- It allows the researcher to collect a large amount of data from a sizeable population.
- Data obtained by using a questionnaire administered to a sample are standardized, allowing easy comparison for the researcher.
- The survey strategy is perceived as authentic and credible by people in general and is both respectively easy to explicate and understand.
- It allows the researcher to collect the quantitative data which then the researcher can analyze quantitatively using descriptive and inferential statistics.
- Having more control over the research process by the researcher and also when sampling is used, it provides the opportunity of generalizing findings for the researcher. More precisely, these findings can be representative of the whole population.

Data Collection Technique

Perhaps not surprisingly, the questionnaire is one of the most widely used data collection techniques within the survey strategy. Because the respondent is asked to respond to the same set of questions, it provides an efficient way of collecting responses from a large sample prior to quantitative analysis [15]. As a result, the choice of questionnaire was the selected option for the purpose of conducting the research in the six various Iranian successful organizations. It is noteworthy that the administration of questionnaire was based
on face to face interviews as well as through the net in which “the questionnaire was posted to respondents, who return them by post (mail) after completion” [15]. As a result, in regard to the Iran Insurance Company the following points are considerable:

- In regard to the employees of this company, the questionnaire was distributed among eight various branches of this company which were located in different areas of the Capital by the researcher herself.
- In regard to the managers and supervisors, the questionnaire was distributed among different branches of this company which were located in different cities of Iran. The responsibility of distributing the questionnaires was accomplished by the kind cooperation of the Research and Educational centre of Iran Insurance Company and was done through the net.

The Questionnaire and Its Specifications

As the next step to rank each dimension of the grid model two questionnaires were designed, one for employees and the other for managers and supervisors. The questionnaires are composed of nine items, each with five questions. It should be noted that the designed questionnaire was inspired from the work of Maders [9] and the type of employed questions that are ‘closed questions’.

For tasks execution, questions focuses on checking staff’s work, assessing employees’ progress, level of managers’ intervention in problem solving, monitoring employees, and employees’ welfare.

For decision-making, questions focuses on group or individual decision making, consistency of decisions, importance given to the employees’ ideas and creativity, and selling decisions.

For violation of rules, policies, and procedures questions focuses on the essentiality of uniform rules, importance given to respecting rules, enforcing rules, strict rules, policies, and procedures, adjusting the rules, and enacting rules.

For contested decisions, questions focuses on insistency on enforcing decisions, binding decisions, informing and reporting a taken decision, remarking the genesis of decision and decision explanation, and acceptance of change in a taken decision.

For obligations to reconsider a decision questions, focuses on proceeding according to new instructions, changing instructions periodically, acceptance of change in workplace, postponing a decision, and using previous experiences in a process of decision making.

For relation with the head, questions focuses on team work, importance given to the relationship with team members, freedom of action, asserting by results and accomplishments, and importance given to the relationship with superior managers.

For disputes between subordinates, questions focuses on stressing on existence of conflicts, minimizing or eliminating conflicts, ways of facing conflicts, impacts of conflicts, and seeking the best compromiser.

For employees motivation, questions focuses on preference for taking responsibility, possibility of decision making by staff, earnings and work, performance and work pressure, and tasks distribution.

For performance indicator, questions focuses on setting goals, employee satisfaction, trust in subordinates, transmitting instructions, and systems of promotion.
The Method of Filling out the Questionnaire

The type of applied closed questions in the questionnaires is ranking questions “where the respondents are asked to place things in rank order” [15]. This means that it provides the opportunity of discovering their relative importance to the respondents for the researcher. As a result, in answering the questionnaires, the participants in the survey were asked to determine the prevalent employed management method in their organizations by number one as well as the substitute one (the one which is employed as the second management method in each organization) by number two, each in their own specified columns. This action should be done for the entire nine items in the questionnaires. It is noted that each item has only two answers (one as the prevalent method and the other as the substitute method). In other words, the respondents were asked to indicate their significance and importance they attach/supplement to two of the five issued questions for each item with a logical comparison. Generally each questionnaire has only eighteen answers. It is worthy of attention that managers and employees at any age, at any organizational level, and at any educational level were asked to fill out the questionnaires.

The Questionnaire Validity and Reliability

For assessing the validity and reliability of the employed questionaire in the following study, the questions have been translated from French and English to Farsi. To avoid language bias for the translated questions, first the researcher translates the questions in Farsi. Thereafter, the supervisor who did not participate in the process of translation and who is specialized in the field of Organizational Behavior (OB) and Human Recourse Management (HRM) translated the questions from Farsi to the original languages. The next step was to compare the results and eventually change the Farsi questions if needed (the action of localizing was done on the questionnaire which means the issued questions hardly tries to be accordant with the Iranian culture.). So, through this way the validity of the questionnaire can be approved. It is noteworthy that the employed questionnaire is a source. Generally, the questions tried to be obvious, transparent, and far from any ambiguity. In other words, the author extremely insisted on being understood and clear in wording the questionnaires for staff and managers at any organizational level specially because of using ranking questions, the researcher needs “to ensure that the instructions are clear and will be understood by the respondent” [15]. Furthermore, in the following study, the common approach of test re-test is utilized to assess reliability. As a result the questionnaires were distributed among at least five persons in each organization. Overall forty five participants were asked to participate in the conducted survey and fill the questionnaires out. After the process of analyzing the acquired data, the obtained reliability was equal to 0.73 through the Lambda coefficient.

Sampling

Choosing the sample was the next step. The selected organizations are among the list of one hundred superior companies which is a collection of Iranian big companies according to the Industrial Management Institute (IMI) [21]. This research had been conducted in the six of these organizations, each with distinct functions. These organizations were selected randomly. The questionnaires were distributed among at least thirty managers and supervisors as well as thirty employees in each organization. Thus, the acquired sampling size is as follows:
The sample size that needed to obtain a 95% confidence interval was calculated through utilizing the following equations (Equation 1 and Equation 2) according to the “Theories of sampling and its applications” [1], which is based on a 95% confidence level and +/- 5% margin of error.

\[
\begin{align*}
n &= \frac{n_0}{1 + \frac{n_0}{N(n_0 - 1)}} \\
n_0 &= \frac{\left(\frac{s}{d}\right)^2 \alpha(1-\alpha)}{p(1-p)}
\end{align*}
\]

(1)  
(2)

Table 2. The results of sampling

<table>
<thead>
<tr>
<th>Position</th>
<th>N</th>
<th>α</th>
<th>d</th>
<th>p</th>
<th>n₀</th>
<th>n</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager</td>
<td>1500</td>
<td>0.05</td>
<td>0.072</td>
<td>1/2</td>
<td>185</td>
<td>165</td>
</tr>
<tr>
<td>Employee</td>
<td>13000</td>
<td>0.05</td>
<td>0.07</td>
<td>1/10</td>
<td>n₀</td>
<td>n</td>
</tr>
</tbody>
</table>

According to the above-mentioned equations, the recommended sample size for managers and supervisors is equal to 165 and also the recommended sample size relative to employees is equal to 197.

The Method of Analyzing Data

As the final step, after gathering the questionnaires, the answers given to each item were weighted according to the Maders Table [9] for each participant in the survey. As a result, two various X and Y are obtained for each participant in the survey, one for the prevalent method column as X1/Y1 and the other for the substitute method column as X2/Y2. Afterwards, the mean of the resulting scores are calculated for each column and intermixed and placed on a two-dimensional grid including ‘concern for people’ (X axis) and ‘concern for production’ (Y axis) in the organization - on a scale from 1 (minimum/least concern) to 9 (maximum/uppermost concern) (Marturan. These two points indicate an area in the nine-by-nine matrix which specifies each organization current employed leadership style in separation of people status which include managers, employees, and all together. By this way the dominant and more efficient style that is held in common among the six various Iranian successful organizations can be determined and simultaneously the opportunity of comparing employees’ perception about the employed style with their managers is provided. Moreover, the obtained outcomes indicate the companies’ location in the nine-by-nine matrix according to their employed leadership style and determine the leaders’ characteristics under the employed style in each organization. The Maders Table is demonstrated in Table 2.
Table 3. The Maders table (Maders, 2003)

<table>
<thead>
<tr>
<th>Solution Situation</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>Prevalent Method/Manière habituelle</th>
<th>Substitute Method/Solution de rechange</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.5/0.5</td>
<td>0/0</td>
<td>0/1</td>
<td>1/1</td>
<td>1/0</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>2</td>
<td>1/1</td>
<td>0/0</td>
<td>1/1</td>
<td>0.5/0.5</td>
<td>0/1</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>3</td>
<td>1/1</td>
<td>0/0</td>
<td>0/1</td>
<td>0.5/0.5</td>
<td>1/1</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>4</td>
<td>0.5/0.5</td>
<td>1/0</td>
<td>0/0</td>
<td>0/1</td>
<td>1/1</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>5</td>
<td>0/1</td>
<td>1/1</td>
<td>0.5/0.5</td>
<td>1/0</td>
<td>0/0</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>6</td>
<td>1/1</td>
<td>0.5/0.5</td>
<td>0/1</td>
<td>0/0</td>
<td>1/0</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>7</td>
<td>1/1</td>
<td>1/0</td>
<td>0/0</td>
<td>0/1</td>
<td>0.5/0.5</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>8</td>
<td>0/0</td>
<td>1/0</td>
<td>0.5/0.5</td>
<td>1/1</td>
<td>0/1</td>
<td>/</td>
<td>/</td>
</tr>
</tbody>
</table>

Generally, this study is a quantitative research which is based on “meanings derived from numbers, collection results in numerical and standardized data, and analysis conducted through the use of diagrams and statistics” [15]. Hence, the acquired data from the administration of questionnaire are analyzed through the SPSS 19 and the obtained outcomes allow us to define and investigate the dominant leadership style.

The Results

This part indicates an area in the nine-by-nine matrix which determines the organization’s current employed leadership style according to the Managerial Grid Model. By this way the dominant and more employed style which is exerted in each organization can be specified in separation of participant’s job status and all together. It also allows us to compare the perspective of the employee’s of each organization with regard to the employed leadership style with the current applied one by their managers. It should be noted that the position of each participant in the nine-by-nine matrix is drawn in separation of participant’s job position and all together according to each organization (dispersion graph).

Table 4. The location of the successful organizations in the grid model

<table>
<thead>
<tr>
<th>Company</th>
<th>Position</th>
<th>X1</th>
<th>Y1</th>
<th>X2</th>
<th>Y2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iran Aluminum Company (IRALCO)</td>
<td>Manager</td>
<td>4.450</td>
<td>4.650</td>
<td>5.117</td>
<td>4.683</td>
</tr>
<tr>
<td></td>
<td>Employee</td>
<td>4.680</td>
<td>4.480</td>
<td>5.360</td>
<td>5.160</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>4.555</td>
<td>4.573</td>
<td>5.227</td>
<td>4.900</td>
</tr>
<tr>
<td>Agricultural Bank of Iran (BK)</td>
<td>Manager</td>
<td>4.875</td>
<td>4.281</td>
<td>4.953</td>
<td>5.328</td>
</tr>
<tr>
<td></td>
<td>Employee</td>
<td>4.849</td>
<td>4.546</td>
<td>4.947</td>
<td>4.974</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>4.856</td>
<td>4.468</td>
<td>4.949</td>
<td>5.079</td>
</tr>
<tr>
<td>Behpakhsh Company</td>
<td>Manager</td>
<td>5.071</td>
<td>5.024</td>
<td>4.714</td>
<td>4.952</td>
</tr>
<tr>
<td></td>
<td>Employee</td>
<td>5.087</td>
<td>5.174</td>
<td>4.543</td>
<td>4.978</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>5.080</td>
<td>5.102</td>
<td>4.625</td>
<td>4.966</td>
</tr>
<tr>
<td>Iran Insurance Company</td>
<td>Manager</td>
<td>4.911</td>
<td>4.165</td>
<td>5.525</td>
<td>5.538</td>
</tr>
<tr>
<td></td>
<td>Employee</td>
<td>4.856</td>
<td>3.952</td>
<td>5.606</td>
<td>5.452</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>4.911</td>
<td>4.165</td>
<td>5.525</td>
<td>5.538</td>
</tr>
<tr>
<td>Mapna-MD1 Company</td>
<td>Manager</td>
<td>3.861</td>
<td>4.472</td>
<td>5.444</td>
<td>4.333</td>
</tr>
<tr>
<td></td>
<td>Employee</td>
<td>4.789</td>
<td>5.035</td>
<td>5.368</td>
<td>4.930</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>4.789</td>
<td>5.035</td>
<td>5.368</td>
<td>4.930</td>
</tr>
<tr>
<td>Iran Tractor Manufacturing Company (ITM)</td>
<td>Manager</td>
<td>4.361</td>
<td>3.722</td>
<td>5.042</td>
<td>6.042</td>
</tr>
<tr>
<td></td>
<td>Employee</td>
<td>4.462</td>
<td>3.631</td>
<td>5.038</td>
<td>5.915</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>4.462</td>
<td>3.631</td>
<td>5.038</td>
<td>5.915</td>
</tr>
<tr>
<td>Total</td>
<td>Manager</td>
<td>4.702</td>
<td>4.333</td>
<td>5.154</td>
<td>5.220</td>
</tr>
<tr>
<td></td>
<td>Employee</td>
<td>4.778</td>
<td>4.437</td>
<td>5.136</td>
<td>5.244</td>
</tr>
</tbody>
</table>
Table 4 and its relevant graphs (Figures 2, 3, and 4) indicate the located area of the six Iranian prosperous and propounded organizations in the nine-by-nine matrix respective to their employed leadership style(s) separate from their staff’s position including the employees and managers. As it is indicated, all companies are roughly close to the middle-of-the-road management area (5, 5 score) in the leadership grid. It is worthy of attention that the acquired results are representative of two important points which include:
1. The middle-of-the-road management style is held in common among the six various Iranian successful organizations.

2. The employees’ perception in regard to the employed leadership style in their organizations is hardly close to the current employed style by their managers.

Generally, this style may at first appear to be an ideal compromiser. However when you compromise, you necessarily give away a bit of each concern so that neither production nor people’s needs are fully met and leaders under this style are [7]:

- the compromisers, sensitive, keen, and strong to keep everyone happy
- not strong on either task or people
- underachieving, failing to get the best out of people or their productive capacity
- settling for average performance and often believe that this is the most anyone can expect

Consequently, the following graphs (Graphs) show the position of all the employees and managers in the leadership grid separately according to the acquired results from the administration of questionnaire. As mentioned before, two different scores can be calculated for each participant in the survey including (X1, Y1) with regard to the prevalent method column as well as (X2, Y2) with regard to the substitute method column. It is worthy of attention that the more colorful points are representative of at least two managers. Therefore, as it is demonstrated, the colony of managers is more concentrated in the middle of the graph compared with the other areas of the following graph, which approves that style of middle-of-the-road management is the most applied style in these companies according to the managers and employees and all together.

Figure 5. The employees’ dispersion graph

Figure 6. The managers dispersion graph
Conclusion and Future Works

Nowadays, with the rapid changing environment of business, competition among organizations becomes more and more vigorous, survival and continuity of organization in this challenging environment demand choosing right leadership style to react, to change quickly, and to mobilize employees for the success of organization. The obtained results during the research indicate the middle-of-the-road management as the employed style which is held in common among the six various successful organizations according to the grid model. This means that the leader has moderate concern for the two dimensions. In other words, both needs are not fully met. It might be important that organizations in Iran focus on enhancing the leadership behavior of management team, so that organizations would be more prepare for this new business environment.

Apprehending how staffs are led in successful organizations provide some immediate insight into how the employed style can bring the organization forward and make it closer to its final objectives. Thereupon the consequences provide the opportunity for managers to ponder profoundly about their employed style in their organizations and comprehend better their points of strengths and weaknesses in relation to their applied style. The consequences of such critical self-assessment will be the manager’s higher potential to understand employees' satisfaction as well as organizational performance and simultaneously allowed the leader/manager to develop their general leadership skills to its uttermost.

As mentioned before, this research provides the opportunity for managers to identify and critically assess their employed leadership style. But as future works, it is suggested through which ways the successful organizations can improve their current situation in the nine-by-nine matrix as well as to what extent training is useful for improving the current situation of organizations from the middle-of-the-road management style to the team management style. Also what the employed leadership is in the unsuccessful organizations. Indeed, the success and effectiveness of any types of organization including profit or non-profit ones in accomplishing and fulfilling their objectives depend on managers as well as their employed leadership style and consequently implementing a successful leadership in various types of organizations through selecting an appropriate style can be considered as a core competency for the organization and it can take advantage of it.
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A Framework To Innovation In Marketing Management By Utilizing Business Intelligence

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Abstract
In this paper while introducing market management processes, significant necessity of innovation and creativity in these processes for competing in current global trading is discussed. Furthermore, BI definitions from different authors’ point of view and BI principles and characteristics is addressed. Then the proposed framework is introduced with consideration to variant dimensions and functions of BI to furnish organization characteristics toward acquiring BI approach and derived benefits from it in business trend. Business area development, progressive and goal-based presence in international environment, and organization efficiency increase are some of few key functions that is argued in continue. Purpose of this paper is introducing practical framework to help organizations in direction of their goals toward BI, which it caused they acquire correct and well-timed understanding from market condition.

Keywords: Innovation, business, market management, business intelligence, knowledge.

INTRODUCTION
Today’s organizations are in an unending struggle to differentiate themselves from relentless competitors, as markets become saturated with new innovations all the time (Lee Sung, 2006). In recent years according to the importance of the information in organization management and also advanced information technology there are application systems of business (that) enable companies and institutions to decide (make decision) with more knowledge and to establish high efficiency for the organization.

In the United States there are so many companies in their organization chart as job as head of its analysis, business strategy manager, director or assistant director of information services in the market assessment or reason for the importance to analysis of competitive situation (David, 2000).

In today’s highly competitive and increasingly uncertain world, the quality and timeliness of an organization’s “business intelligence” (BI) can mean not only the difference between profit and loss, but also even the difference between survival and bankruptcy (Fuld, 1995).

For example an organization to compare using systems of business intelligence, information and environment indicators and forecast future of trends in their activity. Today, business intelligence is one of the important concepts of management and organizations and become a leading institution in the field of global markets and take advantage in all their activities and processes.
Business Intelligence isn't a non-professional activity (but) also requires special skills and thus the leading companies in this field, establish separate sections in the organization called "Business Intelligence Unit". Businesses and organizations have always tried to know what their rivals do. The concept opened its way in the academic circles during 1980s.

Some authors have argued Michael Porter (1980) the famous scholar of strategic management with introduce of competitive five forces and generic strategies, has created the concept of Business Intelligence (Peyrot And Others, 2002). Porter pioneered to create association of competitive intelligence specialists in 1986 and has (made) published the first issue of competitive intelligence in 1990.

There is also a wide range of technology which for collecting information and knowledge in a level of organization and also help the process intelligence business, through analysis of this information by creating an inquiry. Peter Drucker relate intelligence with classified information data, and considers them relevant and targeted and admits that in order to survive organizations must establish capable systems in order to produce added value.

In the next section of article, it has been introduced the process of management and soon afterward components and features of business intelligence has been discussed. Then the functional dimensions of the BI has been investigated further more proposed framework for more accurate insights of organizations from BI and applying its principles in their business process has been persuaded.

FUNCTIONAL ELEMENTS IN THE PROCESS OF MARKET MANAGEMENT

Smart companies in the business arena to monitor market developments and in line with market changes and the use of incentive rules, usually strategic marketing systems are designed and developed. Marketing systems which process is complete harmony with the best companies are market opportunities that lead to better administer and manage the market is the market that the overall process management market, which includes four main steps are:

i. Market Analysis: environment is complex and constantly changing opportunities and new threats to bring together. Company and its strategic systems environment must always be under the surveillance environment requires a lot of information, including the consumer is and how to buy them. Include information systems and market research review and evaluation of consumer markets is the institutional markets.

ii. selected target markets: There are different companies and represent a strong variation in the production of similar goods between consumer tastes and no company is able to provide all consumers not satisfied. For any company that can make the best use of their potential abilities and to choose the best position in the market to be better and require review four-step measure and forecast demand, market share, target market and position in the market access.

iii. The combination of marketing elements: one of the basic concepts in modern marketing marketing mix is the same concept. Manageable set of variables that participate in the market and target them for their combined response is required. Because of this combination actually affect the market, the tools are organized. This combination includes product design, product distribution, pricing and advertising are advancing key new markets are trading.

iv. observing the market and competitors activities: This stage includes analysis of competitors and competitive market policies and planning, implementation and marketing
organization and control programs. An important aspect of corporate are Reviews on your competitors have to constantly put and prices of products and distribution and advertising practices and promote competition following closely and get to know in what circumstances.

General manager must adjust to at the helm of the organization pyramid marketing programs and then motivate everyone at all levels, and To ensure implementation of plans and goals, monitoring and auditing of marketing is also not forgotten.

The marketing process in different layers, should be special attention to customers as partners to the organization because the organization has customers, and emotions are what the companies are service activities is the most sensitive.

BUSINESS INTELLIGENCE (BI)

Different authors define their concept of Business Intelligence . They believe that intelligence in business includes characteristics such as ability of collecting processing and accumulate of the information that all levels of people of the organization could access to them according to their own requirements and help (them) to shape it in future and protect them against competitive treats. Terms of Business Intelligence, market research and intelligence organization are often used instead of each other. In order to define briefly and clear of the business intelligence we can say that business intelligence is collecting information about competitors and the environment to create and sustain competitive advantage (Damirchi, 2011).

In fact, intelligence in business is a systematic process to be ensured of the updated exact and related information of the competitors. An intelligent system is refer to a set of programs and origins that is used by managers in order to access to the daily information marketing environment.

BI is a set of concepts, methods, and processes (Maria, 2005) to improve business decisions, which use information from multiple sources and apply experience and assumptions to develop an accurate understanding of business dynamics. It integrates the analysis of data with decision support system to provide information to people throughout the organization in order to improve strategic and tactical decisions. With appropriate BI a company will be able to develop intelligent decision support systems to gain the competitive advantage of the industry (Davis, 2002).

Collect and evaluate information about rival companies involved in developing strategies have crucial role. However the company can acquire more information than rival companies the possibility of developing and representing of the successful effective strategies are more. Buytendijk (2001) has reported that, based on a study from 2001 to 2006, enterprises that apply BI had achieved two to three times return of investment more than those who do not (Buytendijk, 2001).

BI enables head managers of the organizations of any to adapt their decisions upon of their knowledge of market information, investment tactics in business and etc. Thus tracing understanding and responding to competitors is being proposed as a special aspect and it is necessary for companies to execute an effective program called BI figure 1 BI-forming domains are shown.
Business Intelligence is considered as a strategic management tool and one of the fastest growing areas of the world of business. Also competitive intelligence is one of the important techniques in creating competitive advantages and causes to targeted surveillance of strategic decisions at the competitive environment for competing and activating in the organization.

In any way business intelligence including the concepts that grows rapidly and the business intelligence society's specialists in each year grow by 40 percent. Many well-known companies include GE, Motorola, Microsoft, HP, IBM, Intel, Terry M, Xerox, Coke an Chrysler, all use competitive intelligent system. Some countries such as France, Japan, Sweden and the United States have considerable progresses in terms of using BI systems. In these countries BI has its own position as an important factor in gaining competitive advantage. Even Lund University in Sweden is the first university that establish Business Intelligence course at Phd. Different factors in achieving BI, the important and effective factors are as below:

- Ability to combine business activities and analytical information technology
- Focus on job skills in business intelligence center and prevent it from dispersion
- Creating appropriate infrastructure for Business Intelligence among of the strategic objectives and competitive organization
- The skill and analytical dexterities in Business Intelligence among staff
- Investigating the exact costs of Business Intelligence project and preformed investment
- Converge all its activities and organizational goals to make the maximum synergy
- To share and reuse methods concept information and insights
- Accommodation of BI promotion center with organization plan

Also a group of researchers has been described BI into three categories technological intelligence, market intelligence and strategic intelligence have divided each of them and has been described as below:

1. **Technological intelligence**: In this type of intelligence cost benefit of current situation and future necessity and preferences of customers new markets categories of the creative market opportunities and making the most important movements and changes in the field of marketing and distribution.
2. Strategic intelligence: This kind of intelligence is assessing the changes in competitive strategies in the specified timeframe that has been made of changes in the structure of competitors and new alternative product and industry.

3. Market intelligence: the kind of intelligence means the drawing a map of the state of current and future needs and preferences of customers, new markets, categories opportunities of market creative and most important movements and changes in the field of marketing and distribution.

Intelligence in business can be more than three groups such that the strategic and social intelligence can also develop strategic intelligence and social issues include details such as laws, taxes finance and economic political issues and affairs relates to human origins. Generally BI, collect broader information rather than market research pay to analysis and investigation of the immediate situation and supervise the recent competitive activities.

1. BI components

BI tools are widely accepted as a new middleware between transactional applications and decision support applications, thereby decoupling systems tailored to an efficient handling of business transactions from systems tailored to an efficient support of business decisions. The capabilities of BI include decision support, OLAP, statistical analysis, forecasting, and data mining. The following are the major components that constitute BI.

- Data sources:
  Data sources can be operational databases, historical data, external data for example, from market research companies or from the internet), or information from the already existing data warehouse environment. The data sources can be relational databases or any other data structure that supports the line of business applications. They also can reside on many different platforms and can contain structured information, such as tables or spreadsheets, or unstructured information, such as plaintext files or pictures and other multimedia information.

- Data warehouse:
  The data warehouse is the significant component of BI. It is subject oriented, integrated. The data warehouse supports the physical propagation of data by handling the numerous enterprise records for integration, cleansing, aggregation and query tasks. It can also contain the operational data that can be defined as an updateable set of integrated data used for enterprise wide tactical decision making of a particular subject area. It contains live data, not snapshots, and retains minimal history.

- Data mart:
  A data mart as described by Inmon (1999) is a collection of subject areas organized for decision support based on the needs of a given department. Finance has their data mart, marketing has theirs, and sales have theirs and so on. And the data mart for marketing only faintly resembles anyone else’s data mart. Perhaps, most importantly (Inmon, 1999) the individual departments own the hardware, software, data and programs that constitute the data mart.

  Each department has its own interpretation of what a data mart should look like and each department’s data mart is peculiar to and specific to its own needs. Similar to data warehouses, data marts contain operational data that helps business experts to strategize
based on analyses of past trends and experiences. The key difference is that the creation of a
data mart is predicated on a specific, predefined need for a certain grouping and
configuration of select data. There can be multiple data marts inside an enterprise. A data
mart can support a particular business function, business process or business unit.

- **Query and reporting tools:**

  OLAP provides multidimensional, summarized views of business data and is used for
  reporting, analysis, modeling and planning for optimizing the business. OLAP techniques
  and tools can be used to work with data warehouses or data marts designed for sophisticated
  enterprise intelligence systems. These systems process queries required to discover trends
  and analyze critical factors. Reporting software generates aggregated views of data to keep
  themanagement informed about the state of their business.

  Other BI tools are used to store and analyze data, such as data mining and data
  warehouses; decision support systems and forecasting; document warehouses and document
  management; knowledgemanagement; mapping, information visualization, and dash
  boarding; management information systems, geographic information systems; trend analysis;
  software as a service.

**Functions, objectives of BI and introducing framework**

The purpose of investing in BI is to transform from an environment that is reactive to
data to one that is proactive. A major goal of BI is to automate and integrate as many steps
and functions as possible. Another goal is to provide data for analytics that are as tool-
independent as possible (Biere, 2003)

The main key to a successful BI system is consolidating data from the many different
enterprise operational systems into an enterprise data warehouse. Very few organizations
have a full-fledged enterprise data warehouse. This is due to the vast scope of effort towards
consolidating the entire enterprise data.

Berson et al. (2002) emphasize that in view of emerging highly dynamic business
environment, only the most competitive enterprises will achieve sustained market success.
The organizations will distinguish themselves by the capability to leverage information about
their market place, customers, and operations to capitalize on the business
opportunities(Berson, 2002).

Moss and Atre (2003) describe BI as seamless integration of operational front-office
applications with operational back-office applications (Moss, 2003). Gangadharan and
Swamy (2004) define BI as an enterprise architecture for an integrated collection of
operational as well as decision support applications and databases, which provides the
business community easy access to their business data and allows them to make accurate
business decisions (Gangadharan, 2004).

A successful BI ties business and information technology together to help enterprises
manage and integrate ongoing investments in BI, allocate BI resources, prioritize projects,
and minimize the risk associated with BI implementations. The move towards BI reflects
organizations’ desire to manage their investment in and use of BI. Effective BI partnerships
for business and information integration are:

- business is responsible for capturing BI value;
- IT is responsible for delivering BI applications in an effective manner;
- BI projects should be funded based on a projected Return-on-Investment (ROI);
- BI expertise should be developed using a pool of knowledgeable business personnel;
business expertise should be developed using a pool of knowledgeable IT personnel; and

- an organizational emphasis should be placed for BI in order for it to be successfully implemented.

Business intelligence systems, the possibility of extracting trends from existing data types in data repositories that provide for strategic decision making processes and planning for future managers should be a remarkable help.

Also, BI systems, the possibility of producing complex reports for use in strategic decision layer can cause the organization. In order to know the functions of business intelligence systems, the most important of these is included below. Graphics as well as cases in question are shown in Figure 2.

On the other hand, intelligent systems in business follow to missions several. Help for your users to self-service with respect to repetitive tasks associated with BI(such as reports management and simplified analytical work) is one of these cases.

Also identify areas that are vulnerable and evaluate the effect of strategic actions on rival firms, is considered the main missions of the other intelligence programs in organizations. Generally, purpose of competitive intelligence programs, process to reduce environmental uncertainty is to improve management decisions (Wilma, 2005).

Implement business intelligence systems in general, including feasibility and identifying the current situation (identify goals, tasks, structures, processes, resources, processes and organizational data),data structures and the establishment of organizational data repositories and business intelligence deployment eventually The deal is the cycle in Figure 3 are displayed.
BI implementations demand a significant amount of business-process knowledge that offsite resources may lack. This challenge can be met by allowing onsite resources to focus on high-value roles and projects that address business knowledge while allowing offsite resources to focus on development and maintenance activities. Another challenge lies in the potential sensitivity of data involved in BI projects (Wilma, 2005). Organizations must make sure that appropriate security and privacy controls are in place when data are being shared offsite.

In addition, application systems of business intelligent increase between units. In other words among the unit employees of the Business Intelligence Unit, one person is also determined as the interferer with the other information applicants of the organization which coordinate the activities and equip the organization to respond faster to changes.

Considering the issues presented, in order to benefit the interests of organizations and benefits systems BI, the proposed framework is presented in figure 4. In this framework is used effectively the three skills of business, organization and IT to implement business intelligence. Each of these skills, significant impact is in the process of implementing BI.
Business Skills: organizations must be able quickly to analyze market changes and to adapt their processes, consistent with existing condition, must. Also according to the demands of multiple customers, using different tools to decide, prioritize needs and expectations and have to the strong strategy organization.

Skills IT: Organization should to provide all the necessary infrastructure to updates by identify, collect and receive of data and save and maintain them and be able to integration of the existing data. Also be to use IT, monitor on the BI programs and to assist this process effectively.

Organizational Skills: Organizations should your staff to implement this new system and warn appropriate organizational culture, trying to implement must step by step because In this section, if not carefully considered, staff and personnel to the resistance against the new changes. On the other hand, the organization and organizational strength to explore and describe data and finally analysis and summarization carefully (Ruddy, 2006).

In fact, the purpose of presented this framework, introducing aspects involved in implementing BI that the fundamental areas of this system, generally composed of three parts. Therefore, organizations can provide tips given in this context, situations and circumstances to suit your organization, and also attempted to use step by step implementation of this system that will bring a lot benefit in the future.

CONCLUSION

Managers are constantly looking at each project an estimating its benefits and costs and business intelligence and analytic databases are no exception. In the past profit and less benefit about business intelligence were done. The reason that can named are disabilities and
information about the processing of this work and even not requiting the estimation from the executive managers.

Result of studies show measured value or the amount of business intelligence and its impact on the organization is not carefully possible. But at the same time there are also simple and practical ways that the financial performance and market to business intelligence organization.

It is noteworthy that one of the most important estimated factors is investment return (ROI) during determining the value of business intelligence. Calculating the ROI enables the organization managers to set priorities for exacting for IT projects inside the organizations.

In this way the performance of the companies that use competitive intelligence in order to sell markets share, benefit of each share and other things compare with other companies that don't use this method. The method that was mentioned above is useful for the importance of the measuring activities and its role in organization success. Generally the benefits resulted from the full and fundamental execution of intelligent system of business are summarized as below:

- Facilitate the entry into new business
- Increasing the reliability from strategic decision
- Modify the multi communications in the organization
- Increasing the market knowledge
- Discovering the potential costumers and new ones

Production costs along with business intelligence, will bring very useful benefits including increased revenue, gain a new competitive opportunities, to gain more time for marketing, increased customer satisfaction through CRM, Automation hand processes, increase speed and agility of the organization, reducing cost And decisions for the organization.

Note that at the end of this article it is necessary that accessing to the accurate and timely information are important wealth for any company. When intelligent system in business were designed appropriate and correctly and accommodate to the organizations processes in one hard and from another hand its information has the ability for making decision thus the organization will able to improve of performance of it and it follow by making fast decisions and will bring satisfaction.
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Effect of recognition of Intellectual Capital on Relevance of Accounting Information

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Abstract

Innovation is the result of human inquisitive nature. Transacting from Stone Age to the technological driven era, human has been endeavored hard to innovate and improve the life standards of this earth. This paper reviews the effect of recognition of intellectual capital (IC) on relevance of accounting information. The review of this paper suggests that recognition of IC has significant impact on financial information. This paper advocates the major modification in traditional accounting standards and conventional accounting practices to comply with the stipulations of modern and competitive business era and pave the avenue for the recognition of IC as an asset to the firm. Therefore, this paper proposes to researchers, practitioners, and accountants to resolve this long standing issue (non-recognition of IC) by extending the horizon of research, which measures IC.

**Keywords:** Intellectual Capital, Relevance of Accounting Information

1. Introduction

The shift in practices and trends though have shifted the overall emphasis from traditional economic system to knowledge intensive system and consequently, service based industries have taken the major share in the value creation process, especially in developed countries of the world. The rise of knowledge-based economy (IC) requires re-evaluation of the key intellectual factors, which leads to firm growth. Researchers have been contending that the traditional financial statement provides only limited information pertaining to the relevance of earnings to investors due to the non-recognition of IC (Collins *et al.*, 1997; Francis and Schipper, 1999; Lev and Zarowin, 1999), and non-recognition of IC at the same time increases the gap between market value and book value of the firm (Amir and Lev, 1996; Brennan, 2001; Holland, 2003). Recently, application of GAAPs and accounting standards
has led to the decrease in relevance of earnings as well as non-recognition of IC (Amir and Lev, 1996; Brennan, 2001; Holland, 2003; Lev, 2001). Moreover, GAAP and accounting standards do not permit recognition of IC as an asset because of uncertainty associated to the risk of intangibles’ and expected future benefits (Hendriksen, 1992; Shi, 2002). This suggests that IC has significant impact on financial information especially to firm earnings. In this very context, researchers, practitioners, and accountants are required to resolve this long standing issue by extending the horizon of research, which measures IC.

2. Literature Review

2.1 IC and Relevance of Accounting Information

Financial statement is a major source of information, which is considered valuable by the investors when evaluating the firm stock. FASB No. 2 discusses relevance and reliability as two primary criteria, which makes accounting information useful for decisions. Relevance of accounting information has the capacity to making a difference in a decision (FASB No.2 pare 47). Financial statement information is relevant if it is able to confirm or change investors’ expectations regarding the value of stock (Lubberink, 2000). Empirical researches have demonstrated the usefulness of accounting information particularly about earnings, which have decreased over the years as economies became knowledge intensive (Brown, Lo, and Lys, 1996; Chang, 1998; Collins et al., 1997; Francis and Schipper, 1999; Lev and Zarowin, 1999). Similarly, Francis and Schipper (1999) and Lev and Zarowin (1999) illustrated in their studies based on the U.S. data that value relevance of earnings has declined over the years and that recognition of R&D cost as expense has led to the decreasing trend of relevance of earnings. Other the other hand contemporary literature reveals that capitalization of IC increases the value relevance of earnings instead of recognizing it an immediate expense (Aboody and Lev, 1998; Ahmed and Falk, 2006; Lev and Sougiannis, 1996). Brooking Research institute (1996) pointed out that 62% value of the company used to be represented by its physical capital and 38% by intellectual capital. But recently, physical capital decreased to 38% and IC increased to 62%. This indicates that IC has substantial impact on financial information with respect to firm’s earnings.

Collins et al. (1997) examined the changes in the value-relevance of earnings and book value over time. They revealed that value-relevance of earnings has not declined for the period 1953-1994 based on the sample NYSE, AMEX and NASDAQ firms, though; bottom line of value relevance of earnings has declined. This decline has been replaced by increasing value-relevance of book value. The study also reported that much of the shift in value-relevance from earnings to book value can be explained by increase in the frequency of negative earnings, magnitude of in-time items, change in average firm size and intangible intensity across time.

Francis and Schipper (1999) in their study reported the significance of earnings and book value less relevant for the period 1952-1994 computed on a sample of U.S. stock exchange and NAZDAQ firms (Francis and Schipper, 1999). They revealed that decrease in value-relevance of high-technology stocks is greater compared to low-technology industries. Chang (1998) correspondingly, documented the declining trend in the value-relevance of both earnings and book value for the period 1953-1996. They further asserted that
recognition of R&D as an immediate expense leads to the decrease in value relevance of accrual for U.S. firms during the mid 1970s.

Lev and Zarowin (1999) in the same year examined the usefulness of financial information (earnings and book value) for investors compared to market value. They computed $R^2$ from stock prices (regression of stock price, $P$) model and earnings returns (regression of earnings return, $R$) model to evaluate the usefulness of financial information for investors. The result of the study reported the continuous decline in relationship between return on earnings and accounting information (earnings) for the period 1978 to 1996.

Goodwin and Ahmed (2006) investigated the fact whether value relevance of earnings has declined in Australia over 25 years covering the period from 1975 to 1999. They examined whether or not capitalization of intangibles, which have been capitalized under Australian GAAP had an effect on value relevance. They employed following (Ely and Waymire, 1999; Lev and Zarowin, 1999; Nwaeze, 1998) applied earnings response coefficient (ERC) and $R^2$ (price–earnings–book Value) to measure the earnings value relevance. The authors reported that firms with capitalized intangible assets had increased earnings value relevance.

Reinita (2007) recently reported that with the increase of research and development expense (R&D), value relevance of the market price on EPS and book value has also increased. The author stressed that in the U.S. GAAP all R&D costs must be immediately recognized as an expense and in the UK and in almost all other countries capitalizes of development costs and expenses off the research costs. The study revealed that the joint explanatory power of R&D, EPS and book value declined in 1999 but increased during the period from 2000 to 2005. The study concluded that research and development expense (R&D) increases the value relevance of the market price on EPS and book value.

The value-relevance of accounting information remained unchanged for the period 1983-2001 in Denmark as reported by (Thinggaard and Damkier, 2008). They examined whether the information reported in financial statement becomes less value-relevant over time, and if this assumption holds true, what should be done to develop and improve the current financial statement? And is it necessary to improve and develop the current financial statement through alternative reporting mechanisms for instance, green accounting statements, social and ethical reporting system, IC statements, etc? The U.S. literature postulates that value-relevance of earnings decreased over time but there is no evidence to indicate whether value-relevance of financial statement increased or decreased in European countries over time. The study concluded that value-relevance of financial statement remained unchanged over time.

Yu et al. (2009) examined the value relevance of IC using Ohlson’s (1995) valuation model and Dechow et al. (1999) framework in Taiwan’s information technology (IT) companies. They reported that previous researchers have evaluated IC using various aspects and that no research clearly documents the value relevance of IC in investor business valuation. The results of their study revealed that: 1) IT companies in Taiwan are focused on human and process capital than on innovation and relation capital; 2) there is value relevance between IC and IT companies’ business valuation; and 3) using a constant discount rate could unsuitable the value relevance of the study results which are computed using Ohlson’ model.
3. Proposed Framework and Hypotheses for Effect of Recognition of IC on Relevance of Accounting Information

The objective of the paper is to determine the effect of recognition of IC as moderator on the relationship between accounting information (earnings and book value) and market price (dependent variables). Many researchers have argued that traditional financial statement offers limited relevant information especially relevance of earnings to investors due to non-recognition of IC (Collins et al., 1997; Francis and Schipper, 1999; Lev and Zarowin, 1999), and non-recognition of IC increases the gap between market value and book value of the firm (Amir and Lev, 1996; Brennan, 2001; Holland, 2003). The next part discusses the linkage amid independent variables, moderator variable and dependent variable as plotted in the study framework.

3.1 Independent Variables, Moderator Variable and Dependent Variable

3.1.1 Independent Variables

Earnings and book value are classified as independent variables in this study; E and BV docket earnings and book value of the firm respectively. Where E is earnings per share of the firm for year t and BV is book value of the firm’s common equity per share.

3.1.2 Moderating Variable

Moderating variable is a variable which has a contingent effect on the independent – dependent variable relationship (Creswell, 2003). There are numerous classifications of IC, which have been referred into accounting literature. The International Accounting Standard Committee (IASC, 1998) defined intangible asset or IC as “non-monetary asset without physical substance”. Whereas, this study employs “value added” as an indicator of IC measurement in a firm. This classification is based on the “value added intellectual capital” (VAIC) method, which was advocated by Pulic (1998) and marked as ROA group method. Pulic (1998) defined IC as “how much and how efficiently IC and capital employed create values in the firm”. Pulic (1998) categorized IC into three main components:

- Human Capital (HC)
- Structural Capital (SC)
- Capital Employed (CE)

To remain consistent with the literature findings, this research will employ VAIC for measuring IC, the process to calculate VAIC entails seven steps procedure (Table 1), as advocated by Chan (2009); Chen, Cheng, and Hwang, 2005; Ghosh and Mondal, 2009; Goh, 2005; Kamath, 2007; Kujansivu and Lönqvist, 2007; Pulic, 2004; Shiu, 2006; Ting and Lean, 2009; Yalama and Coskun, 2007; Ze’ghal and Maaloul (2010).
Table 1: The Process of Calculating VAIC

<table>
<thead>
<tr>
<th>Steps</th>
<th>Label</th>
<th>Formula</th>
<th>Description</th>
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<tbody>
<tr>
<td>1</td>
<td>Value Added (VA)</td>
<td>VA = OUT – IN</td>
<td>OUT = revenues and include all products and services sold in the market. IN = all expenses for operating a company (exclusive of employee costs which are not regarded as costs).</td>
</tr>
<tr>
<td>2</td>
<td>Human Capital Coefficient (VAHU)</td>
<td>VAHU = VA/HC</td>
<td>HC = total investment in terms of salaries and wages of the staff.</td>
</tr>
<tr>
<td>3</td>
<td>Structural Capital Coefficient (STVA)</td>
<td>STVA = SC/VA</td>
<td>SC = VA - HC</td>
</tr>
<tr>
<td>4</td>
<td>Intellectual Capital Coefficient (VAIN)</td>
<td>VAIN = VAHU + STVA</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Capital Employed Efficiency</td>
<td>VACA = VA/CA</td>
<td>CA = Book-value of net assets</td>
</tr>
<tr>
<td>6</td>
<td>Value Added Intellectual Coefficient</td>
<td>VAIC = VAIN + VACA</td>
<td></td>
</tr>
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3.1.3 Dependent Variable

Stock price or market price is referred as dependent variable in this study; P docks stock price or market price. Where, P is “the price of a share of firm, i three months after the fiscal year-end t”.

3.2 Theoretical Framework

Based on the theoretical framework, this paper intends to determine the effect of recognition of IC as moderator on the relationship between accounting earnings, book value and market price as depicted in Figure 1.
Figure 1: Framework of (the Effect of Recognition of IC on the Relationship between Market Price with Accounting Earnings and Book Value)

To examine the above relationship this paper will employ the following model:

\[ P_{it} = \alpha_0 + \beta_1 E_{it} + \beta_2 BV_{it} + \beta_3 CEE_{it} + \beta_4 HCE_{it} + \beta_5 SCE_{it} + \varepsilon_{it} \]

Where:
- \( P_{it} \) = stock price of the firm at the end of year \( t+3 \) (over the 12 months beginning nine months prior to the end of year \( t \));
- \( E_{it} \) = earnings per share of firm for year \( t \);
- \( BV_{it} \) = book value of firm’s common equity per share;
- \( HCE_{it} = VA_i / HC_i \); human capital coefficient for Firm \( i \);
- \( CEE_{it} = VA_i / CE_i \); value added capital employed coefficient for Firm \( i \);
- \( SCE_{it} = SC_i / VA_i \); structured capital coefficient for Firm \( i \); and
- \( \varepsilon_{it} \) = an error term.
To determine the effect of IC on the relationship between relevance of earnings, book value and market price, above regression model subdivides in three new sub-regression models related to the different dimensions of IC (HC, SC, and CE).

- Effect of human capital on the relationship amid market price and relevance of earnings (related to hypothesis H1a1).

\[ P_{it} = \alpha_0 + \beta_1 E_{it} + \beta_2 BV_{it} + \beta_3 HCE_{it} + \epsilon_{it} \]

- Effect of structural capital on the relationship between market price and relevance of earnings (related to hypothesis H1a2).

\[ P_{it} = \alpha_0 + \beta_1 E_{it} + \beta_2 BV_{it} + \beta_3 SCE_{it} + \epsilon_{it} \]

- Effect of capital employed on the relationship amid market price and relevance of earnings (related to hypothesis H1a3).

\[ P_{it} = \alpha_0 + \beta_1 E_{it} + \beta_2 BV_{it} + \beta_3 CEE_{it} + \epsilon_{it} \]

3.3 Hypotheses Development for Framework (the Effect of Recognition of IC on Relevance of Accounting Information)

It is repeatedly asserted in economics that land, labor and financial are three significant resources for corporate enterprises (Sullivan, 1998). In the last two decades the trend has been transforming as the emphasis is shifting from traditional economic system to knowledge intensive system, and resulted in the hype of services industries world over as services industries swiped the major share in value creation process. In fact, IC is deemed as valuable and decisive actor of knowledge-based economy, which plays vital role in firm overall growth and has become a major source of competitive advantage (Holland, 2003). Therefore, growth patterns in knowledge intensive economy require re-evaluating the key drivers of growth, though, traditional accounting practices have failed to fully recognize the knowledge element as an asset in financial reporting system. Thus, non-recognition of IC diminishes the value significance of earnings (Collins et al., 1997; Francis and Schipper, 1999; Lev & Zarowin, 1999), and concurrently increases the gap between market value and
book value of the firm (Amir and Lev, 1996; Brennan, 2001; Holland, 2003). Consequently, non-recognition of IC increases the information asymmetry amid firms and the users of financial reports (Byrnes and Derhovanessian, 2002; McNamee, 2001; Reed et al., 2002). In order to determine whether non-recognition of IC decreases the relevance of accounting information (earnings and book value) this paper intends to investigate the effect of recognition of IC on accounting information (earnings and book value). Accordingly, the hypothesis states that:

\[ H_1 = \text{recognition of IC increases the relationship between market price with relevance of earnings and book value.} \]

To determine the effect of recognition of IC on the relevance of earnings, book value and market price, \( H_1 \) is subdivided into two new sub-hypotheses related to the different dimensions of IC:

\[ H_{1a} = \text{recognition of IC increases the relationship between market price with relevance of earnings.} \]

\[ H_{1a1} = \text{recognition of human capital increases the relationship between market price with relevance of earnings.} \]

\[ H_{1a2} = \text{recognition of structural capital increases the relationship between market price with relevance of earnings.} \]

\[ H_{1a3} = \text{recognition of capital employed increases the relationship between market price with relevance of earnings.} \]

\[ H_{1b} = \text{recognition of IC increases the relationship between market price with accounting information (relevance of earnings and book value).} \]

4. Conclusion

Researchers have been contending that the traditional financial statement provides only limited information pertaining to the relevance of earnings to investors due to the non-recognition of IC (Collins et al., 1997; Francis and Schipper, 1999; Lev and Zarowin, 1999), and non-recognition of IC at the same time increases the gap between market value and book value of the firm (Amir and Lev, 1996; Brennan, 2001; Holland, 2003). Recently, application of GAAPs and accounting standards has led to the decrease in relevance of earnings as well as non-recognition of IC (Amir and Lev, 1996; Brennan, 2001; Holland, 2003; Lev, 2001). This suggests that IC has significant impact on financial information especially to firm earnings. In this very context, researchers, practitioners, and accountants are required to resolve this long standing issue by extending the horizon of research, which measures IC.
References


The Current Context Teachers and Teaching in Pakistan

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Abstract
Purpose: The purpose of this paper is to throw light on the current context of teachers and teaching in Pakistan and to suggest further line of research on teaching and teachers in the country. Design: This paper is based on the review of different papers and articles available in different journals; and downloaded from internet and also on the daily experiences of mine which I face as a teacher and a teacher trainer. Findings: The review shows that teaching is a profession by default or an additional source of income. Male members only opt this profession because they could find any other job or adopt it for surplus income. Mostly the teachers are with low qualifications. Teaching is only the transmission of knowledge. Practical Implications: Future directions for the future exploration in this area of study are suggested. Originality: This paper is an attempt to know about the life of the teachers in developing countries, like Pakistan.

Key Words: Teachers, context and teaching.

Introduction
Pakistan is a developing country. The amount spent on education is only 2.2 to 2.5% of the total budget. Irrespective of the fact that every Government stresses on education, it is the most ignorant area to be addressed. Education always remains the sore point. As it is an open secret that the development of any country depends upon its education, education and educationists are always being ignored in our society. It resulted in the division of education at different levels and created segments in our society. A lot of work has been done and still is being done in the area of curriculum development and its implementation but the teachers who are the real implementers of curriculum are required to be included in the process of education effectively. That is why in this paper I tried to examine the profile or context of teachers with the intention to suggest further research in this area for the future betterment.

The Context of Teaching and Teachers in Pakistan:
Like many other developing countries, school teaching in Pakistan is the least-paid and least-respected profession which is not structured well. Always the average students who could not enter any other profession because of low scores opt for this profession.
Thus, most of the teachers in our country are teachers, by default and not teachers, by design. Male teachers get into this profession because either they could not find another job or they need a supplementary income to support their families well. Females are employed in a larger number because:

1. Schools provide a safe environment.
2. Their families compel them to join this profession.
3. They only have to interact with children and other teachers, mostly female.
4. They can share the expense as a homemaker.

Female teachers do not do any other job like male teachers but they have to look after their houses after the long tiring routine. Teachers are working in multi-grade over-crowded classrooms (40-80 students). Most schools lack the basic facilities. Many Government schools do not have a proper building. The lightning arrangements are very poor. Furniture is scarce and students are sitting on floors. Teachers do not have basic teaching material. Even laboratories do not possess sufficient equipment.

These conditions, along with poor salaries and limited incentives demoralize the teachers. Due to low remuneration teachers are not attracted towards this profession. These conditions are not changed since long.

Teachers also have to tolerate the social and cultural pressures. They are bound to the central Government to follow strict regulations, prescribed textbooks, national curriculum and other instructions issued and introduced by Centralist Ministries of Education, with little discretion given to them (Arthur 1998; Bjork 2004; Dhand, 2000; Coombe 1997). Teachers’ main concern in this respect is meeting the requirements of centrally devised diktats (WU, 2004). The teachers are also expected to develop the socially dominant values. They are supposed to transfer special sense of their society and loyalty. Teachers are not motivated at all as it is already mentioned that they are concerned with this profession due to one compulsion or the other, and not due to internal motives. Rarely any teacher is teaching because of personal interest or commitment. Mostly the teachers in rural areas join this profession because of the non-availability of any other alternative. Female teachers in the country give different reasons to enter the profession like love with children, idealism etc. their families play a key role in the selection of this profession. Many girls who were unable to score enough to get into a Medical college had “teaching” left for them as the only career option. Academically brilliant students go for Medical, Engineering or other socially high status professions. Average students with no other choice become teachers.

Mostly teachers have very limited content knowledge because they have gone through the same educational process under the supervision of same teachers as they are. Gaps in teachers’ subject matter knowledge have been well documented in other parts of the world but this issue has not been systematically studied in Pakistan (Ball, 1988; Ball and McDiarmid, 1990). Pakistani teachers could not even reach the minimum competency level of 40% in any of the three areas- mathematics science and pedagogical skills, probably due to poor reading habits (Saeed and Mahmood, 2002). Not a single individual was able to score more than 30%, which is passing grade for students in Pakistan (Ali, 2000).
Primary school teachers require matriculation certificate and PTC, Primary Teaching Certificate. Matriculation Certificate can be earned by taking the BISE examination, even without attending regular school at all.

Teaching in middle schools or secondary schools requires another two to four years college education. Students with third division or C-grade are acceptable as teachers. To enter in profession of teaching one does not have to be a high scorer as required to be on the merit list of Medical or Engineering Universities.

The certificates earned in the name of professional education are also not reliable. These certificates can be earned from Open University through distance education or as a private student by taking a written examination and providing a certificate of one year working in any school recognized by Education Department and affiliated with BISE. Schools normally provide this certificate to their teachers to avoid giving them study leave or normally the teachers have to leave the job. The threat of losing the job also keeps them away from any sort of professional training.

Commenting on the curricula of pre-service education programs (Smith et al. 1988) in their survey of teacher education in Pakistan, state that they did not see any evidence of:

- Differentiated objectives for children of different ages.
- Consideration of the interaction between child development and learning environments.
- The management of multi-grade schools in villages or large classes in cities, both of which are the key characteristics in Pakistani schools.

In PTC programs 58.3% time is used for teaching contact, 18.2% for teaching practice and 23.5% for examination activities (Mehrunnisa Ahmed Ali, 1998).

Most teachers in developing countries applied to teacher training programs because it is relatively inexpensive route to a settled and secure life (Dyer, 1996).

Teachers’ role towards them is not very encouraging. Majority of male teachers have other jobs. In Pakistan normally the male member is the head of the family and they are responsible to fulfill all the requirements. The money paid to them as salary is very meager to meet the expenses of their families. Thus they have to go for other jobs. This extra load of work causes a bad effect on their teaching standards. Along with less pays, the issue of promotion also affects the teaching and plays an important role in demoralizing the teachers.

Teachers are promoted on the basis of strict hierarchal structures. Knowledge, sincerity towards profession and hard work has nothing to do in the advancement of a teacher’s career. Teachers’ behavior towards teaching is not very encouraging. They are prepared as the knowledge transmitters but he modern world defines them as facilitators not knowledge transmitters. They are not concerned whether the students comprehend what they deliver. The teaching in Pakistani classrooms is more teacher-centered that student-oriented.

Teachers use lecture methods to cram the children with lots of information. Students are supposed to recall and print that information on a piece of paper in name of examination. This is actually a test of their memories and not knowledge or understanding of the subject. Teachers alone are not at fault for this. Actually they are pressurized by the education agencies to cover and transmit the prescribed subject content (Ali, 2000; White, 1997; Yildirim, 2003). They are supposed to cover the contents in the stipulated time. Students also like the teacher well who is able to transfer the knowledge in their brains and can prepare
them well for the examination. This is the yard stick to measure the competency of any teacher. Such teachers are taken as effective teachers and have no limit of evening tuitions. If we want to change this situation it is important to be realized at a higher level, because teachers are bound to obey the policies and are not motivated or have low tendency to bring the change or innovations in their teaching methodologies. Change is to be brought from up. In their times as students, teachers were also facing the same situations. They were supposed to show their strong memories. They are following the same practices as a teacher. Most teachers reject the students’ answers because they do not match the expected “right answer”.

(Arthur, 1998)
At last but not the least, the selection of teachers is highly politicized. Political leaders take votes from their constituencies after making long list of promises including the sorest issue of unemployment. When their voters come to them for jobs the most suitable job is teaching which in Pakistan is a job for which any unsuitable person can be the most suitable candidate.

Conclusion:
The conclusion is that the teachers are poorly trained, least paid and demoralized. The teaching profession in Pakistan also does not carry the respectable position it deserves. Teachers in Pakistan do not take it as a full time job. The meager incentives and promotion strategies make it an unattractive job for new professionals. Teachers have to obey the educational policies which are not designed by them or for the development of those policies in which they have no contribution. The teachers are not aware of the responsibility on their shoulders when they enter this profession. They must realize that “they are the builders of tomorrow’s nation.”

Direction for Further Research:
Further studies can focus on the:

- Different tasks of teachers.
- Gaps in teachers’ knowledge on subject matter.
- Teacher education at different levels.
- Teachers; lives and their careers.
- Teachers’ selection.

Qualitative study, in my opinion, can be suitable to provide deep insights into the teachers’ role and their impact in classroom teaching.
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Evaluation of Key Factors Affecting the Succeed of Internet Services Offer and Providing a Predictive Model Using Decision Tree

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Abstract

Key success factors are the most important factors influencing the success of a business. The aim of this study is to offer a predictive model for the success of banks in this arena through identifying the most important features affecting encourage people to use internet banking. As using internet banking services requires a computer literate of the users, population of this research was made of the students in any of the state universities among which 267 people were selected through classified random sampling method. Data gathering tool is a questionnaire designed by the researchers that have evaluated the eight independent variables affecting intention to use internet banking customers, then the correlation between these variables with the intention to use internet banking to customers has been examined. Variables of Join relation (0.368), Order taking (0.336), the degree of vitality (0.332), price (0.329), the importance of human resources (0.269), Professionalism (0.239) and the degree of interaction (0.221), respectively, have had a significant correlation with the dependent variable. The decision tree presented also has shown that using this model the success of internet banking services can be predicted before running.

Keywords: Internet Banking, Customer Use Intention, Decision Tree.

1- Introduction

Electronic commerce refers to any business or economic activity through electronic communication. Business means all activities which cause the value associated with suppliers and customers [18]. Emergence of information technology has impressed many industries including banking. Electronic services are usually offered to customers through electronic channels such as ATM machines, telephones, personal computers, Internet and more recently via cell phone. Nowadays, information technology offers many online services as online and many customers have access to online services [10]. Also, internet banking has been defined as providing banking services through internet and the facilities of the network [17]. Internet has had many benefits for both the bank and its customers; using this technology not only can customers do their banking at any time and place, but also the cost reduction and increase in
productivity has been brought for the banks [17]. However, all organizations and institutes have not been similarly successful in applying e-commerce, so it is necessary to do some studies to create a favorable policy implementation and using e-commerce and the growing factors that facilitate it [9].

Due to increasing networking opportunities in the country and providing for admission of the achievements of organizations in order to provide customer service, reviewing the key factors that make effective electronic service delivery more desirable, is necessary. Such studies are more essential and useful particularly for financial-service institutions, especially the banks that have had considerable efforts in electronic and Internet services in recent years. Therefore, the aim of this research is to present a model to predict the success rate of offering this type of service by identifying the key factors affecting the successful offer of Internet banking services.

2- Literature Review:

2-1- Electronic Services:

Electronic services were expressed with growth of the Internet. At the beginning, online services reduced costs and caused the development of active institutions in this field. Although the companies gained some profit by selling online, but challenges emerged due to some weaknesses in the supply of this type of service and customer needs. Therefore, re-focusing on customer needs and demands and quality of online services, aimed at strengthening customer relationships and service providers, became essential. During the past few years online service providers have obtained considerable advantages by increase in communication with their customers. Until the researchers found that offering the best electronic services could be achieved through increase in communication with customer and company and product development. Despite the growth of electronic services there have been a few researches regarding the critical factors in providing optimal electronic services and the held researches on the quality of electronic services is still in experimental phase; hence evaluating the electronic service quality and judgment about preference and quality of electronic services, presented by Consumers, must be considered more [11].

In general, electronic service is an interactive, Internet-based and customer oriented process which is directed by the customer and gets integrated with customer-related processes and supports information and communication technology with the aim to strengthen the relations of customer and service provider [4].

2-2- Internet Banking:

Internet banking is a distribution channel of remote and virtual banking services [2]. Consumers can use the Internet to have access to the bank and their account information and perform banking transactions. At the basic level, internet banking means creating a Web page by a bank to provide information about products and services that are offered and at the advanced level, it is referred to access to accounts, transfer funds and online buying products or financial services [15].
Internet banking services are offered in three levels through internet. These levels are [14]:

1- Basic level of service: which includes communicating with customers via email and publish information about various products and services that are offered to customers;

2- Simple transactional Web sites: that allow customers to receive instruction and applications for the various services, but with no permission for transaction to their accounts such as transfers;

3- Fully transactional Web sites: they provide the necessary facilities for customers to access their accounts to transfer funds, pay bills of different account in other bank products, and purchase and sale transactions of securities, etc.

Internet has provided a context for the banks to enable them offering banking services such as paying bills and managing money at homes of their customers for 24 hours a day. For example, customers can receive the information about deposit and loan accounts, transfer funds between accounts and communication with other banks via email [13]. Even the possibility of buying and selling shares and bonds, receiving facility programs, providing electronic billing, international payments and providing international electronic payroll via the Internet is provided [12]. Internet banking is the means of cost reduction, improved productivity of the banks and creating added value for customers [8].

Though many activities in common business practices can be replaced by online methods as alternatives, but there are still certain limitations to providing such services, because customers are reluctant to use online services through the channels. Different researches has shown that while internet shopping, customers are heavily influenced by the risk level and also are greatly influenced by their perception towards ease of use for purchasing services [9].

2-3- Customers’ Intention to Use Internet Banking:

According to Ajzen, customers intend to use internet banking due to their personal interest in the use of systems which are provided for banking transactions. Many researchers have attempted to recognize behavioral factors affecting decisions of people to buy online. Different theories exist in this case that the most famous ones are rational action theory, theory of planned behavior and technology acceptance model; these theories show the predict intention of a good behavior [16].

In examining the marketing and sales literature, Degree of customization has been taken as one of the factors influencing customers to buy. Degree of customization is one of the dimensions of service characteristics which mean the amount of customer supply demands especially in the production and supply of goods or service. In other words, the degree of customization is simply the consistency of the implementation service process encountering with the customer personal needs [9]. In electronic commerce, calls and face to face human interaction has become the least through the application of technologies such as email, chat
and interactive multimedia. In addition, Internet application in service offers has provided the possibility of online support of customer demands more than ever.

Generally it has been observed that the concepts of flexibility in terms of interaction and customization have different meaning. In e-commerce, the necessity of online transactions and customization play similar role in facilitating online transactions in some areas [3].

The degree of customer concerns about understanding and awareness of selecting service provider expectations of service quality and confidence in the services offered, known as professional knowledge, has been impressive on the intention of use of the Internet service by customers [3].

Interactions between customers and bank employees in financial transactions seem very important. Over the past twenty years, banking sector has faced with enormous developments according to the perception of customer needs for technology, software and technology advances and restructuring the financial services sector. In response to these changes of banks, they have reduced the number of physical branches and have expanded electronic channels to increase effectiveness and decrease transaction costs [11].

The degree of interactions represents interactions frequency between service providers and customers in the whole process of transaction. The important factor in maintaining interactions with the customer is that customers present their recommendations and critics of the received service and get feedback from service providers [9].

Although information technology and Internet applications has gradually reduced the customers need to geographical accessibility, according to many experts [3], they are still effective as an important variable, e-commerce operations and strategies, while the degree of customer's need for geographical accessibility is basically dependent on product and service profile.

Furthermore, the urgency of the service levels desired (degree of criticality for customer), the price of the services offered to the Internet compared with other methods, as well as human resource capacity in manufacturing and service delivery and necessity of membership relation are considered as the other factors Influencing customers’ intention to use internet banking [9].

2-4- Decision Tree:

Decision tree is a flowchart with a structure such as a hierarchical tree that consists of three basic elements. Nodes are in accordance with decision variables, edges or branches correspond to different possibilities of values of the variables and the third component, known as leaf, includes objects that belong to a class or they are very similar and they can be placed in a class [6].

Decision tree analysis is a structured and systematic approach that facilitates knowledge and information for decision making. Decision tree help the analysis of a complicated issue and transform it into a smaller issue and analysts use it for achieving optimal decisions.
Decision trees help decision makers in taking decisions in which different variables are involved as an analytical tool and based on certain rules. Furthermore, when examining a subject according to its class, decision trees not only present solutions for it, but also clearly express the reasons for reaching it. Using this technique a large amount of data will be able to get managed. The structure of decision tree is similar to the real tree with root that represents the decision problem and each of the branches is the representative of each class. The so-called chance nodes and decision nodes represent the value of the tree classes. Hierarchical structure of data in decision tree form has been very popular and successful in practice. Many applicative programs in different fields work on analyzing the decision tree. For example, decision tree is used in the banks for making decisions about the credit, in industry to check the mechanical equipment, in manufacturing in order to quality control, in health care for the diagnosis of some diseases, in the molecular biology to analyze amino acid composition and in astronomy for automatic classification of heavenly bodies. These are just some of the areas of real-world applications of this technique and many potential applications have not yet been introduced [5].

3- Conceptual Framework:

Considering that the aim of this study is to identify factors affecting the successful offer of internet banking services and providing a model to predict the success of internet banking services, effective variables for customers’ purchase intention have been identified after reviewing the theoretical foundations and are shown in figure 1.

Fig.1. Conceptual Framework of the Research
4- Research Hypotheses:

4-1- In Internet shopping, price has a statistically significant positive effect on customer purchase intention.
4-2- In Internet shopping, professional knowledge has a statistically significant positive effect on customer purchase intention.
4-3- In Internet shopping, degree of vitality has a statistically significant positive effect on customer purchase intention.
4-4- In Internet shopping, human resource capacity has a statistically significant positive effect on customer purchase intention.
4-5- In Internet shopping, degree of interaction has a statistically significant positive effect on customer purchase intention.
4-6- In Internet shopping, geographical accessibility has a statistically significant positive effect on customer purchase intention.
4-7- In Internet shopping, membership relation has a statistically significant positive effect on customer purchase intention.
4-8- In Internet shopping, degree of customization has a statistically significant positive effect on customer purchase intention.
4-9- Using a decision tree the success of an organization in providing internet services can be predicted.

5- Methodology of Research:

This research is a correlation study and a survey regarding implementation. Both library and field methods of study has been used to collect data. Library method has been used to complete theoretical literature and a researcher-made questionnaire containing 45 questions has been used for collecting required data in connection with potential customers of internet banking. Some of the questions have been derived from the questionnaires of other similar external studies and some of them have been designed by the researchers with regard to the domestic situation. Answers have been set based on the five choice Likert range (very high, high, medium, low, very low). To confirm the reliability of the questionnaires, a number of experts were asked to review and announce their reform views. After applying the necessary reforms in the pilot study 28 questionnaire were distributed among members of the population. According to Table 1, Cronbach's alpha 6 / 75% was calculated and the reliability was ensuring a suitable research tool; then the final questionnaires were distributed among the statistical sample.

<table>
<thead>
<tr>
<th>Sample Volume</th>
<th>Percent</th>
<th>Chronbach's Alpha</th>
<th>No. of Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acceptable samples</td>
<td>27</td>
<td>96.4</td>
<td>0.756</td>
</tr>
<tr>
<td>Non-acceptable samples</td>
<td>1</td>
<td>3.6</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>28</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Table 1. Cronbach's alpha for pilot study

Since the use of internet banking require users to have computer literacy, all of the students of University of Sistan & Baluchestan (about 12,000 people) in educational levels of Associate, BA, BS, MS and PhD were considered as statistical population of research. In
order to increase accuracy of sampling and increase the similarity of sample and population, it was tried to use all educational levels. To calculate the sample volume given that the number of students was over ten thousand, sampling of the unlimited population was used in which the error level was 0.05 and sample volume was 267. To maximize the sample size \( p \) and \( q \) were considered equal to 0.5, significance level was \( \left(1 - \alpha\right) \) and the desired accuracy \( (e) \) were considered respectively 95% and 0.06. Thus sample size was determined as follows using the following formula:

\[
\frac{Z_{\alpha/2}^2 \cdot p \cdot q}{e^2} = \frac{Z_{0.025}^2 \cdot 0.5 \cdot 0.5}{0.06^2} = \frac{0.9604}{0.0036} \approx 267
\]

The collected questionnaires were analyzed by SPSS and SPSS Clementine Client 11.1 software. Pearson correlation test was used to determine the correlation between independent variables and the dependent variable. Also, decision tree technique was used to design a model for predicting the success of Internet banking services.

### 6- Research Findings:

#### 6-1- Hypotheses Test:

<table>
<thead>
<tr>
<th>Independent Variables Regarding to Correlation Rate with Dependent Variable</th>
<th>Dependent Variable: Intention to use internet banking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coefficient</td>
<td>Significance</td>
</tr>
<tr>
<td>1- Membership Relation</td>
<td>0.368</td>
</tr>
<tr>
<td>2- Customization</td>
<td>0.336</td>
</tr>
<tr>
<td>3- Degree of Vitality</td>
<td>0.332</td>
</tr>
<tr>
<td>4- Price</td>
<td>0.329</td>
</tr>
<tr>
<td>5- Human Resource Importance</td>
<td>0.269</td>
</tr>
<tr>
<td>6- Professional Knowledge</td>
<td>0.239</td>
</tr>
<tr>
<td>7- Degree of Interaction</td>
<td>0.221</td>
</tr>
<tr>
<td>8- Geographical Accessibility</td>
<td>0.019</td>
</tr>
</tbody>
</table>

Table 2. Correlation coefficient between independent variables and dependent variable

As it is shown in Table 2, given that significant coefficients obtained for all independent variables except the geographical accessibility are less than 0.05, all hypotheses except the sixth research hypothesis are confirmed based on a positive and significant relationship between membership relation, customization, degree of vitality, price, importance of human resources, professional knowledge and degree of interaction with the intention to use internet banking; but based on significant coefficient obtained for geographical accessibility, this hypothesis is not confirmed.

#### 6-2- Decision Tree:

After identifying the variables influencing the intention of online shopping by customers and confirmation of hypotheses, a model was designed using decision tree technique based on
which some predictions can be done in regard with the conditions of success of internet banking in compare with traditional banking (refer to fig. 2).

Figure 2 shows that, the most important variable is "price". The fact is that two variables, including price and professional knowledge influence mostly on preference of the use of internet banking in compare with traditional banking and also decision tree shows that professional knowledge has the greatest impact on price. Basically, if the relative frequency of "ok" is more than 50%, it means that implication of internet banking could be desirable. Using a decision tree other important results can be also mentioned as following:
Due to node 6, it can be concluded that if the price is too low, implementation of internet banking is recommended for offering services (81.416%).

According to the node 14, it can be resulted that if the price is low and requirement of professional knowledge is also very low, implementation of internet banking is considerably recommended (86.735%).

According to the node 7, we can conclude that if the price is low and requirement of professional knowledge is average, implementation of internet banking is recommended (77.344%).

According to the node 13, it can be concluded that if the price is low and requirement of professional knowledge is average, and also the degree of interactions of bank and customers is in a very high level, implementation of internet banking is considerably recommended (100%).

According to the first node, we can conclude that if the price is relatively high, implementation of internet banking is optimal (65.854%).

According to the node 5, we can conclude that if the price and the need for professional knowledge are very high, internet banking implementation is not optimal at all (0.000%).

<table>
<thead>
<tr>
<th>Predicted Value</th>
<th>Observed Value</th>
<th>Mean value for the dependent and independent variables</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>86.735</td>
<td>76.620</td>
<td>Human Resource Importance (3.951)</td>
<td>Internet Banking</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Professional Knowledge (3.902)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Price (3.853)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Customization (3.765)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Membership Relation (3.595)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Degree of Vitality (3.511)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Degree of Interaction (3.501)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Intention to Use Internet Banking (3.831)</td>
<td></td>
</tr>
</tbody>
</table>

Table 3. Internet Banking Acceptance by Customers

As mentioned, in this study the intention to use internet banking was the most important goal to measure success of internet banking. So, the observed success value of internet banking (76.620) in Table 3 is the customers intention to use internet banking and predicted value of internet banking success is the same predicted value in the last node (node 14) in decision tree which has the value of 86.735. According to the observed and predicted values of success of internet banking, since these two numbers are relatively close together and the
differences are small, it is found that decision tree is a very powerful tool in predicting the success or failure of an organization in providing electronic services. Compared with other techniques of data mining, this technique is widely used in various areas; therefore the decision tree is very strong for data distribution and measurement. And according to the results, the ninth hypothesis is confirmed, i.e. by using a decision tree model success of an organization in providing electronic services can be predicted.

7- Conclusion:
This study has attempted to help identification of some of the characteristics of internet banking service that encourage customers to use internet banking. According to the presented research literature, researchers such as Cho and Park (2002), Lee et al. (2007) and Loonam and O’ Loughlin (2008) have achieved these results that the degree of customization, professional knowledge effect, the degree of interactions, Geographical accessibility, the degree of vitality for the customer, the degree of importance of human resources, necessity of membership relation and price affect on the acceptance of internet banking by customers.

The results of this study also confirm widely the results expressed by these researchers except the influence of geographical accessibility which was not confirmed in considered population. This shows the high creditability of the research. Then data collected were used to develop a predictive model using a decision tree and the results showed an excellent accuracy of predictions. The results of this research will help to predict online success judging by accepting customers and to facilitate better understanding of ways of future adoption of Internet banking services. These findings, confirm the results of work done by Lee et al. (2007) in Korea. So it is recommended to the organizations that provide services through the Internet or are planning to make their services fully online to determine correct and proper conditions for the adoption of e-commerce and the factors that will facilitate or prohibit them to migrate from traditional physical channels to the internet and then to use decision tree prediction model to predict their success or failure that has less error than conventional methods.
References


Promotion objectives, strategies and tools

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Abstract
This paper focuses on Promotion objectives, strategies, and tools used by organizations. Business battles fiercely, making an enormous variety of products to meet different customer needs. In many businesses, promotion is the key to a new product success. Promotion is any technique designed to sell a product to a customer. To sell a product, promotional techniques, we will look at different reasons for & approaches to promotion, When & Why companies use particular tools & strategies & the special promotional problems & solutions of small business.

Keywords: Promotion Objectives; Strategies and tools

Introduction
Promotional Objectives, Strategies, & Tools

In developing a promotional plan, marketers must consider the company's basic promotional objectives. They must develop promotional strategies to reach those objectives. Then as a part of their strategies, they must choose among various promotional tools that may be used alone or in combination.

Promotional Objectives
You may think that the ultimate objective of any type of promotion is to increase sales. You're right. After all, the goal of any business is to make money, & companies make money by making sales. However, products, & control volume.

Communication of Information
A very basic objective of promotion is to communicate information from one person or organization to another. Consumers cannot buy a product unless they have been informed about it.

Information may advise customers about the availability of a product. It may educate them on the latest technological advances. Or it may announce the candidacy of someone running for a government office.

Information may be communicated in writing (newspapers & magazines) It may be communicated verbally (in person or over the telephone) Or it may be communicated visually (television, a match book cover, or a billboard). Today, the communication of
information regarding a company's products or services is so important that markets try to place it wherever consumers may be.

**Product Positioning**

Another objective of promotion, Product Positioning, is to establish an easily identifiable image of a product in the minds of consumers. For example, by selling only in department stores. Lauder products have positioned themselves as more upscale than cosmetics sold in drugstores. Given all the brands & trademarks in the market, marketers seek a unique position in buyer's minds.

Positioning a product is difficult because the company is trying to appeal to a specific segment of the market rather than to the market as a whole. First, the company must identify which segments of a market could be likely purchasers of its product & who is competitors are. Only then can it focus its promotional strategy on differentiating its product from the competition's, while appealing to its target audience.

**Controlling Sales Volume**

Another objective of promotions is sales volume control. Many companies such as Hallmark Cards, experience seasonal sales patterns. By increasing its promotional activities in slow periods, the firm can achieve a more stable sales volume throughout the year. As a result, it can keep its production & distribution systems running evenly. Promotions can even turn slow seasons into peak sales periods. For example, greeting card companies & florists together have done much to create Grandparents' day. The result has been increased consumer desire to send cards & flowers to older relatives in the middle of what was a dry for these industries.

**Promotional Strategies**

Once a firm's promotional objectives are clear, it must develop a promotional strategy to achieve these objective. Promotional strategies may be of the push or pull variety. A company with a Push strategy will aggressively push its product through wholesalers & retailers, who persuade customers to buy it. In contrast, a company with Pull strategy appeals directly to customers who demand the product from retailers, who in turn demand the product from wholesalers.

Makers from industrial products most often use a Push strategy And makers of consumer products most often use a Pull strategy. Many large firms use a combination of the two strategies. For example, General Foods uses advertising to create consumer demand (pull) for its cereals. It also pushes wholesalers & retailers to stoke these products. Once the promotional strategy has been determined, it guides the company's choice of promotional objectives & the types promotional communicational tools that will be used.
Picking the Right Tools for the Promotional Mix

Based on these strategies, the firm must select promotional tools. There are four basis types of promotional tools: Advertising, Personal selling, Sales promotions, & Publicity & Public relations.

The best combination of these tools—the best promotional mix—depends on many factors. The company’s product, the costs of different tools versus the promotional budget, & characteristics in the target audience all play a role.

The product. The nature of the product being promoted affect the mix greatly. For example, advertising can reach a large number of widely dispersed consumers. Thus it is used by makers of products that might be purchased by anyone, like sunglasses, radios & snack foods. Companies introducing new products also favor advertising because it reaches many times. Personal selling, on the other hand, is important when the product appeals to a very specific audience, such as piping or pressure gauges for industrial accounts.

Cost of the tools. The cost of communication tools is also important. Because personal selling is an expensive communicational tool, it is most appropriate in marketing high-priced goods like computers for industrial customers & homes for consumers. In contrast, advertising reaches more customers per dollars spent.

A promotional mix that is good for one company is not really good for another. For example, Frito-Lay can afford to spend millions of dollars on advertising & consumer promotions to promote Ruffles Cajun Spice potato chips nationally. But Zapps Potato Chips of Gramercy, Louisiana, the innovator in Cajun flavor potato chips, must rely on personal selling & publicity to promote its Cajun Craw-taters locally.

Promotion & Buyer Decision Process. Another consideration in establishing the promotional mix is the stage of the buyer decision process that customers are in. Customers must first recognize the need to make a purchase. At these stage marketers need to make sure buyer is aware that their products exist. Thus, advertising & publicity, which can reach a large number of people very quickly, are very important.

At the next stage, customers want to learn about possible products. Advertising & personal selling are important because they both can be used to educate the customer about the product. During the third stage, customers will evaluate & compare competing products. Personal selling is vital at this point because sales representatives can demonstrate their product's quality & performance in direct relation to the competition's product.

Next, customers decide on a specific product & purchase it. Sales promotion is effective at these stage because it can give consumers an incentive to buy. Personal selling can also help by bringing the product to convenient location for the consumer.

Finally, consumers evaluate the product after buying it. Advertising, or even personal selling, is sometimes used after the sale to remind consumers that they made wise & prudent purchases.
Advertising Strategies

Advertising strategies most often depend on which stage of the product life cycle their product is in. During the introduction stage, Informative Advertising can help develop an awareness of the company & its product among buyers & can establish a primary demand for the product. For example, when a new textbook is being published, instructors receive direct-mail advertisements notifying them of the book's contents & availability.

As products become established, advertising stages must change. During the growth stage, Persuasive Advertising can influence customers to buy the company's products, not those of its rivals. For example, during its growth stage, Advil used this approach to attract buyers of Tylenol & other pain relievers. Persuasive advertising is also important during the maturity stage to maintain the product's level of sales. In addition, Comparative Advertising may help to steal sales away from the competition. After proclaiming that << most people in Ford country drive Chevy pickups>>, the ad then discusses specific features of the two brands, in a classic example of the comparison approach.

Finally, during the latter part of the maturity stage and all of the decline stage, Reminder Advertising keeps the product's name on the tip of the consumer's lips. And so Atari continues to advertise its home video games, even through attention has shifted over to a newer competitor, Nintendo.

Whatever the product's life cycle stage, advertising strategies must consider timing. Should the organization advertise throughout the year on a continual basis, or seasonally? Companies such as commercial banks space ads evenly throughout a year.

Advertising Media

In developing advertising strategies, marketers must also consider the best Advertising Media for their message. IBM, for example, uses television ads to keep its name fresh in consumers' minds. But it uses newspaper & magazine ads to educate consumers on the product's abilities & trade publication to introduce new software. Each advertising medium has its own advantages & disadvantages.

Newspapers. Newspapers are the most widely used advertising medium, accounting for about 27% of all advertising expenditures. Newspaper offer excellent coverage, since each local market has at least the daily newspaper & many people read the paper ever day (Like you are). This medium offers believable coverage, since ads can change from day to day. It also offers believable coverage, since ads are presented side-by-side with news. However, newspapers are generally thrown out after one day, often cannot print in color, & have poor reproduction quality. Moreover newspapers don't usually allow advertisers to target their audience very well.

Television. Television accounts for about 22% of all advertising expenditures. In addition to the major networks, cable television is becoming a major advertising medium. Cable ad revenues have increased from 58$ million in 1980 to 1.4 $ billion in 1988, & are projected to be over 2$ billion by 1990.

Television allows advertisers to combine sight, sound, & motion, thus appealing to almost all the viewer's senses. National advertising is done on television because it reaches more people than any other medium.
One disadvantage of television is that there are too many commercials, causing viewers to confuse products. Most people for example, can't recall whether a tire commercial was for Firestone, or Goodrich. Viewers of VCR tapes of shows often fast-forward past the ads. Another disadvantage, is that the normal << Commercial spot>> lasts only a short time (usually 30sec), & then its gone. If the viewer is not paying attention, the impact of the commercial is lost. Brevity also makes television a poor medium in which to educate viewers about complex products. Finally television is the most expensive medium. A 30sec commercial during the Super Bowl costs about 750,000$!

Direct Mail. Direct Mail advertisements account for 17% of all advertising expenditures. As the name implies, direct mail often involves fliers mailed directly to consumers' homes or places of business. Direct Mail allows the company to select its audience & personalize the message. Consumers are also exposed to far less direct mail than to other advertising media. Moreover, although direct mail incurs the largest advance costs of any advertising. These features have helped to make direct mail a fast-growing advertising medium.

Radio. About 7% of all advertising expenditures are for radio time. A tremendous number of people listen to the radio each day, and radio ads are very inexpensive. In addition, since most radio is programmed locally, this medium gives advertisers a high degree of customer selectivity. For example, radio stations are already segmented into listening categories such as rock & roll, country & western, jazz, talk shows, news & religious programming.

Like television however, radio ads are over quickly. And radio permits only an audio presentation. Also people tend to use the radio as a background while they're doing their things, paying little attention to the advertisements.

Magazines. Magazine advertising accounts for roughly 5% of all advertising. The many different magazines on the market provide a high level on consumer selectivity. Magazine advertising also allows for excellent reproduction of photographs & artwork that not only grabs buyer's attention, but may also convince them on the product's value. And magazine allow advertisers plenty of space for detailed product information. Another advantage of magazines is that they have a long life & tend to be passed from person to person, thus doubling & tripling the number of exposures.

The problem with magazine advertising is that ads must be submitted well in advance to be included in a certain issue. Often there is no guarantee of where within a magazine an ad will appear. Naturally, a company would prefer to have its advertisement appear near the from of the magazine or within a feature article.

Outdoor. Outdoor advertising – billboards, signs, & advertising buses, taxis, & subways-makes up a little more than 1% of all advertising. These advertisement are relatively inexpensive, they face little competition for customer's attention, & they are subject to high repeat exposure. Unfortunately, companies have little control over who will see their advertisement.

Types of Advertising

Regardless of the media used, advertisements fall into one of several categories. Brands Advertising promotes a specific brand, such as Kodak 126 film, Head & shoulders shampoo, & Nike Air Jordan basketball shoes. Advocacy Advertising promotes a particular
candidate or viewpoint, as in ads for political candidates at election time and antidrug commercial. Institutional Advertising promotes a firm's long-term image, as when AT&T assures customers that it is the right choice.

**Advertising to Specific Market's**

Advertisements also differ in to whom they are directed. That is, advertisements depend on the company's target market. In consumer markets, local stores usually sponsor retail advertising to encourage consumers to visit the store & buy its products & services. Larger retailers use retail advertising on both a local & national level. Often retail advertising is actually cooperative advertising, with the cost of the advertising shared by the retailer & the manufacturer.

In industrial markets, to communicate with companies that distribute its products. Some firms use trade advertising publications. And to reach the professional purchasing agent & managers at firm buying raw material or components, companies use industrial advertising.

**Relation of Advertising**

Advertising affects nearly every American. Because it can be used to deceive as well inform buyers, advertising has increasingly come under regulation. The first regulation of advertising activities came in 1914. this act created the Federal Trade Commission to protect competition from unfair trade practices.

Members of the advertising industry also regulate themselves to some degree. Advertising media, including television networks & local stations magazines, & newspapers, decline ads they believe to be false or in poor test. And the National Advertising Review Board investigates complaints against national advertisers. If it finds in favor of the advertiser, chargers are dropped. If it finds in favor of the complaining party, then the advertiser must modify or withdraw its claim.

**Personal Selling Promotion**

Virtually everyone has engaged in some sort of sales activity. Perhaps you had a lemonade stand or sold candy for the drama club. Or you may have gone on a job interview-selling your abilities & service as an employee to the interviewers company.

Personal selling- the oldest form of selling- is a vital cog in many companies' promotional efforts. It provides the personal link between seller & buyer. It adds to a firm's creditability because it provides buyer with someone to interact with & to answer their questions.

Because it involves personal interaction, however, personal selling requires a level of trust between the buyer & the seller. When a buyer feels cheated by the seller, that trust has been broken & negative attitude towards salespeople in general develops. To counteract this reputation, many companies are emphasizing customer satisfaction & generally striving to improve the effectiveness of whatever personal selling they undertake.

Personal selling is also most expensive form of promotion per contact because presentations are generally made to one or two individuals at time. Personal selling expenses
include salespeople's compensation & their overhead, usually travel, food & lodging. The average cost of sales call has been estimated an approximately $240 & has been increasing rapidly in recent years. The high cost of personal sales have promoted many companies to set up Telemarketing departments. Telemarketing is the use of the telephone to carry out many of the activities involved in marketing a company's products. Telemarketing can be used to handle any stage of the personal selling process or to set up appointments for outside sales people.

Types of Personal Selling Situations

Managers of both telemarketing & traditional personal sales people must always consider how personal service are affected by the difference between consumer products & industrial products. Retail selling involved selling a consumer product for the buyer's own personal or household use. Industrial selling deals with selling products to other businesses, either for manufacturing other products or for resale.

Each of this selling groups situations has its own distinct characteristics. In retail selling the buyer usually comes to the seller. The industrial salesperson almost always goes to the prospect's place of business. The industrial decision process also may take longer than a retail decision because more money, decision makers, & weighting of alternatives are involved. And industrial buyers are professional purchasing agents who are accustomed to dealing salespeople. Consumers in retail stores, on the other hand, may be intimidated by salespeople.

Personal Selling Tasks

Improving sales efficiency also requires marketers to consider salespeople's tasks. Three basic tasks are generally associated with selling: order processing, creative selling, & missionary selling. Sales jobs usually require salespeople to perform all three tasks to some degree, depending on the product & the company. As you will see, this tasks differ in the skills required, the methods used, & the reasons for using them.

Order Processing. At the most basic level, Order Processing, a salesperson receives an order & sees to the handling & delivery of that order. Route salespeople are often order processors. They call on regular customers to check the customer's supply of bread, milk, snack foods, or soft drinks. Then, with a customer's consent, they determine the size of the reorder, fill the order form their trucks, & stack the customer's shelves.

Creative Selling. When the benefits of the produce are not clear, creative selling may persuade buyers. Most industrial products involves creative selling because the buyer has used the product before or may not be familiar with the features & uses of a specific brand. Personal selling is also crucial for priced consumer products, such as homes, where buyers comparison shop. Any new product can benefit from creative selling can help to create a need.

Missionary Selling. A company may also use missionary selling to promote itself & its products. The goal of missionary selling is to promote the company's long-term image than to make a quick sale.
The Personal Selling Process

Although all three sales tasks are important to an organization using personal selling, perhaps the most complicated is creative selling. It is the creative salesperson who is responsible for most the steps in the personal selling process described here.

Prospecting & Qualifying. In order to sell, a sales person must first have a potential customer, or prospect. Prospecting is the process of identifying this potential customers. Salespeople find persons through past company records, customers, friends, relatives, company personnel, & business associates. Prospects must then be qualified to determine whether or not they have authority to buy & the ability to pay.

Approaching. The first few minutes that a salesperson has contact with a qualified prospect are called the approach. The success of later stages depends on the prospect's first impression of the salesperson, since this impression affects the salesperson's creditability. Thus, salespeople need to present a neat, professional & to greet prospects in a strong, confident manner.

Presenting & Demonstrating. Next, the salesperson must present the promotional message to the prospect. A presentation is the full explanation of the product, its features, & its uses. It links the product's benefits to the prospect's needs. A presentation may or may not include a demonstration of the product.

Handling Objections. No matter what the products, prospects will have some objections. At the very least, prospects will object to a product's price, hoping to get a discount. Objections show the salesperson that the buyer is interested in the presentation & which parts of the presentation the buyer is insure of or has a problem with. They tell the salesperson what customers feel is important & essentially, how to sell them.

Closing. The most critical part of the selling process is the close, in which the sales person asks the prospective customer to buy the product. Successful salespeople, recognize the signs that a customer is ready to buy. Salespeople can ask directly for the sales or they can indirectly imply a close. Questions such as << Could you talk delivery Tuesday?>> & << Why don’t we start you off with an initial order of ten cases ?>> are implied closes. Such indirect closes place the burden of rejecting the sale on the prospect, who often will find it hard to say no.

Following Up. The sales process doesn’t end with the close of the sale. Most companies wants customers to come back again. Sales follow-up activities include fast processing of the customer’s orders & on-time delivery. Training in the proper care & usage of the product & speedy service if repairs are needed may also be part of the follow-up.

Sales Promotions
Sales promotions (motivators) are a very important factor in the promotional mix because they increase the chances that consumers will try a product. They also enhance recognition for the products. And they can increase the purchase size & amount. Did you ever here a promotional slogan << buy three & get one free>>.

To succeed, however, sales promotions must be convenient & accessible when the decision to purchase occurs.
Types of Sales Promotions

Sales promotions can talk a variety of forms. The best known are coupons, point of purchase displays, free samples, trading stamps, premiums, trade shows, trade promotions, & contests & sweepstakes.

Coupons. Any certificate that entitles the bearer to a stated savings off a product's regular price is a coupon. Coupon may be used to encourage customers to try new products, to attract customers away from competitors or to include current customers to buy more of a product. They appear in newspapers & magazines & are often sent through direct mail.

Point- of – Purchase Displays. To grab customer’s attention as they walk through the store, some companies use Point of Purchase Displays. Displays located at the end of the aisles or near the checkout in supermarkets are POP displays. POP displays are always coincide with a sale or the item being displayed. They also make it easier for customers to find a product & easier for manufacturers to eliminate competitors from consideration. The cost of shelf & display space, however, is becoming more & more expensive.

Free Samples. Trading Stamps, & Premiums. Purchasing incentives such as free samples, trading stamps, & Premiums are used by many manufacturers & retailers. Premiums are gifts, such as pens, pencils, calendars, & coffee mugs, that are given away to customers in return for buying a specified product. Retailers & wholesalers also receive premiums for carrying some products.

Trade Shows. Periodically, industries sponsor Trade for their members & customers. Trade shows allow companies to rent booths to display & demonstrate their products to customers who have a special interest in the products or who are ready to buy. Trade shows are relatively inexpensive & are very effective, since the buyer comes to the seller already interested in a given type of product.

Contests & Sweepstakes. Customers, distributors, & sales representatives may all be persuaded to increase sales of a product through the use of contest. For example, distributors & sales agents may win a trip to Hawaii for selling the most pillows in the month of March. Although sweepstakes can’t require consumers to buy a product to enter, they may increase sales by stimulating buyers’ interest in a product.

Publicity & Public Relations Promotions

Much to the delight of marketing managers with tight budgets, Publicity Is FREE. Moreover, consumers see publicity as objective & highly believable. Thus, it is a very important part of the promotional mix. However marketers often have a little control over publicity.

Public relations is company- influenced publicity. It attempts to establish a sense of goodwill between the company & its customers through public service announcements that enhance the company’s image. From this topic, so far, you may think that only large companies can afford to seriously promote their goods & services. Although small businesses have fewer resources, cost – effective promotions can improve sales & enable small firms to complete with a much larger firms.
Small Business Advertising

The type of advertising chosen by a small business depends on the market the firm is trying to reach: Local, National, International.

Local Markets. Advertising is non prime-time slots on local television offers great impact at a cost many small firms can afford. More commonly through, small businesses with a local market use newspaper & radio advertising & increasing direct mail.

National Markets. Many businesses have grown from small to large operations by using direct mail, & particularly catalogues. By purchasing mailing lists of other companies’ customers, a small firm can target its mailing, reducing costs. The ability to target an audience also makes specialized magazines attractive to small businesses.

International Markets. Television, radio, & newspapers are seldom viable promotional options in reaching international markets because of both their costs and their limited availability. Most small firms find direct mail & magazine advertising the most effective promotional tools.

Small Business Personal Selling

Like advertising, personal selling strategies used by small businesses depend on their intended market.

Local markets. Some small firms maintain a sales force to promote & sell their products locally. Others contract with a sales agency – a company that handles the products of several companies – to act on their behalf. Insurance agents who sell insurance for several different companies are sales agencies.

National Markets. Because of high costs of operating a national sales force, many companies have established telemarketing staffs. By combining telemarketing with a catalog or other educational product literature, small companies can sell their products national & compete against much larger companies.

International Markets. Small companies can’t afford to establish international offices in order to conduct businesses. Even sending sales representatives overseas is expensive. Thus, many small companies have combined telemarketing with direct mail in order to expand internationally. Small businesses often depend on an interesting or unusual sign to attract new customers.

Small Business Sales Promotions

Small companies use the same sales promotion incentives that larger companies use. The difference is that larger firms tend to use more coupons, POP displays, & sales contests. Smaller firms rely on premiums & special sales, since coupons & sales contests are more expensive & difficult to manage.

Small Business Publicity

Publicity is very important to small businesses with local markets. Small firms often have an easier time getting local publicity than do national firms. Readers of local papers like to read about local companies, so local papers like to write about such businesses. But fierce
competition for coverage in national & international publications limits the access small businesses have to those markets.

**Distributing Goods & Services**

In selecting a distribution mix for getting its products to customers. A firm may use any or all of six distributing channels. The first are aimed at consumers & the last two at industrial customers. Channel 1 involves a direct sale to the consumer. Channel 2 includes a retailer. Channel 3 also includes one wholesaler, while strategies include intensive, exclusive, & selective distribution.

Wholesalers act as distribution intermediaries, extending credit & storing, repackaging, & delivering the product to other members of the distribution channel. Full-service, & limited-service, merchant wholesalers differ in the number of distribution functions they offer. Agents & brokers never take legal possession of the product.

Retailing involves direct interaction with the final consumer. The major types of retail stores are department, specialty, bargain, convenience, supermarkets, & hypermarkets. (Like in Moscow). They differ in terms of size, services, & product type they offer, & product pricing. Some retailing also takes place without stores, through the use of catalogs, vending machines, & video marketing. According to the wheel of retailing, conventional retailers are periodically Displaced by low-priced innovative retailers, who then become more conventional & subject to displacement.

Distribution ultimately depends on physically getting the product to the buyer. Physical distribution includes customer-service operations such as order processing. It also includes warehousing & transportation of products. Warehouses may be public or private & may be used for long-term storage or serve as distribution centers. Costs of warehousing include inventory control & materials handling.

Truck, plane, railroad, water, & pipeline transportation differ in cost, availability, reliability of delivery, & speed. Air is the fastest but most expensive. Water carriers are the slowest, but least expensive. Most products are moved by truck at some point. Transportation in any form may be supplied by common carriers, freight forwarders, contract carriers, or private carriers.

**Developing & Pricing Products**

Products are a firm’s reason for being, their features offer benefits to buyers, whose purchases are the source of business profits. In developing products, marketers must take into account whether their market is individual consumers or other firms. Marketers must also recognize that buyers will pay less for & worry less about the exact nature of convenience goods than about shopping & specialty goods. In industrial markets, expensive items are generally less expensive & more rapidly consumed than are capital items.

The seven stages of product development are development the ideas, screening, concept testing, business analysis, prototype development, test marketing, & commercialization stage.

When new products are launched, they have a life cycle that beings with their introduction & progresses through stages of growth, maturity, & decline Revenues rise
through the early growth period; sales rise through the late maturity period. In terms of the growth–share matrix, this progression appears as a product moves from questions mark to star to cash cow to dog.

Each product is given a visible identity by its brand & the way it is packaged & labeled. National, licensed & private brands are developed to create brand loyalty. Packaging provides an attractive container & advertises the product. The label informs the consumer of the package contents. The pricing of the product will determine its business success, depending on the business objectives that are being sought. Profit maximization, market share, & other business objectives may be relevant to the pricing decision. Economic theory, cost-oriented pricing, & break-even analysis are used as tools in determine prices.

Pricing also involves choices of a basic pricing strategy can be used for new products. Existing products may be priced at, above, or below prevailing prices for similar products, depending on the other elements in the marketing mix. Within a firm’s pricing strategies, managers set prices using tactics such as price lining, psychological pricing, & discounting.
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INTEGRATED BUSINESS STRATEGY FOR INTERNATIONALIZATION PROCESS: CASE STUDY ON KOREAN COMPANIES ENTER CHINA CONSUMER ELECTRONIC MARKET

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Abstract
In the recent years, a number of emerging issues are posing serious challenges to the consumer electronic companies. Hence, these consumer electronic companies enter the new area, dramatic challenges begun such as globalization, information technology advancement, competition and financial constraints. Thus understanding the problems and think a way to expand and strategies electronic company’s to future progress and grows. Therefore this article explore the integrated business strategy based on the case study on two Korean’s consumer electronic companies in their internalization process, in particular concentrated on enter into China’s market. Based on the finding of qualitative analysis, this paper proposes a model to integrate international marketing, business and operation strategy from some literatures on internationalization process models and a case study on two Korean companies for enter into foreign market. This conceptual paper is aiming to incorporate both theoretical and practical business strategies into firm’s international expansion. We finish with implication for international management, and a concluding statement.

Key words: Integrated Business Strategy, Globalization, Strategic Management, Consumer Electronic Market

INTRODUCTION
Conventionally, the motives that encourage firm expand their business to other countries, including access to distinctive resources, access to greater market growth, take advantage of the economies of scale, (Hutzschenreuter ,D’Aveni & Voll 2009).Other reasons are competition among competitors such as large and major players of consumer electronic company, they need to expand their business internationally in order to stay competitive in the industry.

The consumer electronics industry is rapidly growing globally, with many innovative products being invented by recent advances technology. Due to the current ‘digital revolution’, many older product formats up dated by more advanced technology and has driven massive increases in consumer demand (Datamonitor, 2006). The product segment of global consumer electronic industry has divided in three categories, which is sale of video, audio and games consoles (Datamonitor, 2005). The global market is approximately equally distributed between the US, Europe and Asia-Pacific. The Americas region accounts for 38% of the global market, and is dominated by the US market. Additionally, the economic growth in substantial markets such as China and India has also boosted global consumer electronic market revenue (Datamonitor, June 2006).

The advancement of technology has contributed many great advantages and motivation to the company to internalize their business; due to the success of the communication and information technology, transportation and infrastructure technology. It
shortens the distance among the countries; help companies more easily operate their business globally via e-mail, video conferencing and e-commerce. Globalization is accelerated by improvement of information and communication technology, it increases connectivity and interdependence of the world’s markets and business (Lunga, 2008). Beside the great invention of technology, the government and economic of the countries have played an important role in the process of globalization. Country’s government who willing to reduce barriers for trading will ease the company for internationalizes. (Lasserre, 2003).

This paper begins with review the literature of globalization, internationalization process models, and highlights the importance of integrated business strategies. Presents studies analyze the integrated business strategies from a case study based on two major Korean companies in the global consumer electronic market, entering into china market, i.e. LG and Samsung. We propose a model for integrated business strategies in foreign market and finally the implication for international business and conclusion.

PROBLEM STATEMENT

Dealing with international market it is more complex compare to indigenous market. Therefore, the company’s strategies are needed to re-evaluate more frequent in order to stay competitive. An integrated strategy is needed to improve the company’s internationalization process.

LITERATURE REVIEW

Globalization

Most of the researchers regards the word ‘global’ and ‘international’ are to be used interchangeably (Scholte, 2008). Scholte (2008) illustrated that when the increase of transactions and interdependence between two countries, the concept of globalization or internationalization is emerging. Lunga (2008) commented that the rest of the world will be benefited when globalization happen, as it having the potential to create greater opportunities for company’s growth globally. Globalization created an “interrelated, interconnected, and interdependent, a total interconnected marketplace, unrestricted by time zones or national boundaries (Lunga, 2008). Country’s economic health becomes more inter-related. The opportunity and competition with a marketplace is increased at the same time (Lasserre, 2003). Rugman (2000) argued that globalization is actually either regionalization or trading between the three great trading blocs of the world, which is North America, Europe and the Far East.

Internationalization Process Models

The internationalization process theory introduced that firms are internationalize slowly by developing step by step from producing and serving for the domestic market to exporting via agents and abroad sales offices in foreign market (Amdam, 2009). Firm find easier to expand their business in countries that with short psychic distance to the domestic market, which mean firm tend to expand to the country with less different in term of business laws, education level, languages and culture (Benito & Gripsrud, 1992; Kogut & Singh, 1988; Amdam, 2009). According to this theory, firm will provide stronger commitment in internationalize business to the foreign market when they learn more about the international
operation. The learning of the market specific operation knowledge is develops over time by involvement of the business activities in that market. (Amdam, 2009) In addition, Johanson & Vahlne (2003) suggested strong business networks are important in the internationalization process.

Many researches have been conducted for different phenomenon of internationalization such as the location, mode or timing of internationalize Along the research most of the scholars are focus on internationalization models on the temporal and geographical dimension (Hutzchenreuter et. al, 2009). Based on the timing aspects, there are numerous literatures emerged on the internationalization frameworks. (Hutzchenreuter et. al, 2009), such as:-

- Vernon’s (1966) first approaches to explain internationalization process in three-stage model; first stage, company choose to export to the developed countries, second stage, company strengthen its export activities and being to invest in developed countries, and final stage are choosing to invest in developing countries.
- Uppsala Internationalization model by Johanson and Wiedersheim-Paul (1975) argue that due to require to learning about other country, firm tend to expand in a small steps, there are four successive stages in Uppsala-Model, stage one with no regular export activities, stage two are export product via independent representatives or agents, stage three is establishing overseas sales subsidiary, finally establishing overseas production or manufacturing units.
- Bilkey and Tesar (1977) propose six-staged model of export behavior.
- Chang (1995) focus on increasing commitment.
- According to Song (2002) previous investment serves as future upgrading of internationalize activities.
- Jones and Coviello (2005) commented that that Internationalization event happen in specific point of time.

**Integrated Business Strategies**

This section of the literature review of reflected how the integrated business activities will increase firm’s efficiency and effectiveness in internationalization process. The right combination of the business, marketing and operation activities in internationalization process will produce competitive advantage to the firm.

**Case Study for Samsung Integrated Business Strategies**

**Market Entry Strategy**

There are many different methods that a company could exist in the foreign countries; some companies might set up manufacturing plant, R&D laboratory, sale subsidiaries, offices through partnership and franchise. The selection of the methods depends on the company resources and the market place’s openness (Lasserre, 2003). Samsung’s strategy to enter China can be divided into three stages First stage is in the early 1990s, strategy to secure production base, second stage is in the second half of 1990s, shift its aim to product high-quality product segment and third stage is try to make China as a key market for sales (Choi, 2003).
Commitment Strategy; Second headquarters

Samsung developed a second headquarters in China in order to strengthen its operations over there. Headquarters in China are giving supervision to its 21 manufacturing companies. This second headquarters will control the recruitment and deployment of personnel as well as sale channels in China. It was also responsible for set up the Samsung’s long term vision for China, conducting market survey and setting up marketing strategy. Its goal is to consolidate the strategy planning and well delegate to individual companies in order to maximize the group’s synergies (Nomura Research Institute, 2003).

Production and R&D Strategies

According to the Electronic News on 29 December 2003, Samsung Electronics Co. Ltd. announced the expansion of its Suzhou, China business, its facility with a new assembly and final test line, and an R&D center for package technology and local engineering support. The new R&D center, Samsung Semiconductor China R&D Co. Ltd. (SSCR), is the company’s first R&D center for the core component business established in China. Referred to Yoon Woo Lee, the president and CEO of Samsung’s electronics' device solution network business mentioned The R&D center and production line will increase local customer support and strengthen their relationship with China's IT industry and academia (Choi, 2003).

Case Study for LG Group’s Integrated Business Strategies

Market Entry Strategy

LG enter China in 1993 which slightly later than Samsung, for the purpose of reducing their production costs (Choi, 2003). It began by establishing an audio equipment and CR-ROM production in Huizhou, then set up LGESG in Changsha in August 1994 to manufacture cathode ray tubes, and LGETA in Tianjin in August 1995 to manufacture air conditioners and microwave ovens. Most of the products they manufactured were lower-priced, thin-print-margin household electrical appliances aimed at the Chinese domestic market (Choi, 2003).

Expanding Local Production

LG have to expand its local production to compete with the LG’s competitors i.e. Haier Group, become the world’s largest manufacturer of air conditioners, refrigerators and washing machines and the Legend Group, the world- class company that ranks fourth worldwide behind Sony, Matsushita and Philips in color television manufacturing capacity. Originally, the Chinese market for low-priced household electronic appliances, but Chinese’s domestic manufacturer which is LG’s competitors they are able to improve their technological expertise and product marketability at a much faster pace than had been expected, soon LG realized that they were limits to what it could do by simply expanding its local production (Choi, 2003).

Differentiation Strategy

LG Group chairman Koo Bon –Moo chaired a China Strategy Conference attended by some 30 top managers from its electronics and chemicals division in Shanghai in October 2001, announced LG’s second phase China strategy. LG Group’s new strategy is called “Bipolar” strategy which serves the high-income and moderate income market. It offers high
value-added digital home appliances to high-income and low-priced general household appliances to people with more moderate income level. (Choi, 2003)

Commitment and Localization Strategy

LG electronics established its local subsidiary in Huizhou in 1993, the LG group’s 12 subsidiaries have come to manage some 34 local companies, including 22 manufacturers. LG Group is enthusiastic and committed to its business in China; they built LG Beijing Towers which is centrally located on Beijing’s Chang’an Avenue close to Tiananmen Square, the complex have two towers with 30 stories above the ground and four stories below (Choi, 2003). This headquarters are promoting LG’s localization strategy in China, Roh Yong-Ak, vice chairman of the LG Electronic China holding company, is stressing that the construction of LG company headquarters does not symbolize LG’s success as a foreign company in China. It symbolizes the fact that they are determined to become a ‘Chinese company’ (Choi, 2003).

Strategy Alliance

LG is aggressively pursuing global partnership in selected business and technology areas by establishing a wide ranging of strategic alliances with world leading companies in order to becoming first mover in the market and leading the industry standard for example LG is concentrating on strengthening strategic alliances in the digital TV industry.

Brand Management Strategy

LG launches worldwide brand management strategy on 12 December 2004 (United Arab Emirates). Its global and regional digital leader LG Electronics has integrated its brand campaigns and strategies at a global level to strengthen brand management systems. LG has set up a management system, LGePR, to manage its global brand campaigns and LG has come out an integrated Brand Communications Guideline and slogan, Life's Good. K H Kim, the president of LG Electronics Middle East and Africa Operations stated that they are aiming to be the top three consumer electronic manufacturers in the world, and their global public relations mission is to empower the LG brand; implement strategies to increase brand recognition and position LG Electronics as a digital convergence leader.

RESEARCH METHODOLOGY

The two firm Samsung and LG are chosen for case study are the large Korean consumer electronic company which successful operated they business in the global market. They provide and manufacture electronic appliances and devices such as TVs, computers and related products semiconductors, fiber optic products. Both have their headquarters in Seoul, South Korea and operate in more than 30 countries, employ more than 82,000 peoples operates subsidiaries and retail outlets around the world include the Europe, Asia, North America, Central and South America.

This paper aim to investigate what is the integrated strategies they adopted for internationalize their company; qualitative methods were selected because it is more on exploratory study. Issues were addressed to the key strategic decision makers for different department of the company, such as Chief Executive Officer and, Managing Director, etc. Through secondary data research on the company website find out their strategies for
internationalization and later focus on what are the integrated strategies for enter into China market.

FINDING
International Marketing Strategies
Market Entry Strategies

Samsung’s former business was export goods to China. The company was founded on 1938 by Byung-Chull Lee started his business in Taegu, Korea. At first, this little business was primarily trading by export, selling dried Korean fish, vegetables, and fruit to Manchuria and Beijing. In the other hand, LG was started as an exporter in 1962, exported radio to the US and Hong Kong as Korea’s first. By export it products follow by set up sale subsidiary, services subsidiary and R&D in US the key market; it help LG to become a global player. Initially, due to the attractiveness of the low cost production at China, most of the companies, including Samsung in early 1990s and LG in 1993 slightly late then Samsung; both had operated their business at China by building up manufacturing plant. In order to continues growth and maintain the company, LG have a number of partnership with the selected companies, established a wide ranging of alliances and collaboration with world leading companies. For example, in 1999, LG have established a joint venture with Philips. Respond to the rapid changing digital era, LG has established a wide ranging strategic alliance with the world leading companies. Through collaboration efforts with the world class technologies, it enables LG to strengthen its status and has a solid basis of growing into a front runner of the multimedia industry.

Diversification

The similarities we could find among the leading companies of consumer electronic are the companies diversify their business into many different products or segments. They are not only dealing with consumer electronic products or segments. They have their own diversify area, for example, Sony is in the entertainment industry through subsidiaries dealing with recorded music, motion pictures, TV programming, DVDs and videos, but Koninklijke Philip Electronics is provides a range of products, from medical systems, domestic appliances and personal care and consumer electronics to lighting and semiconductors.

Marketing Mix

Samsung used high quality products to carry out its 5 percent strategy by selecting and concentrating targeted market. In the other hand, LG have invested more in R&D to carry out its LG’s technology strategies. Aim to develop No. 1 products and reinforce its core technological capability. LG’s ‘bipolar’ strategy has a two pricing product; one for the high income, another for medium income. Advertising is important in this industry, to build up brand recognition LG’s have been investing in lot of brand awareness activities and campaigns. In 1995, LG realised that to success on the world market it was necessary to have a global name: for this reason LG has launched worldwide brand management strategy; the company has integrated its brand campaigns and strategies at a global level to strengthen brand management systems. Public relations LG has set up a brand management system, LGePR, to manage its global brand campaigns and LG has come out an integrated Brand Communications Guideline and slogan, Life's Good that can be understood everywhere and
that can become a very important competitive asset. K H Kim, President, LG Electronics Middle East and Africa Operations stated that they are aiming to be the top three consumer electronic manufacturers in the world, and their global public relations mission is to empower the LG brand; implement strategies to increase brand recognition and position LG Electronics as a digital convergence leader. **Place** Samsung’s selection and concentration strategy and ‘5 percent’ strategy, they only target urban areas for example, 10 major cities including Beijing, Shanghai and Tianjin, and comprise some 65 million people who have high purchasing power.

### International Business Strategies

#### Standardization

Globalization of business is a must for certain industry to continue staying competitive among its competitors. For example in the consumer electronic industry, there are a few multinational companies that dominate the market elsewhere, like LG, Sony, Samsung, Philip and the other well known brand that everyone can name. They all have business standardize globally. They have set up office, sale subsidiaries, manufacturing plant, R&D laboratory, website, and e-commerce and so on, in different foreign countries.

#### Differentiation

Professor Michael Porter, from Harvard Business School, has mentioned that a successful competitive strategy needs to be either Cost leadership, Differentiation or Specialization. Some books called it Porter generic strategies or Porter’s model of competitive advantage. Lasserre (2003) stated that this typology can apply to global positioning, which means the company can either position itself as a Global differentiator or a Global cost leader. Samsung had applied **differentiation**, it start from selection and concentration and in the latter stage Samsung only focus on selling high quality product; it is called 5 percent strategy. Samsung initially competed with the "Cost leadership" strategy, which opened plants in China to mass-produce the low to medium priced products. Most of the products were exported back to Korea or to third countries and the remainders were sold in China. Once into the second half of the 1990s the Chinese economy started growing rapidly. Samsung had started to switch it competitive strategy to "Differentiation" strategy called 5 percent strategy. The company is aiming to be unique from other competitors by using a high quality product rather than the low cost mass production's product; by selected and concentrated on 65 million people whose have high purchasing power to buy high quality products. It helped avoid the intensity of price competition and strengthen the brand name by manufacturing and selling high-quality products.

#### Localization

Company that has their own organization design will help effectively aligned with the company’s overall global strategy and strategic orientation. Some of the role of organization design is to maximize company’s global-scale efficiently, gaining global coordination, generate global learning, adapting to local conditions and exploit location economies. The efforts to localization, for example set up headquarter at China and use the local employee. This helped LG to get to local information easily, and used this information to generate a suitable marketing strategy. Headquarters for promoting LG’s localization strategy in China, Roh Yong- Ak, vice chairman of the LG Electronic China holding company, is stressing that
the construction of LG company headquarters does not symbolize LG’s success as a foreign company in China. It symbolizes the fact that they are determined to become a ‘Chinese company’.

Level of Commitment

Samsung expanded R&D center in China; LG expanded its production in China, and showed the commitment and willingness to invest for the long term. A global company like Samsung and LG electronic is not just developed in a short-term period, it had set up the global ambition in a very early stage. It has successful business strategy to pursue their goal. For example, LG is continue strengthen their strategic capability, created and maintain competitive advantage to compete in a rapidly advancement electronic industry. Through different types of entry strategies allow LG to improve it globalization process, and toward the objective to be a global leader in the electronic industry. LG Group is enthusiastic and committed to its business in China; they built LG Beijing Towers which is centrally located on Beijing’s Chang’an Avenue close to Tiananmen Square, the complex have two towers with 30 stories above the ground and four stories below.

International Operation Strategies

Logistic Management

The Value Chain Analysis created by Michael Porter has mention some activities that can added value to the product; R & D is one of the value-adding activities that have a goal to maximize the product's quality while minimize the production costs. Samsung believed that its new R&D center and production line will increase local customer support and strengthen their relationship with China's IT industry and academia.

Location

There are many advantages from Samsung's second headquarters in China; it served as a very effective strategy for the company. It will attract more investors, example like Samsung have shown a very clear commitment on long-term investment in China by developing a second headquarters in China. This will draw more capital from local or foreign investors to invest in Samsung in China. Headquarter will strengthen company access to local information. Headquarters in China allow Samsung easy to get local information and customer's taste and behavior. Samsung included the local people to be its employee will help the company conducting market survey and setting up marketing strategy that adapt and customize its products to meet the customer's need and want, Additionally, headquarters in China will easy to give supervision to its manufacturing companies and control the sale channel in China. It helps strengthen its operations over there by consolidation of the strategy planning and will delegate to the individual companies in order to maximize the group's synergies.

CONCEPTUAL RESEARCH FRAMEWORK

The propose model are significant different from other models, due to it is incorporate both theoretical and practical implications of international operation for a firm. Most of the models were conducted in the temporal and geographical aspect. The model proposes here is
more on strategic move in internationalization process. The model are focused on the mode or “how” to entry foreign market and international implementation.

![Diagram of Integrated Business Strategies in foreign market]

**Figure 1: The Model of Integrated Business Strategies in foreign market**

**IMPLICATIONS**

**Apply suitable business strategy to the right direction**

Companies can start learning from many successful strategies and methods that been used by Samsung and LG, even from the very beginning of planning stage of what strategies to enter China’s market. Identify and plan the strategic direction that the company can pursue. This will help to save a lot of time and money in unnecessary work, avoid making mistakes and grab the right direction and ideas from others companies’ experiences.

**Situation analysis is the fundamental of successful strategy**

In order to choose the right entry strategy and business strategies that benefit the company’s objective, mission and vision. Most studies are suggesting that companies examine their company and the market situation before making any decision; examine their company's internal and external condition and position. For example, find out the capital and resource the company own, and then make a decision either aiming to become cost leader or differentiator. Also, they might have to decide either to customize or standardize their products and services. In order to make the right decision making for any steps of the company planning to expand its business, well and sufficient research and analysis is important for a company to generate ideas and strategy for success.
Clearly define and delegate the company's strategy

Clear communication between managers to his subordinate is very important, particularly at the global competitive stage. The international managers have to be aware of the different culture existing in the country and they have to find out the appropriate ways to deal with the subsidiaries all over the world.

Apply the 4 Ps marketing mix

According to the analyses, both Samsung and LG have well focused on the marketing mix, i.e. Product, Price, Promotion and Place. The marketer called them marketing mix, because each P is inter-related to each and other. For example from Samsung, the first P-Product, Samsung have increased its product’s quality to target the high-income consumer; the second P- Price, the price for the product is high because of the high purchasing power of its target market and by selling high value-added product to this targeted market, hence Samsung has avoided the intensity of price competition with the local Chinese companies; the third P-Promotion, Samsung has strengthened its brand name because manufacturing and selling high-quality products; and the fourth P-Place, the place that it choose to sale it product are in the major urban city where the high status people live.

Enter China by Strategy Alliance

Recently, the ever changing technology makes the consumer electronic industry so much more of a challenge than before, and for many new companies it is hard to enter a market on its own. In this case, strategy alliance has become common entry methods in this industry, for example LG have many strategy alliance projects with other companies to add value to its products and services, and this has increased its brand reputation. If company wants to enter the market by strategy alliances, they will need to understand the local company motif of collaboration and both parties’ success criteria, it will help guide the manager on how to build relationships and interact with the partners.

CONCLUSION

This study contributes to the internationalization process for consumer electronic companies to successfully competing in the global rivalry’s environment. Most internationalization process’s literature was conducted from the perspective of the right location, mode or timing of internationalize, but this study is to focus on the integrated business strategies to successfully enter and operate their business in China market.(Hutzchenreuter et. al, 2009).

This case study shows the successful integrated business strategies of Samsung and LG in entering into China’s market. The interrelated business strategies have been used by Samsung and LG are categories into firstly, international marketing strategies which included market entry strategies, diversification and marketing mix, secondly, international operation strategies that included logistic management, oversea subsidiaries, oversea production and headquarters, and finally, international business strategies that included standardization, differentiation, localization and level of commitment.

For future research, there are many well-known consumer electronic companies who compete in the global stage like Sony, Philip and Matsushita have business in China, which worth to research and find out their experience in entering China market and lessons can be learn.
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Benefits and Risks Analysis of Outsourcing technical-vocational Training of Charmahal and Bakhtyari Province from Professionals Viewpoints

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Abstract
Objective of implementing present research was to study the effect of outsourcing training from viewpoints of experts in the headquarters of technical and vocational training of Charmahal and Bakhtiari County. The population of this research consisted of 490 people included center bosses, experts and mentors (in the public sector) and performers and mentors (in the private sector) of Charmahal and Bakhtiari’s technical and vocational headquarters for the year of 1989. From those numbers, 120 samples according to the statistical population volume were selected by categorical sampling method. Statistical methods such as: single variable T test, Hoteling and multi-variable variance analysis were used for testing research hypothesis. Comparison of factors with regard to the variables were used as well. The result indicated that according to the experts and personnel opinions of the technical and vocational headquarters of Charmahal and Bakhtiari county, outsourcing has been meaningful (p ≤ 0.05) in increasing training service quality, saving the costs, and decreasing volume of public sector activities, and it has most effects on upgrading training service quality but the least effects on saving the costs.

Keywords: Outsourcing, Technical - Vocational Training, Benefits, Risks

1. Introduction
Organizations are usually seeking to adapt themselves with changes that occur around them. For instance the organization could enhance using of products and services of other companies through downsizing process which is called using of external resources (outsourcing). This is caused in re-designing of working process in order to increase production (Robins & Decenzo, 2001).

Outsourcing has been considered during the recent years by managers and authorities of governmental organizations as one of the powerful tools for developing organizations and enhancing their productivity and is proposed as a device for reducing the size of the company. It could play a significant role in progressing of the organization' purposes if it is applied correctly and appropriately and its advantages and disadvantages are considered. If this tool is used without adequate care, attention and accuracy, not only any of the expected benefits obtained but irreparable damages are imposed on long-term benefits of the
organization. Applying outsourcing has been one of the characteristics of organizations from 1990 onward. According to the view of many managers of the organizations who have got through outsourcing, its implementation results in reduction of costs, focusing on key (central) competencies and increasing of assets (Enarsson, 2008).

We can discuss about outsourcing from various social, economical, professional aspects and the like but lack of written studies and subjects in this field is felt clearly.

1.1. Importance and objectives of research

This article is important in terms of:

1.1.1. Although outsourcing is performed in the technical and vocational training centers in Iran and in the Chaharmahal Bakhtriyar province but not any written study or survey has been done so far in such field in this province, so we have studied it in this survey.

1.1.2. By proposing of privatization in the country (especially in the technico-vocational educations) it is possible and suitable to consider outsourcing as a practice for privatization.

This survey tried to study the current situation of outsourcing "in the form of granting management of educational units and centers to nongovernmental sectors" with a scientific approach along with considering government's purposes in downsizing of governmental organizations and to activate private sectors for recognizing strength and weakness points of outsourcing based on experiences of other countries. It is hoped that future decisions related to outsourcing in the technical and vocational training organization would be resulted in better realization of the organization's objectives along article 44 of constitutional law through enjoying of its results.

2. Review of related literature

The term outsourcing has different definitions from various viewpoints like other scientific subjects and has traversed its evolutionary path like many other management concepts. Traditionally, managers intended to secure all of their working tasks inside of the organizational borders. Organizations have gradually learned that they can rely on external suppliers in securing of some of their tasks. Developing of outsourcing culture has been resulted in granting of problematic activities to the outside of the organization. Nowadays organizations have focused on their main capability and have resorted to outsourcing of activities which don't support the competitive position of the organization (Rahnavard, 2007).

In other words the concept based on which a part of tasks of a company is transferred from inside to the outside and is performed by others recalls outsourcing. In the past outsourcing occurred when organizations weren't able to perform well, were weak in competition, had reduction of capacity, were faced with financial problems, were underdeveloped or failed in terms of technology. While, today those organizations that are totally successful use this tool in order to renew the structure of their organization. Today managers of such organizations have perceived outsourcing as vital subject that establishes key capabilities for satisfaction of customer's (addressee) needs, therefore, necessary attempts must be done in implementation of such tools (Cheshmerah & Mortazavi, 2008).
2.1. Benefits of using outsourcing

Reasons of applying this approach by organizations will be studied based on the following classification:

2.1.1. Organizational reasons

A. Improving and increasing of focus on fundamental competencies

Employers have concluded that they can't have superiority and advantages in all respects. They have focused their attention on key technologies and have submitted other affairs to companies that support them well. Main (central) activities could be considered in four components (Alexander & Yaung, 1996).

- Activities that have been done successively inside of the organization.
- Activities which are important for business success.
- Activities which create potential or actual competitive benefit.
- Activities which affect future growth and modernization of the company.

B. Accessibility to technology and empowerment

The reason that why many tasks are outsourced is because organizations want to improve their technical services but they are not able to find that technical knowledge or they need quick and confidential accessibility to modern technology. These tasks could be simply performed by companies which have specialty on such services with the purpose of having access to world capabilities without accepting of management development risk. Entering of the nongovernmental sector in to the governmental sector usually ends into the increasing of creativity and innovation. Therefore, the method of administrating of nongovernmental sector could be different from governmental organizations, in which it could change systems and processes (Lussier, 1997).

C. Improving of services and having access to new services and skills

Managers can choose the best service providers who have the most prominent records and the highest flexibility in service delivery. Through such selections they can achieve proficiency, skills and technologies that having direct access to them is impossible or difficult by their organization. Also, cooperation with the contractors is resulted in improvement of services and satisfaction of customers from performance of the organization. It is believed that increasing of such services will be performed in the future as well (Maschuris & Kendylis, 2006).

D. Realization of organizational policies

Some organizations perform outsourcing in order to escape from problematic and laborious parts like one section of the organization that performances of its employees are lower than the usual level or the organization which follows reduction policy of human force policy.

2.1.2. Reasons related to financial affairs and costs

When a company has specialty in offering of special services it focuses on its specialized field and offers such services to many different organizations. As a result reduction of investment on assets and better utilization of them will be feasible for main purposes of the organization. Thus these companies perform more efficiently, since they use saving with regard to the scale and can allocate costs among more companies (Belcourt, 2006).
2.1.3. Reasons related to human resource

Enjoyment of human resources' proficiency belonging to contractors, concentration of individuals' power and commitment on major activities and special specialty.

Utilizing of experts and specialists will reduce risks and responsibilities of the organization. Specialists know the law better than anyone else and can assure employees of the organization that all their actions are consistent with law and the organization will have access to specialties, skills and technologies which have not been accessible before.

2.2. Risks of using outsourcing

Despite the mentioned benefits, applying outsourcing has limitations for organizations as well. Almost half of the companies which have outsourced their duties and activities have found that management of outsourced tasks would be more expensive than what they expected in the beginning and the quality of services is not as well as it was expected (Albertson, 2000).

We can group the scopes of risk creation in outsourcing as of the following:

2.2.1. Scope of strategic decisions

Using of outsourcing at a very high level will discharge the organization and leaves it like a shell. Outsourcing contracts may encourage providers of external services to opportunistic behavior (Gainey & Klaas, 2005).

Outsourcing of major competencies has the risk of reduction and weakness in what is the organization's existence.

2.2.2. Scope of outsourcing execution

Outsourcing needs more informed and intelligent decision-making in comparison with performing of work in the organization. In decisions related to outsourcing, considerations of cost and profit, financial assessment, risk and efficiency dimensions in relation to quality of the provider, confidentiality of progression times and delivery besides strategic issues are also considered. A wrong decision could be resulted in spending of higher costs, loosing of opportunities and customers.

Many of the Chinese corporations are not intended in outsourcing of service activities so much. They believe that private information of the organization will be permeated outside through outsourcing. Another factor in their view is increasing of costs, because personal relations among individuals in the governmental organizations results in increasing of costs in different governmental sectors with outsourcing. Unfamiliarity with outsourcing is another factor that causes less applying of it in their organizations (Xu, 2009).

In order to be successful in outsourcing of activities we should pay attention to other factors in addition to risks management. The most important of such factors are:

2.2.3. Culture of the organization

There must be a positive culture with regards to the issue of outsourcing in order to set or fit it in the organization. Managers should work on organizational culture in various ways so that those sections remain after outsourcing would accept it easily and don't create any problems.
2.2.4. Employees

Paying attention to employees and having relation with them are among the key characteristics of an outsourcing program. When it is decided to perform outsourcing of an internal activity and that decision is made, employees are captured with anxiety and stress and feel that their job security is subjected to danger; since they generally consider this approach synonymous with their unemployment. This issue has unfavorable effects on their working motivation and performance. In order to avoid such anxiety it is necessary to make wise and justice decisions about the issues of employees and inform them about such decision.

2.2.5. Costs

Costs related to changing of situation towards outsourcing include the following cases:

- Explicit costs: looking for suppliers and selecting them, compiling of characteristics and features, preparing of a framework and compiling of contracts, tender costs, studying of recommendations and negotiations.

- Implicit costs: modifying and reviewing of characteristics, interlocutory regulations and adaptations and negotiations for quantities, fluctuations and quality.

2.2.6. Tasks and expectations

Expectations and demands of parties from each other must be clarified totally. Ways of providing of goods, manner of supervision and evaluation criteria and other cases must be specified completely. Parties should behave and interrelate truly with each other from the beginning.

2.2.7. Functional criteria

Procedures and mechanisms of evaluation must be specified from the beginning, both parties must have agreed upon that and they must be written down. Various criteria are used in order to control this issue that outsourcing tasks are performed effectively (Haji Karimi & Jamalie Bastami, 2009).

Outsourcing tasks are controlled by results obtained and not based on the time spent to create such results. One person is appointed to control the intended results and a team may be employed for supervision in the complex contracts. Providers of educational services should have a close relation with managers of the organization for defining of educational terms and enjoy their support. Fundamental framework, purposes and missions of the organization must be clarified; main core and existential reason of the organization should be determined; it must be specified that in what respect the organization has competitive benefit, what it is seeking and try to establish. We should look at the resources of the organization with open eyes and study whether it is necessary to perform all stages of a certain action inside of the organization or not.

3. Research methodology

This research is descriptive-survey. It is placed in the scope of descriptive researches because it studies the current situation and is survey, since it studies advantages and risks of outsourcing of technico-vocational education to the private sector in Chaharmahal Bakhtriary province. The statistical population includes 490 of experts, instructors, executors and chiefs of technico-vocational education centers in Chaharmahal Bakhtriary province. It
has been selected as a sample by means of classified random sampling in proportion to the volume of 120.

3.1. Sample volume
First, thirty (30) individuals were selected randomly in this survey and questionnaires were distributed among them. Statistical sample volume was obtained after exploiting data related to the above group and pre-estimation by the following formula.

\[ n = \frac{Nt^2pq}{(N-1)d^2 + t^2pq} \]

By substitution of the related numbers in the above formula sample volume has been calculated as of the following.

\[ n = \frac{(490)(1.96)^2(0.88)(0.12)}{(489)(0.05)^2 + (1.96)^2(0.88)(0.12)} \]

n=120

Researcher self made questionnaire was the tool of data collection with 22 questions based on Likert five point scale. Reliability of the questionnaire was obtained by means of cronbach alpha coefficient of 0.89. Meanwhile, its construct and content validity were confirmed by professors and specialized experts of technico-vocational education. Data analysis was performed through SPSS software on descriptive level (frequency, percentage, mean and standard deviation) and inferential level (one variable t-test, Hoteling t-test, multi variable variance analysis test).

3.2. Research questions
3.2.1. Effect of outsourcing of technical and vocational training on increasing of educational services quality from viewpoint of experts of technico-vocational education in Chaharmahal Bakhtriary province?
3.2.2. Effect of outsourcing of technico-vocational education on costs saving from viewpoint of experts of technico-vocational education in Chaharmahal Bakhtriary province?
3.2.3. Effect of outsourcing of technico-vocational education on reduction of the governmental educational section's activities from viewpoint of experts of technico-vocational education in Chaharmahal Bakhtriary province?

4. Research findings
Data analysis related to the first question of research revealed that observed t is larger than the critical amount of table on error level 5%, therefore experts believe that role of outsourcing of technico-vocational education in increasing of educational services' quality is more than the average level and therefore, it is significant. It means that role of outsourcing of technico-vocational education in increasing of educational services quality is more than the average level and is significant. Based on findings the highest response score average is
related to "using of standard educational books by instructors" with average amount of 4.12
and the lowest average is related to "enhancement of education quality by executing of
outsourcing" with average amount of 3.51.

Data analysis related to the second question of research revealed that observed $t$ is lower than
the critical amount of table on error level 5%. Thus role of outsourcing of technical and
vocational training in cost saving is on average level and positive. The obtained weight
average of this component is 3.08 which is significant ($t \leq 0.05$).

Data analysis related to the third question of research revealed that observed $t$ is larger than
the critical amount of table on error level 5%. Therefore role of outsourcing of technical and
vocational training in reduction of governmental sector's activities is more than the average
level and the obtained weight average of this component is 3.20 that is significant ($t \leq 0.05$).
The highest role is related to increasing of educational services' quality and the lowest role is
related to cost saving. Data show that the highest responses score average is related to
"resignation plan has been resulted in decentralization of the organizational decision-
makings" with average amount of 3.32 and the lowest average is related to "ability of
responding to customers has been enhanced by executing of this plan" with average amount
of 2.96.

5. Discussion and conclusion

Experts and employees of technical and vocational training administration in Chaharmahal
Bakhtriary province believe that outsourcing is effective in increasing of educational
services' quality in technico-vocational educations in cases such as improving of educational
quality, delegation of authority to executors for presenting educational methods, dispatching
of instructors to retraining terms of teacher training, using of specialist and capable
instructors by executors, using of standard educational books by mentors, quality of
equipments and tools of workshops, safety and hygiene of granted workshops, increasing of
accessibility to various educational fields.

Effect of outsourcing of technical and vocational training on cost saving in view of experts of
technical and vocational training administration in Chaharmahal Bakhtriary province is on
the average level and towards positive direction. Also findings show that the lowest role of
outsourcing is associated with "costs saving" which had been lower than the expected level.
Data demonstrated that all executor costs have been covered in granting rate with average
amount of 3.27 by predicted costs and average amount of cost saving has been 2.88.

Experts and employees of technical and vocational training administration in Chaharmahal
Bakhtriary province believed that implementation of outsourcing in cases such as reduction
of managers and employees' working volume, creating of more opportunities and more
propensity towards performing of other affairs, decreasing of instructors' activities, creating
of more opportunities for controlling quality of education, de-centralization in decisions of
the organization, delegation of authority to executors, downsizing the organization's body
and improving of the organization's accountability power to customers could be effective in
reduction of the governmental sector's activities.
5.1. Research recommendations

Executive recommendations

5.1.1. According to findings of the first question of the research about "positive impact of outsourcing of technical and vocational training on educational services' quality" it is recommended to authorities who grant technical and vocational training to hold short-term educational terms for employees, managers and instructors with regards to importance of outsourcing and strategies for qualitative growth of educations and employ those who are aware of privatization and its objectives and empowering specialists in outsourcing more than others.

5.1.2. According to findings of the second question of the research about "role of outsourcing of technical and vocational training in cost saving in the organization" it is recommended to authorities of technical and vocational training to prepare a consumables list for each course with its price (like cost index for constructive projects) and match them with required materials in standards of educational workshops.

5.1.3. According to findings of the third question of the research about "role of outsourcing of technical and vocational training in reduction of the governmental sector's activities" it is recommended to authorities of technical and vocational training to determine precise supervisory or controlling mechanisms for reduction of individual judgments in identifying performance rating of service providers and use them in assessment of individuals and specialists inside and outside of the organization.
References


Analyzing the causal relationship between imports and economic growth for Pakistan

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Abstract
Imports play an important role in the growth process. Import is the source of raw materials not available domestically as well as technology and capital goods for raising productive capacity of the economy. Import led growth is debatable and it remains a contentious topic. Most studies used aggregate imports in order to examine the causal relationship between imports and growth. Using various categories of imports this study test the import led growth hypothesis in case of Pakistan over the period 1970-2008. The results of Granger Causality technique strongly support a bi-directional causality between chemicals imports to gross domestic product (GDP) and machinery imports to gross domestic product (GDP). Where neither food imports causes GDP nor GDP causes food imports. We conclude that at aggregate level we found a bi-directional causality between imports and growth. In terms of policy recommendation we suggest that a careful policy should be adopted about the imports of those goods (raw materials) which are necessary for the production in the domestic industries and which have positive impact on the economic growth.

Keywords: Analyzing ; Causal relationship; Imports ; Economic growth

1. Introduction
Pakistan has gradually liberalized its trade regime especially after 1988, when the government accepted the first International Monetary Fund (IMF) Structural Adjustment Program. After 1995, this policy gained greater momentum and World Trade Organization (WTO) related compliances have induced Pakistan to reduce import duties and does not eliminate various subsidies.

The large demand for imports in developing countries does not become satisfied fully due to limited export growth and because foreign exchange earnings from merchandise exports are used to finance both merchandise imports and international services. Therefore, the statistical relationship between merchandise exports and imports may not be very close, and may be further influenced by international loans, credit and grants which often translate into imports of raw materials and machinery that are needed for development purposes. These facts may
be significant in showing whether economic development is affected by openness as measured by exports or imports.

One of the principle components of economic reforms in Pakistan is import liberalization. The empirical studies generally concentrate on export promotion as the ultimate objective of liberalization with lesser emphasis on the role of import sector in promoting economic growth. As Pakistan is now passing through the phase of growth, imports are crucial for attaining development goals.

Imports play an important role in the growth process. Import is the source of raw materials not available domestically as well as technology and capital goods for raising productive capacity of the economy. Imports also help in generating economic efficiency as well as price stability (Shirazi and Manap, 2004). Aim of the import liberalization is to promote rapid economic growth through growth of export sector. The positive relationship between liberalization and growth is empirically well established (Frankel and Romer, 1999). Aggregate imports of a country depend upon a large number of factors like size and growth rate of gross domestic product, relative prices of imports, foreign exchange reserves etc. At disaggregate level, the various categories of imports also depend upon their domestic production. One way of looking at relationship between imports and growth is to investigate their causal relationship. Furthermore, exports can provide foreign exchange that allows for more imports of intermediate goods which in turn raises capital formation and thus stimulate output growth.

The import-led growth (ILG) suggests that economic growth could be driven primarily by growth in imports. Endogenous growth models show that imports can be a channel for long-run economic growth because it provides domestic firms with access to needed intermediate factors and foreign technology (Coe and Helpman, 1995). Growth in imports can serve as a medium for the transfer of growth-enhancing foreign R&D knowledge from developed to developing countries (Lawrence and Weinstein, 1999; Mazumdar, 2000).

The import-led growth hypothesis advanced by Hanson (1982) suggests imports are important source of economic growth. According to the model that generates this hypothesis, a socialist economy first imports capital goods and develops industrial infrastructure and then promotes economic growth. That is, the amount of capital goods that a socialist country can import limits its achievable rate of economic growth.

2. Literature Review

Many researchers investigated the causal relationship between macro aggregate like exports and growth, exports and imports and other macro variables of trade liberalization and growth.

Afxentiou and Serletis (2000) examined the causality between the growth in GNP and exports, as well as GNP growth rate and imports with the help of Granger Causality test. The sample of fifty developing countries was considered over the period of 1970 to 1993. An overall conclusion, which emerged from the study was that for a comprehensive sample of
developing countries, irrespective of the geographical location or level of development, export growth and much less import growth did not causally affect per capita GNP growth.

Nandi and Kumar (2005) examined the causality between exports and imports of India with the help of quarterly export and import data from 1987 to 2002. The study found that import-led growth causes the growth of exports in Granger sense. On the other hand causality in opposite direction (exports growth to imports growth) was not statistically supported.

Toda and Phillips (1993), adopts recent advances in time series modeling by specifying causal models based on vector error correction model. The empirical results indicate a bi-directional causal relationship between exports and growth in Bulgaria and causality from imports to economic growth in the Czech Republic and Poland.

Francisco (2001) investigates the Granger Causality between exports, imports, and economic growth in Portugal over the period 1865 to 1998. The role of the import variables in the investigation of exports output causality is emphasized, enabling one to test for the cases direct causality, indirect causality, and spurious causality between export growth and output growth. The empirical results do not confirm a unidirectional causality between the variables considered. There is a feedback effect between exports output growth and imports output growth and there is no kind of significant causality between import-export growth.

Coe, Helpman and Hoffmaister (1997) show that trade allows developing countries to benefit from research conducted in developed countries. Imports of a larger variety of intermediate and capital goods, which incorporate the outcome of research led in the developed trading partners, can increase the productivity of the developing economies. From a cross-sectional study of 77 developing countries, the work shows that R&D spillovers through trade are transmitted from 22 industrial countries to the former group.

Sadia (2006) investigates a semi-reduced export equation, for a sample of 1973-2005 annual data, through Ordinary Least Square method. The results indicate that in Pakistan’s case, there is a long-run relation between exports and imports of intermediate and capital goods. This study provides empirical evidence in support of the hypothesis that imports of intermediate and capital goods are critical inputs in the export production of the country. Thus, any short-run divergence in trade balance due to these would lead to higher exportable surplus in the long-run.


3. Model and Data Source

The variables incorporated in this paper are GDP and total imports (TI), we also use other import variables like chemicals (CHM), food (F), machinery (MCH) and miscellaneous (MIS). Where MIS includes rubber, wood, jute and paper products. TI is import at aggregate level and CHM, F, MCH, MIS are imports at disaggregate level.

The data span covered in this study is from 1970 to 2008 on annual basis. All variables are...
4. Methodology

To study the causal relationship, the well known Granger causality test has been applied. This test procedure assumes that the information relevant to the prediction of respective variables is contained solely in the time series data on the variables. More generally, since the future cannot predict the past, if variable X (Granger) causes Y, then changes in X should precede changes in Y (Gujrati, 2004; Granger, 1981; Greene, 2003).

This means if forecast of variable Y using both the lagged values of Y and lagged value of some other variable X, is superior to forecasts obtained using past values of Y alone, then X is said to Granger cause Y. In the same way, if the lagged values of Y can improve the forecasts of X in the presence of past values of X, then Y is said to Granger cause X.
The causal behaviour between given pair of variables can be put into one of the following four categories.

1. **Unidirectional causality**: When X causes Y (X → Y) or when X is caused by Y (X ← Y) after some lag. In other words, it indicates if the estimated coefficients on lagged X are statistically different from zero as a group and set of estimated coefficients on lagged Y is not statistically different from zero and vice-versa.

2. **Feedback or bilateral causality**: When both the variables X and Y, are cause of one another with some lag (X ↔ Y) or when the sets of X and Y coefficients are statistically different from zero in both regressions.

3. **Instantaneous Causality**: When both the variables X and Y are simultaneously the cause of one another without any lag.

4. **No Causality**: When one of the variables, say X, does not or is affected by the other, say Y (with or without any lag) i.e., there is no indication of causality.

Granger test of causality presupposes the stationarity in the data. Data used in our study has been investigated and found to be stationary.\(^{60}\)

As we have already confirmed stationarity in our data. Further steps involved in implementing Granger causality test are as follows:

For example we have:

\[
Y_t = \sum_{i=1}^{n} \alpha_i x_{t-i} + \sum_{i=1}^{n} \beta_i y_{t-i} + \mu_t \quad (A)
\]

\[
X_t = \sum_{i=1}^{n} \lambda_i x_{t-i} + \sum_{i=1}^{n} \delta_i y_{t-i} + \mu_t \quad (B)
\]

1. Equation (A) regress current Y on all lagged Y terms and other variables, if any, but do not include the lagged X variables in this regression. This is a restricted regression, from which obtain restricted residual sum of squares (RSS).
2. Now run the regression including the lagged X term, which is an unrestricted regression. It gives us unrestricted residual sum of squares (RSS).
3. Set the null hypothesis Ho: \( \sum \alpha_i = 0 \), i.e. lagged X terms do not belong to the regression.
4. To test this hypothesis we apply the F-test i.e.

\(^{60}\) We can investigate the stationarity by two ways. Firstly, after measuring regression if we get \( R^2 \) greater than d statistic, it shows the case of spurious regression, which exists when we regress one non-stationary time series on another non-stationary time series (Gujrati, 2004).

Secondly, with the help of unit root test.
\[ F = \frac{RSS_r - RSS_{wr}}{m} / \frac{RSS_{wr}}{n-k} \]  

Which follows F-test with 'm' and 'n-k' d.f where m is number of lagged X terms and k is number of parameters estimated in unrestricted regression.

5. If computed F value is greater than the tabulated or critical F value at chosen level of significance, we reject the null hypothesis, in which case lagged X terms belong to the regression or X causes Y. Step 1 to 5 can be repeated to test the model (B), i.e. whether Y causes X (Gujrati, 2004).

The number of lagged terms to be introduced in the causality test by the use of the Akaike or Schwarz information criterion (AIC). We take the lag in which AIC has the minimum value. We estimated different causal relationship by taking both single and double lag. We calculated F, using equation (C), where m = 1 in single lag case and m = 2 in double lag case. Similarly, 'n-k' is 37 and 35 in single and double lag cases respectively.

5. **Empirical Results**

The bidirectional causality of Table 1 which reconcile model 1, confirmed the fact that Pakistan has import led growth as well as growth also causes imports in long run i.e. (TI↔GDP). This result implies that Pakistan’s import consist of raw materials and machinery which leads to increase productivity, investment and hence accelerate economic growth while the causality from Gross Domestic Product (GDP) is very simple to interpret this is due to fact that imports always depend of income level as increase in domestic income level accelerate the demand for imports.

<table>
<thead>
<tr>
<th>Null Hypothesis</th>
<th>lag 1 F-Statistic</th>
<th>Probability</th>
<th>lag 2 F-Statistic</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>TI does not Granger Cause GDP</td>
<td>4.04*</td>
<td>0.05**</td>
<td>3.88*</td>
<td>0.03**</td>
</tr>
<tr>
<td>GDP does not Granger Cause TI</td>
<td>0.64</td>
<td>0.42</td>
<td>15.62*</td>
<td>0.0**</td>
</tr>
</tbody>
</table>

Table 2 which reconcile model 2, confirmed the fact that there is bidirectional causality between chemicals imports and gross domestic product (GDP) in long run i.e. (CHM↔GDP) which implies that chemicals imports play an important role in increasing productivity. While the increase in productivity also leads to increase the demand for chemicals imports.
Table 2: Chemicals Imports

<table>
<thead>
<tr>
<th>Null Hypothesis</th>
<th>F-Statistic</th>
<th>Probability</th>
<th>F-Statistic</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHM does not Granger Cause GDP</td>
<td>1.42</td>
<td>0.24</td>
<td>2.52*</td>
<td>0.09**</td>
</tr>
<tr>
<td>GDP does not Granger Cause CHM</td>
<td>0.03</td>
<td>0.87</td>
<td>3.16*</td>
<td>0.05**</td>
</tr>
</tbody>
</table>

Table 3 which reconcile model 3, confirmed the fact that the results of food imports (F) and gross domestic product (GDP) are insignificant there is no causality between imports of food and GDP. Hence there is no impact of food on growth and increase in growth not affects the food imports.

Table 3: Food Imports

<table>
<thead>
<tr>
<th>Null Hypothesis</th>
<th>F-Statistic</th>
<th>Probability</th>
<th>F-Statistic</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>F does not Granger Cause GDP</td>
<td>0.96</td>
<td>0.33</td>
<td>0.83</td>
<td>0.44</td>
</tr>
<tr>
<td>GDP does not Granger Cause F</td>
<td>0.80</td>
<td>0.37</td>
<td>0.88</td>
<td>0.37</td>
</tr>
</tbody>
</table>

Table 4 which reconcile model 4, confirmed the fact that there is bidirectional causality between machinery imports and gross domestic product (GDP) in short run as well as in long run i.e. (MCH↔GDP). This implies that machinery imports play an important role in increasing productivity while the increase in productivity also leads to increase the demand for machinery imports.

Table 4: Machinery Imports

<table>
<thead>
<tr>
<th>Null Hypothesis</th>
<th>F-Statistic</th>
<th>Probability</th>
<th>F-Statistic</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>MCH does not Granger Cause GDP</td>
<td>4.48*</td>
<td>0.04**</td>
<td>3.71*</td>
<td>0.03**</td>
</tr>
<tr>
<td>GDP does not Granger Cause MCH</td>
<td>6.26*</td>
<td>0.01**</td>
<td>25.96*</td>
<td>0.0**</td>
</tr>
</tbody>
</table>
Table 5 which reconcile model 5, confirmed the fact that there is a unidirectional causality between miscellaneous imports and gross domestic product i.e. (GDP → MIS) which suggest that increase in GDP increases the demand for miscellaneous imports, where increase in miscellaneous imports has no impact on GDP in long run.

<table>
<thead>
<tr>
<th>Null Hypothesis</th>
<th>lag 1 F-Statistic</th>
<th>Probability</th>
<th>lag 2 F-Statistic</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>MIS does not Granger Cause GDP</td>
<td>3.51*</td>
<td>0.06**</td>
<td>2.11</td>
<td>0.13</td>
</tr>
<tr>
<td>GDP does not Granger Cause MIS</td>
<td>1.35</td>
<td>0.25</td>
<td>2.48*</td>
<td>0.09**</td>
</tr>
</tbody>
</table>

6. Concluding Remarks

This study uses the time series data from 1970 to 2008 for Pakistan to explore the causality between imports and growth. The results strongly support a bi-directional causality from GDP to imports as far as disaggregate level of imports concern. The results suggest that at disaggregate level, there is bidirectional causality between chemicals imports, machinery imports to gross domestic product (GDP). Where neither food imports causes GDP nor GDP causes food imports.

The economic importance and relevance of understanding the import growth relationship lies in the fact that import of intermediate goods is of crucial importance for economic growth. Increase of imports of intermediate goods enhance the productivity of domestic industries, through a bundle of beneficiary effects i.e. more advanced production technology, more productive raw material (chemicals for textile industry), improved organizational and managerial skills, and ultimately increases the exports of the country.

The findings of this study do have some important implications for policymakers in Pakistan. As it is clear that increase in aggregate and disaggregate imports in Pakistan supplements domestic industry and exports as well as economic growth. In terms of policy recommendation we suggest that a careful policy should be adopted about the import of those goods (raw materials) which are necessary for the production in the domestic industries and which have positive impact on the economic growth.
References


Role and Performance of Government and NGOs in Relief Assistance: A Case Study of 2005 Earthquake

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Abstract
This study investigates the role and performance of Pakistan government and humanitarian agencies during relief and emergency aid assistance to 2005 earthquake victims. This comparative study is based on empirical data collected from 30 most affected villages of NWFP (Pakistan) and AJK through a sample survey on 1st anniversary of 2005 earthquake. About 500 randomly selected heads of the families were interviewed in the sampled area. Mann-Whitney Wilcoxon test is used to compare the relief assistance provision and satisfaction shown by sufferers toward government agencies and Non-governmental Organizations (NGOs) during relief program. While Chi-Squire test is used only to investigate the relationship between affected areas and respondents’ demographic characteristics. Evidently, results show that the NGOs provided more relief items in a better way to victims of 2005 earthquake than did the Government of Pakistan. This study will be helpful in disaster management planning at government and non-governmental levels.

Keywords: Performance; Earthquake; NGOs; Government; Relief Efforts

BACKGROUND AND INTRODUCTION

Pakistan experienced a destructive earthquake on October 8, 2005, at 8:50 PST, intensity of 7.6 measuring on Richter scale. Arguably, this was the most devastating disaster in Pakistan’s history. The earthquake epicenter was located 100 kilometers north-northeast of Islamabad. Intensity of losses increased by a series of aftershocks, more than 1000 aftershocks ‘ranging from magnitude 5.0 to 6.0’ were recorded as of October 27th in India-Pakistan Kashmir region.

61 Authors are very thankful to PATTAN Development Organization (National NGO) and Dr. S.M. Naseem for financial help and motivation in study conduction
At least 73,000 people had died, another 70,000 had been severely injured or disabled and over 2.8 million persons have been left without shelter. In addition, 600,000 houses, 6,298 schools and 796 health facilities were demolished. About 6,440 kilo meters roads were damaged and 50-70% of the water supply, sanitation, telecommunication and power infrastructure was rendered un-operational. (Pakistan 2006)

It is nearly impossible to figure out exact economic impact of earthquake 2005. In total, about US$5.2 billion was estimated cost of earthquake; includes cost of relief provision to victims, restoration of livelihood support and short, medium and long term reconstruction (ADB and World Bank, 2005). The most immediate task was rescue of people trapped in collapsed buildings and to transport them at safer places along with provision of relief to survivors to save the lives and to secure the dignity of affected population (ERRA, Annual Review 2005 to 2006).

The Government of Pakistan immediately realized the enormity of the task and appealed to the international community for emergency assistance. The Government of Pakistan and national & international agencies took immediate measures for rescue, relief and reconstruction for 3.5 million affected people of NWFP and AJK.

Generally, donor agencies and the external sources prefer to channelize emergency assistance to disaster victims through international and/or indigenous NGOs due to all pervasive corruption and misappropriation of relief funds on the part of the Governments. The government of Pakistan and participating local, national, and international non-governmental organizations (NGOs) with the help of domestic and external sources initiated massive rescue and relief activities in the area. (ERRA, Annual Review 2005 to 2006)

Both, government of Pakistan and NGOs played important role in relief distribution and rehabilitation activities. Government of Pakistan established the central coordination office for rescue and relief started to work at Prime Minister (PM) Secretariat immediately after the earthquake. Federal Relief Commission was established on 10th October 2005 to mobilize all resources, to coordinate activities and to facilitate flow of relief goods (ERRA, Annual Review 2005 to 2006).

The Federal Relief Commission (FRC) of Pakistan Government, Armed Forces, International donors, UN agencies and local NGOs joined hands to undertake the huge operation for delivering emergency relief against challenges such as mountainous terrain, distant and difficult to access communities, changing weather conditions, resource constraint, and overwhelming suffering of the people.

On March 31st 2006, the Government of Pakistan officially ended the ‘Relief’ phase and the Federal Relief Commission (FRC) was subsumed into Earthquake Reconstruction and Rehabilitation Authority (ERRA). Government of Pakistan, NGOs and international non-governmental organizations (INGOs) performed different rescue, relief and rehabilitation activities during the first year of the 2005 disaster. Relief provided by FRC with assistance from foreign governments, INGOs, NGOs, individuals and corporate sponsors are summarized in Table 1.
Table 1: Joint Relief Delivered to the Affected Population

<table>
<thead>
<tr>
<th>Relief Goods and Services</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporary Shelters to Families</td>
<td>385,000</td>
</tr>
<tr>
<td>Tents</td>
<td>951,790</td>
</tr>
<tr>
<td>Blankets / Quilts</td>
<td>6,361,090</td>
</tr>
<tr>
<td>Ration (in tons)</td>
<td>256,376</td>
</tr>
<tr>
<td>Medicines (in tons)</td>
<td>3053.76</td>
</tr>
<tr>
<td>Field Hospitals Established</td>
<td>65</td>
</tr>
<tr>
<td>Field / Mobile Medical Teams</td>
<td>86</td>
</tr>
<tr>
<td>Sorties Flown</td>
<td>30,334</td>
</tr>
</tbody>
</table>

*Source: ERRA, Annual Review 2005 to 2006 (From October 2005 to March 2006)*

Empirical studies suggest that nations with greater resources, better awareness and preparedness are more able to restore and move to normality faster than poor and less prepared nations during disasters. According to the Mid-America Earthquake Center, “the biggest earthquakes in the region (Pakistan & India) are yet-to-come” (Boyd 2006, p. 1). “Theoretical studies indicate that the energy stored along the Himalayan arc suggests a high probability of several massive earthquakes of magnitude (greater than) 8.0 in the future” (Shaheen 2007, p. 1)

“Theoretical studies indicate that the energy stored along the Himalayan arc suggests a high probability of several massive earthquakes of magnitude (greater than) 8.0 in the future” (Shaheen 2007, p. 1). Research on disasters could be used as a tool for creating better preparedness to combat with future disasters. Further, it helps formulate a comprehensive strategy for disaster management. This research study based on Pakistan’s experience and response to disaster 2005 would be of greater importance for other countries facing similar disasters.

Objectively, researchers have investigated various aspects of the 2005 earthquake. However, this study sheds light on role, responsibilities and performance of Governmental institutions and Non-governmental organizations during rescue and relief efforts. This study compares performance of the Pakistan government with NGOs with regard to management and distribution of emergency aid to 2005 earthquake victims during and immediately after the disaster. This comparison is based on data obtained from three most affected areas of NWFP (Pakistan) and AJK through a sample survey conducted on earthquake victims in October 2006, on the 1st anniversary of 2005 earthquake.

**Literature Review**

Pakistan is prone to frequent disasters that inflicted severe losses to property and lives. More frequent disasters are floods, droughts and earthquakes. However, the history reveals that earthquakes were the worst disasters regarding losses to lives (ERRA, Annual Review 2005 to 2006). In 1950, Pakistan witnessed the first severe flood disaster that claimed 2910 lives and affected more than 10,000 villages. Since then, floods, droughts, cyclones, earthquakes and landslides have been striking with regular intervals but none of the successive governments could ever devise a comprehensive strategy for disaster management (A Review of DMP&S in Pakistan). There was a major earthquake in Quetta, Balochistan,
1935 when the entire city was destroyed. From 1974 to 1990, approximately 5669 people were killed due to earthquakes in the Northern Areas (NA), NWFP and Balochistan (A Review of DMP&S in Pakistan). A brief history of earthquakes in Pakistan along with intensity and resulting human losses is given in Table 2.

### Table 2: Details of Earthquakes in Pakistan

<table>
<thead>
<tr>
<th>Date</th>
<th>Magnitude</th>
<th>Deaths</th>
<th>Injuries and Destruction</th>
<th>District/Province</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 31, 1935</td>
<td>7.7</td>
<td>30,000 - 60,000</td>
<td>-</td>
<td>Ali Jaan, Balochistan</td>
</tr>
<tr>
<td>November 28, 1945</td>
<td>7.8</td>
<td>4,000</td>
<td>Tsunami</td>
<td>Balochistan</td>
</tr>
<tr>
<td>December 28, 1974</td>
<td>6.2</td>
<td>5,300</td>
<td>17,000 injured</td>
<td>Hunza, Hazara and Swat</td>
</tr>
<tr>
<td>October 8, 2005</td>
<td>7.6</td>
<td>80,000</td>
<td>3.5 million people homeless</td>
<td>Muzaffarabad (AJK)</td>
</tr>
<tr>
<td>October 29, 2008</td>
<td>6.4</td>
<td>215</td>
<td>120,000 homeless</td>
<td>Ziarat District, Quetta</td>
</tr>
</tbody>
</table>

Source: www.wikipedia.org.com

As Pakistan is in a seismic belt, therefore, it suffers from frequent earthquakes of small magnitudes. Mountain ranges of Koh-e-Suleman, Hindu Kush and Karakorum are significantly vulnerable. The devastation can be immense because of the poor quality of buildings and housing (A Review of DMP&S in Pakistan). During the 2005 earthquake a large number of government buildings constructed by the contractors in AJK and Balakot area, collapsed in the first jerk of the quake. This is the overall impression of the people in the earthquake devastated areas that between 30 and 60 per cent of funds for government buildings, including schools, are spoiled by corrupt officials. Contractors habitual of such kickbacks spend less on quality materials resulting in poorly constructed buildings. Therefore, systemic corruption in government construction projects would be directly responsible for the devastating losses of next generation in northern areas of Pakistan (Shaheen, 2008). In addition, there was no adequate crisis management structure in Pakistan prior to the 2005 earthquake and none have any past experience to deal with such severe natural disasters. Although, the army and several NGO groups took the initiative in launching rescue and relief efforts, however, the onerous responsibility of reconstruction and rebuilding rested on the government (Prakash Ouis, 2001). Further, high dependence on natural resources makes communities vulnerable particularly to changes in resource condition (Pomeroy et al., 2006).

Mostly, all-pervasive corruption and abuse of relief aid by Government agencies and bureaucratic style of humanitarian organizations distracts them from the needs of the people they are supposed to assist, in favor of other values that their institutional frameworks dictate (Binini, 2006). This claim was tested by investigating the response to the Pakistan 2005 earthquake and a closer look at data suggests that there was not an optimal match between survivor needs and relief deliveries (Binini, 2006). A certain degree of coordination failure is, of course, inevitable in disasters of this scale. However, Pakistan’s domestic and external political situation made such co-ordination even more problematic and highlighted the need for a bottom up strategy to tap the resources at the local and grass-root levels. Literature represents different strategies adopted by the world by learning from experiences, how to combat with future disasters, how one can better prepare to face less socio-economic and
human losses. Many countries like Italy adopted insurance policy measures to combat natural catastrophes (Amendola, 2000).

This raises the question whether government agencies and NGOs played the required role during relief phase of 2005 earthquake? Did the government or NGOs performed better during provision of relief aid to victims. Whether the international donations and NGO development programs aimed at reducing vulnerability to earthquakes are an appropriate response to the earthquake hazard or not (Shaheen, 2008). Are earthquake victims satisfied that relief provided by Government and NGOs was according to their need and secured dignity during relief disbursement? So did Pakistan learn any lesson? If yes, what policy planning Pakistan adopted for future Disaster Risk Mitigation? These all aspects are required to investigate for better preparedness, mitigation and for future disaster response.

The purpose of this research is to investigate the role and performance of government of Pakistan and humanitarian agencies during relief and emergency aid assistance of 2005 earthquake victims. Further to evaluate, comparatively who performed better. This study will be helpful in disaster management planning at government and non-government levels. Typically, this study is unique in its nature and will be an imperative contribution to the body of research concerning disaster management in Pakistan.

Methodology and Data collection

The primary source of data for this research was field survey conducted in October 2006, immediately after the Pakistan government earthquake emergency relief assistance programs ended. About 500 household heads in the most affected districts (areas) of Pakistan and Kashmir “Mansera, Bagh and Muzaffarabad” were contacted to investigate the role and performance of Government agencies and NGOs in various rescue, relief and rehabilitation programs. While survey team couldn’t conduct interviews in fourth most affected district “Batagram” due to adverse circumstances (i.e. cultural, religious and political reasons, at the particular moment). Individual household was the basic sampling unit. “A household is a group of people in a dwelling unit living together as a family and sharing the same kitchen” (PAUL 2003). In the first stage of the design of the survey, out of nine, three most affected districts were selected. In the second stage, 15 most affected union councils were selected (5 UCs in each district). In the third stage, 30 villages or Mohalas (for urban) were randomly selected. As affected area is consisted of diversified topography, so to find impartial and faultless response urban and rural localities were also considered. Similarly, male and female respondents were selected proportionately to find statistically reliable and significant results.

A comprehensive questionnaire containing demographic information of respondents followed by data relating to socio-economic impact of disaster along with opinion questions with regard to the distribution of inflict relief by the government and NGOs were asked to household heads. “A household head is defined as the person who makes the major economic, social, and household decisions, irrespective of this individual's age and gender” (PAUL 2003).

Key Questions

1. Comparatively, who performed better during rescue and relief phase of 2005 earthquake, the NGOs or Government of Pakistan?
Analysis Techniques

To analyze the amount of external support provided to the afectedees by the government and to test whether the amount of received support was in accordance with their socio-economic conditions, chi-square test of association and Mann-Whitney Test (non-parametric tests) are used. Chi-Squire test is used only to investigate the relationship between affected areas and respondents’ demographic characteristics (occupation, education, sex and locality). Mann-Whitney Test is used to determine if a difference exists between performances of two groups: Government and NGOs. Unlike t-test, Mann-Whitney Test does not require normal distribution of data (MacFarland, 1998). Subsequent analysis is performed by using the SPSS. The nature of the relationship between socio-economic indicators receipt of assistance will be helpful for evaluation of the equitability and performance of the government and NGOs relief assistance efforts during earthquake 2005. In general, there is a positive relationship between the amount of emergency aid received by earthquake victims and their socio-economic conditions. Poor victims, owing to their weak political and economic power, receive much less assistance than rich victims.

Results and Discussion

Devastation of 2005 earthquake could be portrayed by housing destruction of affected regions. Data represents that 100% living was affected by disaster. In total, 75% people substantiated complete demolition of houses, while remaining 25% claimed partial damage. Table 3 explains the area wise house damage caused by earthquake. Remarkably, data regarding house damage shows approximately similar trends as shown in district profiles prepared by ERRA.

<table>
<thead>
<tr>
<th>House damage</th>
<th>Area wise breakdown</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completely Damaged</td>
<td>80.7% 77.5% 69.9%</td>
<td>75.2%</td>
</tr>
<tr>
<td>Partially damaged</td>
<td>18.4% 22.0% 30.1%</td>
<td>24.4%</td>
</tr>
<tr>
<td>Not damaged</td>
<td>0.9% 0.6% 0.00%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Total</td>
<td>100% 100% 100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Nearly, all the respondents reported that they had received the external aid ‘in any form’, either from governmental agencies, NGOs, INGOs, friends/relatives or from individual philanthropists. Collectively, about 85% respondents ranked NGOs and Government agencies topmost helping hands during relief phase. The remaining 15% reported that they seek assistance either from relatives, friends, neighbors, individual philanthropists and they ranked the same at top. The following analysis of the assistance received by victims is based on the response of 85% of respondents who availed some form of assistance.

Table 4 shows selected characteristics of the respondents; mainly they were segregated into four occupational groups: farming, services, business, and others. Mountainous geographic location of the area is the reason that only 6.5% of the selected population is engaged in farming and 19.7% in business profession. Moreover, majority of respondents (68%) were employed in services sector (including both public and private services). The analysis based on Chi-square test reveals that there was a significant difference in the occupational characteristics of respondents in all the three sites covered in the present study. Analysis indicates greater dependency of the affected area population on non-farming income generation sources. While in Mansehra (NWFP) 11% of respondents disclosed that their major source of income was agriculture which was highest engagement in farming throughout study area. The survey data revealed that sample consisted of 45% illiterate respondents. Further gender analysis shows that illiterate women ratio was significantly higher than male illiterate population i.e. 70% and 30% respectively of total 45%. Table 5 illustrates discriminating behavior of society regarding educational facilities to female population of the area. Chi-Squire test shows highly significant results, that is educational

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Bagh</th>
<th>Mansehra</th>
<th>Muzaffarabad</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profession</td>
<td>Farming</td>
<td>5.4</td>
<td>11.7</td>
<td>2.6</td>
</tr>
<tr>
<td></td>
<td>Services</td>
<td>69.6</td>
<td>59.6</td>
<td>74.7</td>
</tr>
<tr>
<td></td>
<td>Business</td>
<td>19.6</td>
<td>20.5</td>
<td>19.1</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>5.4</td>
<td>8.2</td>
<td>3.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Education</td>
<td>Illiterate</td>
<td>39.8</td>
<td>47.7</td>
<td>46.2</td>
</tr>
<tr>
<td></td>
<td>1-5 years</td>
<td>13.3</td>
<td>13.8</td>
<td>9.7</td>
</tr>
<tr>
<td></td>
<td>6-10 years</td>
<td>31.9</td>
<td>23.0</td>
<td>25.1</td>
</tr>
<tr>
<td></td>
<td>Above 10 years</td>
<td>15</td>
<td>15.5</td>
<td>19.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Locality</td>
<td>Urban</td>
<td>25.2</td>
<td>22.2</td>
<td>38.8</td>
</tr>
<tr>
<td></td>
<td>Rural</td>
<td>74.8</td>
<td>77.8</td>
<td>61.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Sex</td>
<td>Male</td>
<td>55.3</td>
<td>52.6</td>
<td>48.5</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>44.7</td>
<td>47.4</td>
<td>51.5</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

\[ \chi^2 = 18.490 \text{ (df}=6; \ p=0.005) \]
\[ \chi^2 = 5.531 \text{ (df}=6; \ p=0.478) \]
\[ \chi^2 = 13.889 \text{ (df}=2; \ p=0.001) \]
\[ \chi^2 = 1.451 \text{ (df}=2; \ p=0.484) \]
level is drastically different between male and female population of selected area. Interestingly, official data regarding gender wise literacy also have approximately similar trends.

Table 5: Gender wise breakdown of educational level of respondents (in Percentage)

<table>
<thead>
<tr>
<th>Sex</th>
<th>Educational Level</th>
<th>Illiterate</th>
<th>1-5 years</th>
<th>6-10 years</th>
<th>Above 10 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td></td>
<td>30.3</td>
<td>64.9</td>
<td>64.8</td>
<td>79.0</td>
<td>51.6</td>
</tr>
<tr>
<td>Female</td>
<td></td>
<td>69.7</td>
<td>35.1</td>
<td>35.2</td>
<td>21.0</td>
<td>48.4</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

\[ X^2 = 76.827 \text{ (df=3; p=0.000) } \]

The null hypothesis that there is no difference in provision of relief assistance to 2005 earthquake victims by Government and NGOs was tested by using Mann-Whitney test. Significance can be verified by comparing the computed test statistic (e.g., U) with its critical value. By interpretation of the p (probability) value, it is observed that p = 0.005, which is smaller than the 0.05. Comparison of test statistics with its table value and the probability method both suggest the rejection of Null hypothesis which states that there is no significant difference between government-provided relief aid and that of NGOs. Further, the higher mean rank for NGOs (518 vs. 467) supports the conclusion that the NGOs provided more relief items in better way to victims of 2005 earthquake than Government of Pakistan.

Table 6: Comparison of Relief Support

<table>
<thead>
<tr>
<th>Relief Support</th>
<th>Groups</th>
<th>N</th>
<th>Mean Rank</th>
<th>Sum of Ranks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Government</td>
<td>492</td>
<td>467.53</td>
<td>230022.50</td>
</tr>
<tr>
<td></td>
<td>NGOs</td>
<td>492</td>
<td>517.47</td>
<td>254597.50</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>984</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Test Statistics

<table>
<thead>
<tr>
<th>Test Statistic</th>
<th>Relief Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mann-Whitney U</td>
<td>108744.500</td>
</tr>
<tr>
<td>Wilcoxon W</td>
<td>230022.500</td>
</tr>
<tr>
<td>Z</td>
<td>-2.824</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td>0.005</td>
</tr>
</tbody>
</table>

Evidently performance is directly associated with satisfaction. Satisfaction is persons feeling of pleasure as a result of comparing a product perceived outcome in relation to his/her expectations. Consequently, if the performance exceeds the expectation, the beneficiary is very satisfied. If outcome equals the expectation, the receiver is satisfied. But if the performance falls below the expectation, then the recipient is dissatisfied. In this study Mann-Whitney Wilcoxon test is used to compare satisfaction shown by sufferers toward government and NGOs role during relief program. Test shows extremely significant results. Similar to 1st null hypothesis, 2nd null hypothesis is also significantly rejected, that is, there is no difference in satisfaction shown by victims towards NGOs and Government of Pakistan for relief provision. Further, it explains that NGOs (including both the indigenous and the international) prevailing in Pakistan have played an effective and impartial role in the distribution of relief assistance than did the government organizations. So results show that
credibility of NGOs bottom-up approach is higher than that of the government based on top-down directives. In so far as performance is concerned, people are more satisfied with the role played by NGOs/INGOs as compared to Government Agencies during the relief phase.

Table 7: Comparison of Satisfaction

<table>
<thead>
<tr>
<th>Groups/Satisfaction</th>
<th>N</th>
<th>Mean Rank</th>
<th>Sum of Ranks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>492</td>
<td>354.6310976</td>
<td>174478.5</td>
</tr>
<tr>
<td>NGOs</td>
<td>492</td>
<td>630.3689024</td>
<td>310141.5</td>
</tr>
<tr>
<td>Total</td>
<td>984</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Test Statistics

<table>
<thead>
<tr>
<th>Statistic</th>
<th>Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mann-Whitney U</td>
<td>53200.5</td>
</tr>
<tr>
<td>Wilcoxon W</td>
<td>174478.5</td>
</tr>
<tr>
<td>Z</td>
<td>-15.242</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Conclusion

In 2005, Pakistan experienced the most disturbing earthquake in its history. Pakistan government and humanitarian agencies initiated wide range of relief efforts for the survival of victims. This study is an effort to compare the relief disbursement efforts carried out by the NGOs and the government. Further, it looks at the possible association between socio-economic characteristics of the disaster victims and the amount of assistance they received from the government and/or from the NGOs. To probe these objectives, this study used a primary data in which 500 household heads of 30 villages of 15 union councils of three districts have been interviewed.

The analysis of data indicates that though both, government of Pakistan and NGOs’ played significant role during rescue and relief assistance, the majority of respondents reported that they were more satisfied by the NGOs work compared to government efforts. Further majority of the respondents believed that NGOs performed much better in relief provision than the government of Pakistan. Recognition to NGOs efforts could be due to non-bureaucratic working style, proper need assessment, ensuring victim participation in decision making, acting as per sphere standards while helping the communities. Moreover, wide range of experience in working with effected communities and use of more participatory approach made them more efficient and successful.

Respondents’ opinions regarding less efficient role of government could be due to unmet very high and irrational victims’ expectations. Further NGOs are supposed to work in specified area with having fewer responsibilities and more skills. Whereas governments’ working area and responsibilities are spread to all affected population regardless of degree of severity.

Moreover, important policy implication of this study is that if government agencies would not handle relief efforts effectively and efficiently than donor agencies may rethink their procedure and channelize future emergency aid and development funding through NGOs or sub-offices. This mistrust has been experienced by government of Pakistan in current flood disaster on both, public and donors’ ends. But optimistically this might lead to
expansion of NGOs in Pakistan. So government need not only develop institutional and technical skills to cope with future disasters but also consider expansion to NGOs as alternative to mitigate the hazards and strive to strengthen them.
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IMPACT OF DISCLOSURE QUALITY OF POINT AND RANGE FORECASTS ON INVESTOR DECISION

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Abstract
Investor decision is a complex and dynamic phenomenon in behavioral finance. It has been under consideration by researchers and other stakeholders since 1850s. All this effort is being done to better understand the investment patterns, their mental approach towards investment choices, and the reasoning patterns. This study will focus on the investor decision in perspective of disclosure quality and perceived credibility emitting from the management’s forecasts specifically in the context of range forecasts. It will also allow us to analyze the decision making process of investors for entrepreneurs, researchers, and besides other stake holders, investors themselves.

Keywords: Management Forecasts, Point and Range Forecasts, Disclosure Quality, Perceived Credibility, Investor Decision

Introduction
In this study, we extend prior research on the investment decision in response to Management and Analysts’ forecast by examining the association between Point and Range aspect of Management Forecasts and Disclosure Quality and afterwards the affect of this association on the investors’ choices. Point forecast refers to one possible outcome whereas on the other hand Range Forecasts depicts multiple and vague possible outcomes making investor’s reluctant and in the state of confusion while making their investment decision.

Investment Decision is a very complex concept and analytical in nature. Whenever making an investment choice investors are looking for a mix of information from the information provided. (Collin Mason & Matthew Stark 2004). Literature also suggests that investor decision is affected by the information they are looking for (Leonard Karakowsky, A. R. Elangovan 2001; Collin Mason, Matthew Stark; 2004) the risk propensity of investor’s (Hongwei Xu, Martin Ruef 2004; Herbert Kalthoff 2005) the disclosure quality and
information asymmetry. (Millicent Chang, Gino D’Anna, Iain Watson, and Marvin Wee 2008) Previous literature on disclosure quality reflects that an effective investor relation can foster higher disclosure quality. According to (Kaohsiung, Taiwan 2008) firms with better information disclosure quality do not show any direct but an indirect impact on corporate performance. They further state that it is proper to measure disclosure quality by corporate reputation. Previous literature has failed to lay emphasis and depict the effect of disclosure quality of a firm on investors’ decision which needs further study and this study will help us in doing so.

The purpose of this study, keeping in view the complexity of the investor decision, information demands of the investor, biasness presence in the information, disclosure quality of the issued forecasts and the importance of forecasts to be market competitive investor decision is to be further studied in order to better understand the situations investors face. This study will help us in analyzing the investors’ choices when the role of disclosure quality is playing its part.

**Literature Review and Hypothesis Development**

Management earnings forecasts are a valuable tool for a firm to communicate its expectations to market participants. These forecasts are important for investors as they inform them of the firm’s future prospects, information asymmetry is also lessened, and these reduce the firm’s cost of capital by higher confidence in the investor’s mind. Prior literature on management forecasts has been looked at various angels to judge their impact on investors’ choices. Like (Ball and Brown 1968) has focused on market efficiency with respect to earnings information they argue that it has attracted substantial attention from accounting researchers they also lay weigh that investors response to Post Earnings Forecasts change the managements perspective when issuing such forecasts making the information bias and increase the information asymmetry thereof. In our study independent variable is Management Forecast and specifically point and range forecast. Previously literature has focused on forecasts in various aspects. Little information is available on Point and Range Forecasts. But since Point and Range is also a Forecast we assume that these forecasts will behave exactly like Management Forecast and the previous literature of management forecast stands true for these forecast as well.

H1:  Range Forecasts will behave as other Management Forecast.

These forecasts were first discussed by (Highhouse 1994). They explain that Point Forecast is one estimate of mainly Firm’s EPS whereas in Range Forecast firms provide a minimum and maximum value of EPS and investor has to use his own perception, skills, knowledge, experience, and evaluating abilities to judge the situation and reach at a conclusion of whether to make an investment choice or not. When faced with range forecasts investors evaluate the possible outcomes and make their investment choices. But the question is how they evaluate such information, what are the factors involved and what affects different investor’s to react differently? Previous studies of management’s forecasts show that earnings forecast affect earnings management (Sunil Dutta, Frank Giglert 2002) biased information is issued to affect the stake holders decision, (Bin Ke, Yong Yu 2006) credibility of forecasts affects the stake holder’s decision (D . Eruchirst , Lisakonce, 2007) existence
of incomplete information in such types of forecasts (Weihong Xu 2009), and the user influence of forecast accuracy (Carlo D. Smith, John T. Mentzer 2010).

H2: Firms issue bias and incomplete information.

Prior Literature on Forecasts show the management’s perspective towards what they believe to be the future position of their firm, company or business. When issuing such forecasts management perception plays its part and since they want what is better for their company rather than depicting the true picture the issued information is bias which then increases the information asymmetry already existing in the parties to the contract (Francis, Philbrick 1993; Das, Levine, Sivaramakrishnan 1998). Later research also proves the concept of presence of biasness from Management or the issuing authority in such earnings forecasts (Lim 2001; Matsumoto 2002; Richardson, Teoh, Wysocki 2004).

H3: Biasness increases information Asymmetry.

This concept was further explored by (Kato, Skinner, Kunimura 2009) where they argue that the managers’ initial annual earnings forecasts (In the Year Start) are, on average, upward biased (optimistic) depicting Management’s purpose to misguide the investor’s and generate more funds than actual if the true forecasts were provided. Importance of such forecasts for the firms and management is examined by (Lambert and Stock 1993) where they positioned forecasting as the driving force behind all forward planning activities within the firm. Research provides evidence that when such forecasts are accurate, they help companies and supply chains to prepare for short and long term changes in market conditions and help improve operating performance (Fildes and Beard 1992; Gardner 1990; Wacker and Lummus 2002). Whereas when forecasts accuracy degrades, decisions based on the forecasts may lead to operational missteps.

H4: Forecasts affect Organizations positively and negatively.

Investor Decision is our dependent variable in this study. In previous literature by (Leonard Karakowsky, A. R. Elangovan 2001; Collin Mason, Matthew Stark; 2004) explained concept was the fact that investor decision and their investment choices are affected by the information demands of investors or the information they are looking forwards in such forecasts. They have also argued that information demands or the required information differentiates from investor to investor and it also depends on the type of investment. Investor decision besides the above mentioned factors is also affected by their relationship with other investor’s (John Hendry, Paul Sanderson, Richard Barker, John Roberts 2006; Elaine Henry 2008) there training (Kim Hoque, Nicolas Bacon; 2008) how the information is provided to them (Elaine Henry 2008) and the peer affects while making an investment decision (Lilian Ng, Fei Wu 2010). (Collin Mason, Matthew Stark 2004) define investor decision as a mix of information regarding “Entrepreneur, Strategy of the business, Operations of the firm, Product/Services in which they are dealing, Market Situation, Financial Strength of the company, Investor Fit with the organization and various others”.

H5: Investors Decision is mix.

Disclosure Quality of these forecasts is our mediating variable in this study. Effect of disclosure quality and information asymmetry on investor’s decision is discussed by (Millicent Chang, Gino D’Anna, Iain Watson, and Marvin Wee 2008) where they argue that investors are affected by the authority providing the information and the reliability of
information has a direct and positive relationship with investor’s decision. According to (Kaohsiung, Taiwan 2008) firms with better information disclosure quality do not show any direct but an indirect impact on corporate performance. They further state that it is proper to measure disclosure quality by corporate reputation.

H6: Disclosure Quality has a direct relation with investor’s choices.

Previous literature has failed to lay emphasis and depict the effect of disclosure quality of a firm’ point and range forecasts on investors’ decision which needs further study and this study will help us in doing so. This paper will also provide theoretical support to better judge the perceived credibility in the eyes of the investor when they analyze management forecasts and specifically point and range forecasts.

Discussion

Human Financial Decision Making in various aspects has been under consideration by investors as well as other stakeholders. Prior literature evidence shows that studying the financial decision making started from 1850s in order to better look at Behavioural Aspect of Finance and better understand the investors physical, the reasoning patterns of investors, including the emotional processes involved and the degree to which they influence the decision-making process. Investors while making a decision have to face uncertainty. Prior Literature shows that information uncertainty affects investors and in turn their decision (Zhang 2006). Investors face this situation of uncertainty because of low level of available information, and the quality of information at hand. Prior literature also proves that biased information is issued by organizations and management to impact positively, their future image, in the eyes of their stakeholders to improve their own earnings capacity, by avoiding or reducing the cost of capital (Sunil Dutta, Frank Giglert 2002; Bin Ke, Yong Yu 2006). Literature also focuses on the fact that besides biasness incomplete information is released which in turn increases ambiguity, uncertainty, and confusion in the investor’s while they make their investment choices.

This happens because the information communicated is different rather than expected causing an increase in the information asymmetry. (Millicent Chang, Gino D’Anna, Iain Watson, and Marvin Wee 2008) Expectations exist because the investors are loss averse. Prior literature has viewed investor’s choices in perspective of loss averseness. (Hirst, D. E., L. Koonce and J. Miller. 1999) Since investors are risk averse and they want profit they analyzing the information according to their profit and cost ratio, risk and return aspect. But investors are expecting and planning their investments by analyzing various investment options according to their own perception, need and requirement (Collin Mason, Matthew Stark 2004).

As our assumption states that Investor Decision is a mix and different investors react differently (Collin Mason, Matthew Stark 2004) and that they perceive the information required differently because of their business, their rules and procedures, their working environment and their rules and regulations question arises how will investors perceive and react when faced with range forecasts and with presence of all the ambiguities, uncertainties and asymmetries present.
This line of enquiry was explored by (Hongwei Xu and Martin Ruef, 2004). They explored the fact if entrepreneurs are more risk tolerant than the general public. For this purpose they compared the investment patterns and the perception towards investment choices of (‘nascent entrepreneurs’) NE those who are in the process of starting a business and the perception of (‘comparison group’) CG who have prior experience of investment decisions. They concluded their study by acknowledging the fact that investors with prior experience in investment will be more risk tolerant and perceive the information with all the ambiguities and uncertainties more positively than those with less or no previous investing experience. Our assumptions of Biasness presence and incomplete information also prove the above mentioned fact as both these increase confusion in investor’s mind making the investment decision more risky because of increased perception towards risk. This concept is also acknowledged by (Hongwei Xu and Martin Ruef, 2004) where they confirm this fact in context of venture capitalists. Also based on prior literature and our discussion we also believe that different type of investors will react differently because of their needs, requirements, business, procedures and others.

Disclosure Quality refers to the strength of information provided in the eyes of the investor from the management. (Millicent Chang, Gino D’Anna, Iain Watson, and Marvin Wee 2008). Although investors have their own perception of the information provided but if the disclosure quality is in the high notes it has a positive impact on the investor’s choice (Hongwei Xu and Martin Ruef, 2004). As discussed earlier that investors are looking forward for the information in the shape of forecasts, they perceive it, and then make a choice. Importance of issuing such forecasts for the firm’s and management has also been focused. Since issuing forecasts is important for both investors and firms the concept of disclosure quality is also of equal importance while analysing forecasts and the investor decision thereof. The question here is how to improve this disclosure quality.

This line of enquiry has been explored by (Millicent Chang, Gino D’Anna, Iain Watson, and Marvin Wee 2008) where they conclude their study by saying that high disclosure quality can be achieved by an effective investor relationship program. They also extend their research in investor’s choices and by concluding the fact that investors while making an investment choice not only rely on the information provided they also try to verify the information provided through various private sources as well. Besides that other literature also proves the fact that information providing authority if credible will have a direct impact in the investor’s mind. So we can easily say that the information providing authorities’ increase or decrease the disclosure quality of the information provided and in this case the range forecasts. If positive this will increase the investor confidence and inturn a positive investor decision and if not this will have a downward impact for both investors and firm’s issuing forecasts.

**Conclusion**

After analyzing the previous literature and investor behavior, their investment patterns, and their reasoning patterns we believe those investors with low risk propensity and risk awareness because of no previous investment experiences and knowledge of market, or in other words investors having low perceived credibility of the forecasts in hand will invest less than investors with some previous investing experience or investors with a higher perceived credibility of forecast. Also we believe that disclosure quality depends on mainly two things i.e. the issuing authority and the regulators perception towards these issued
information. Also we conclude our study on the fact that disclosure can be improved with proper communication of not only the information but explaining the information as well as this will reduce information asymmetry existing already. Based on our literature and discussion we can also say that different investors will react differently to the same information as their demands are different, because of their business, their perception, in all their requirements.

**Practical Implications and Future Recommendations**

This research will enable organizations in issuing their forecasts and grasp more investor confidence, and more market competitiveness with low cost of capital. Also this study will enable the investors in response to management by reacting accordingly with the information available in forecasts. This study will also enable other stake holders to understand the management motive behind issuing forecasts. Future study can focus on the same forecasts when Analyst’ provide their perspective, Confidence in the decision can also be measured after analyst estimate in response to such forecasts. Also the role of regulating authority and the Government can also be seen in accordance with these forecasts. Also this study needs to be tested in the original market situation to confirm our results.
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Abstract
The main purpose of this study is to investigate how workforce diversity managed in the Small and medium enterprises in Pakistan. How education, gender, religion, motivation and family members of the entrepreneur employed affects diversity in the organization? Personally administrated interviews, document analysis and generalization of entrepreneur are useful resources to vast our understanding. Findings show that organization with well educated and highly motivated entrepreneurs have more diverse culture. Firms with female and minority members also have well diverse human force and policies. While age of the entrepreneur and number of family members employed are not much influenced on organizational diversity. Limitation of this research is due to short course of time number of respondents are very low, limited to just two cities. Practically this research is very important for the entrepreneurs, directors and partners of surgical and sports organizations as well as educational institution that they can adopt diverse culture to bring innovation and creativity to enhance productivity of the organization.

Keyword: Diversity, SME’s, Entrepreneur role

Introduction:
The concept of diversity comes with boom of multinational organizations. When organizations start working globally for using competitive advantage, they tend to hire workforce from different areas of the world. There are some reasons for doing so; first one is that they want to use cheap labor from across the world so that operating cost would be lower. Secondly, they want to use highly skilled labor or you can say brain drain, so that they have creative minds in the workforce. Those who can show their creativity, which brings innovation and innovation linked with the performance of the organization. So indirectly we can say that diversity increases the performance of the organization. Diversity plays important role in the performance of the organization. Diversity is recently very popular among Entrepreneurs, and they want to get benefited from diversity. Diversity has advantages as well as disadvantages but the use of diversity counts more. Diversity may
increase the problem like communication but beyond this diversity increases more potential of the organization (Carrell et al. 2006). Managing diversity is also a big issue these days but effectively managed diversity always puts positive impact.

Survival is most important for the small and medium enterprises. They have to grow fast otherwise organizations with more experience and resources dominates them and SME’s fail to compete because they have low resources as compared to big organizations (Allen, 1999; Hatten, 1997). For survival they have to grow quickly, many SME’s fail within five years of their start up, because of their ineffective labor force.

There are five main stages for growing of a small enterprise to a mature organization. First out of these five stages is existence of the firm that organization came into being with a product or service line with some resource in the business field. Then there is second stage that is survival, which we earlier discuss survival is very important for the enterprise, so that it can run its operations significantly. Success is third stage when it starts growing it must be at continuous pace. Fourth one is take-off stage, when organization at its boom and entrepreneur now converting the enterprise at big level organization. The last stage for the success of an enterprise is resource maturity, now enterprise and entrepreneur should think to expand. All these stage are concerned with the management factors that are people, quality, diversity, strategic planning and owner’s ability to delegate. (Churchill and lewis, 1983)

The word Diversity is a new in Pakistan, mostly our entrepreneurs are not familiar with this word. Entrepreneur in Pakistan using this concept now a day to run effectively. A drawback associated with it, that entrepreneur in Pakistan are not so much literate, there are many reasons behind this. So because of that the attitude and behavior of entrepreneurs are not democratic.

Practically this article is very important for the entrepreneurs, directors, partners of surgical and sports organizations as well as educational institution, so that they can adopt diverse culture to bring innovation and creativity to enhance productivity of the organization.

The rationale of this study is to see how workforce diversity managed in the Small and medium enterprises in Pakistan. How education, gender, age, religion, motivation and family members of the entrepreneur affects diversity in the organization. The personal characteristics of the entrepreneur also effects the diversity in the enterprise (Gudmundson and hartenian, 2000)

**Literature review:**

There is limited work done on the workforce diversity, there is lack of empirical and theoretical base, the field of workforce diversity can be considered a virgin field as work on this field is just started (Gudmundson and hartenian, 2000).

Diversity defined by (Triandis et al., 1994) as such characteristics which reminds people, that person is different from me. There are some characteristics of the diversity, like culture, race, gender, age, national origin, religion, language and sexual orientation (Carrell, 2006). There are two main types of diversity which are dominant function diversity and interpersonal function diversity, first one deal with senior management while second one deals with each individuals. Second type of diversity deals mainly in SME’s (Yap et al. 2005).

Globalization and fast pace internationalization increased the importance of workforce diversity as it is hot issue these days. Everywhere importance of diversity is being discussed at political, corporate and at educational institutes (Shen et al. 2009).
Mostly diversity is related to Human resource policies and it has strong relation with Human resource manager. It is significant to consider the social, legislative and political difference in diverse cultures (Kamenou, 2007). Diversity policies are also included in employee selection procedure from recruitment to retirement program, which shows that business people have increased awareness about the diversity (carrel, 2006). But here entrepreneur do all these HR activities, all are in his/her hands that how he/she manage diversity in the enterprise. The entrepreneur should give freedom to employees so that they can contribute in maintain the guidelines of the business and help the entrepreneur in the business activities. Leadership quality is very important to start commitment towards achieving the goals of the organization (Hite and McDonalds, 2006).leadership qualities are considered vital for an entrepreneur so that he can lead the organization effectively, mange and motivate the workforce. Organization use resources to run the operations effectively. The attitude and behavior of the entrepreneur is based significantly on the education and knowledge of the entrepreneur, if entrepreneur is well educated and have well knowledge of the business activity then the enterprise survive and work efficiently. But unfortunately the education level of Pakistan is not up to the mark, entrepreneurs are also not well educated, very low % age of entrepreneurs are graduate. So for this purpose people should be educated about diversity at training and educational level in organizations and educational institutions (Kulik and Roberson, 2008). The main goal of the training should be that it shared with others and training can be provided by chamber of commerce and group of industries (Usry and White, 2002).

Diversity enhances the performance of the organization using human resource policies as intermediate effect (Benschop, 2001). Effectively management diversity results in enhanced performance of the enterprise. Technological advancement also puts positive impact on the performance of the enterprise. The more diverse workforce an entrepreneur has the more that enterprise have technological skills. Competitive strategies can be useful in the business for entrepreneur so that they can compete with other firm to greater extent (Davig, 1986).Another way to enhance the skills and capabilities of the employee, entrepreneur can use digital workplace like placing advance facilities like internet etc(Esmaeeli H.,2011).

Research hypothesis:
Motivation:
If the entrepreneur has good capability to judge the employees, hire creative employees and reduce discrimination among the employees, he has such guts and abilities that increase it motivation level then he should tend to more diversify than those who were not well motivated about the diversity that it works. So the behavior and attitude towards diversity of the entrepreneur plays an important role in hiring diverse workforce. Decision making capability of the entrepreneur depends on the motivational Behavior of the entrepreneur (gudmundson and hartenian, 2000)

H1 The entrepreneur with high motivation level for diversification will tend to diversify more than the entrepreneur who has low level of motivation for diversification.

Religion:
Mostly the minority owners have their business in such areas where more minorities are living and they are more responsive to the minority employees so that’s why minority owner will have more diversified workforce at its business. (Gudmundson and hartenian, 2000)

H2 Enterprises with minority owners will have more diversified workforce than those who has non-minority owners.
Age:
The young entrepreneurs are more creative and want quick changes so they need such people who are well cooperative and are more skilled, they tend to increase their experience and so that they hire some diverse experienced labor force (Gudmundson and Hartenian, 2000).

H3 Enterprises with younger owner will have more diverse workforce than enterprises with older owners.

Education:
The owners who are well educated are more diverse in nature because today’s education enhance peoples knowledge about diversification and they know what are the minority issues and how to cope with them, they know how to cope with gender discrimination, as they have more knowledge than those who are not educated so they are more diversified. (Gudmundson and Hartenian, 2000)

H4 Enterprises with well educated entrepreneurs will have more diverse workforce than enterprises with less educated entrepreneurs.

Gender:
As Pakistan is a male dominating society so females are not encouraged to do jobs and start their own business, but if there is a female owner so she is more diversified and have more females in business because she knows the problem of gender discrimination, ethnicity and minority issues better than others and there will be a snow ball effect (Dieterle, 2004).

H5 Enterprises with female owners are more diversified than the enterprises with male owners.

Family Members Employed:
Family members in an enterprises cause big deal of problem because most of time the family members are hired without any job responsibilities which are Burdon on the financial perspective of the enterprise and some time they are hired for job without any skills which is a big cause that firms are not hired a skilled people and so not well diversified. When job is not offered to skilled persons and family member retain in organization then there is low turnover rate so low opportunity to hire skilled labor (Gudmundson and Hartenian, 2000).

H6 Enterprises with low number of family members as employee are more diversified than enterprises with high number of family members as employees.

The important factors we have concluded form the literature discussion is that the entrepreneur should have motivational skills and are well educated about the diversity related issues so that he can effectively manage diverse workforce using efficient human resource policies. Effectively managed diversity in an enterprise puts positive impact on the performance of that enterprise. Diversity benefits the small firms but it depends on the characteristics of the diversity and motivational behavior of the entrepreneur.

Research methodology:
This is interview based data collection. This survey is self administered and filled through direct interview by using generalized form from the entrepreneur, director and partners of the organizations. Our survey mainly focused on small and medium organizations from sports, surgical, leather and educational industry. These Entrepreneurs are fully conversant with overall operations of the organization. This survey conducted in two Pakistani cities Sialkot and Gujranwala. The data collected from almost 40 organizations. In this research the responses of respondents will be quantified in percentage. As it is personally administrated interviews, documentation analysis and direct meeting with entrepreneurs so response rate is 100%, 40 organizations selected for
data collection purpose because it was very hard to interview as many heads of organization within a limited time frame.

**Result analysis & discussion:**

Results of our research are much similar to previous studies held on this idea i.e. (gudmundson and hartenian, 2000) and (Dieterle, 2004). Our survey result shows that the level of motivation counts much for diversification, high motivation level of entrepreneur tend to increase the chance of highly diverse culture of the organization, the motivation entrepreneur to his/her employees in reward system, supporting culture, mentoring, networking of the employees within organization and outside of the organization, consulting with managers, using team building approach, inspiration from the work of someone, using proper problem solving skills, influencing upward, delegating, enhancing decision making capabilities and better communication within and outside of the organization are all the characteristics of a entrepreneur through which employees are well motivated, encouraged to enhance their capabilities. Entrepreneurs attitude and behavior towards employee also matters and the entrepreneur with good attitude and behavior have well motivated and diverse workforce as people enjoy working under such entrepreneur and they encourage other to come and join the organization and they are committed to the organization as well, so results in enhanced productivity and promotes diverse culture. 60% Woman are found to be gave more importance to motivation as compared to males so that’s why we have seen that female owned organization have more diverse culture, but 35% male entrepreneur also using this capability to greater extent.

As (gudmundson and hartenian, 2000) said there are very few minority owners in the industry, Same was the case here, those we found have not much developed setup, 3 out of 40 respondents are minority owners who belongs to Christianity, one have surgical setup with not more than 25 employees, in his setup 18 out of these are belongs to minorities, there is no female in his setup. While other two are educational setups and they have more than 50 employees in their organizations.70-80% are female workers and almost 60% are belongs to minorities. Data is too short to discuss, although it showed that organization with minority owners are more diversified than organizations with non-minority owners.

50% of the respondents are fall in the age category of 20-29 and remaining 45% respondents are fall in age category of 30-39 and 5% are fall in category of above 50. Result here for this hypothesis is quite different from previous studies, respondents with age 20-29 have low diverse culture as compared to respondents from age category of 30-39, basic reason for this observed is that the organizations of age category 20-29 are not well developed and are at small scale with not more than 50 employees, but they have their intentions towards diversity initiatives they all have female and minority employees on the other hand organization of age category 30-39 are mature organizations with more than 100 employees they have more no. of female and minorities in their organization.

80% of our respondents are having masters or above degree remaining are bachelors degree holders so here we have not found any difference, but to some extent two respondents have PhD. Degrees and they have more diverse force and well organized setup. So education always matter and so the case here more educated person have more intentions towards diverse culture.

As (Dieterle, 2004) said in their research female owners are more tend to adopt diversity, it also seen here in our survey as well, but a difference arises in study is that the industry of the organization plays vital role in diversity enhancement. As there are some industries where
only male workers are mostly preferred and there are some professions where only females are highly encouraged. As exampled here, we examined the industry of surgical as it is full of men only, totally male dominated industry because hard hitting, use of power and proper use of metal are some things which are rare in females, so it is very difficult to adopt such profession for females. While on the other side of our study in profession of education, females are highly encouraged to do work, as it think to be less time consumed, safe and secure profession for females in our society and generally women have their intentions towards teaching, entrepreneurs also encourage females in educational institutions because they to pay less as compared to males.

Respondent are mainly owners of the organization where as some are partners and directors as well. All the respondents are well informed about the working of organization working; mostly owners and partners are from surgical and sports industry while directors are from educational institutions with full authority to do work in organization.

10 Out of 40 respondents are females. 7 out of 10 females are partners in organizations and some of them are sleeping partners and some are active partners but both are well informed about operations of organization, remaining 3 are owners of organizations and working on their own and one of them is running a leading organization of sports industry in Pakistan. Resulted that where females are owner there are more diverse culture in sense that females are encouraged to do work and working in almost every department of organization while minority employees are also part of the organization. In female owned organization 30-35% are females and 20-25% is minority employees remaining are male. So this ratio is quite good in societies like Pakistan, where females are not much encouraged to do work. But one thing is quite impressing, that is the ratio of female entrepreneurs from the sports industry described above, while situation in surgical industry is quite different, females are only 2-3% in surgical industry under female owners and all female workers on office work position like secretary and telephone operators etc. while minority ratio is similar here as in sports good industry.

60% of the respondent organizations have family members employed in the organizations and at top management level, remaining do not have family members in the organization. Among the above mentioned 60% most of them are partners in the organization. So it may not put so negative impact on managing diversity in organization. All organization have no more than 5 family members in their organization, but the organization with no family members have more outside people at top positions. So to some extent we can say organizations with no family member in organization setup have more diverse culture.

Conclusion and recommendation:
So it is concluded that organization where entrepreneur are well motivated about diversity and have the capability to motivate and handle its employees in a manner that they tend to be committed with the organization. Behavior and attitude of the entrepreneur for employees helpful in producing the diverse culture of the organization. Well educated entrepreneur have more knowledge about diversity issued and advantages and disadvantages of the diversity so he/she can easily decide to how to adopt and how can manage the diversity in the organization (Carlos et al., 2007).

Female employees feel safe and easily communicate with females so that’s why probability level high for diversity in organization when entrepreneur is female. Same is the case for minority owners they also easily communicate with minorities and to avoid conflict issues they mostly hire minorities in their organizations.
Effectively managed diversity always results in positive performance outcomes; it affects groups as well as individual’s performances, so workplace discrimination, age and educational level of groups and individuals pivotal for implementing diversity in an organization (Belijenbergh et. al. 2010).

Number of family members must be limited in the organization to promote diversity, but if family member is deserved for the positions and have guts and capabilities than any other then he/she must be hired. Diverse workforce can be a good solution for young entrepreneur to achieve goals and landmarks and to grow organization, so diversity adoption is benefited for him to bring creativity for increasing productivity. Limitation and future recommendation of this research is that due to short course of time number of respondents are very low, limited to just two cities. It can be extended to other industries, geographical areas and other characteristics of entrepreneur can be discussed under this study.

Practically this research is very important for the entrepreneurs, directors and partners of surgical and sports organizations as well as educational institution that they can adopt diverse culture to bring innovation and creativity to enhance productivity of the organization.
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ABSTRACT
Man instinctively loves an easy life and science has helped him to do so. This love for easy life urges him to disobey the Commands of the creator. To him, fasting (eating no food and drinking no water from sunrise to sunset) seems opposing to his desire for easy life. Having this in mind, there are many Muslims who do not observe fast. So, in this piece of writing several misconceptions regarding fasting and good health have been removed. To make this article as informative as he could, the scholars studied books, journals and findings of medical researches concerning fasting. To make this article a complete one for those who are non-Muslims as they do not know the ABC of Islam, the scholars provided the different meanings of "Islam". Then he discussed the pillars of Islam on which the building of Islam rests. The reader of this article will find the meaning, obligations and origin of fasting. The status of fasting in the eyes of medical sciences is the pivotal feature and purpose of this piece of writing. The expression of information in an economical way with simple language really deserves to be encouraged. Each and every idea is not a mere statement, rather, every idea has been strongly supported by Quranic text and sayings of renowned and authentic doctors and scholars. The finding of this research work is that fasting carries unlimited advantages. The account of fasting in religions other than revealed one's, enhances its important. It is of great importance both as an act of worship and as a curing technique.

Keywords: Concept; Fasting; Religions; Medical Sciences

Introduction
Islam holds a great importance in the world religions. In terms of population it is the second greatest religion. Its followers live in all parts (continents) of the world.

The meaning of Islam is obedience i.e. Allah's obedience. The chief feature of Islam is that its teachings are most comprehensive, vast and surround all what is life. It provides guidance both for the individual and social life. In Islam the importance of worship and ethical manners is equal to that of social, political and financial system. It is the religion that founded human unity and brought humans closer to humanity in the true sense. It also puts an end to all kinds of differences (distinctions) of casts, colour and creed among human beings.

In short Islam determines the fundamental principles for human life and provided a system of faiths and worships. The obedience and to be follower of it ensures a success for both present life and the future life.

Literal Meaning of Islam:
Islam is from the root S ل M سللم. They join to form حسلام. Following are its literal meanings.
(a) Free from apparent and confidential/hidden evils and vices (pure and safe)
(b) Peace and safety.
(c) Well being.
(d) Obedience.
(e) Islam, Istimslam, Inqiad (submission, obedience) surrender, obedience.
(f) Of these meanings pure, sacred and unblemished are remarkable.

According to Muslim Scholars the religious or dogmatic meanings of "Islam" derive themselves out of its literal meanings and they are in close relation to each other. Linguists have explained the religious meanings in the words.

The religious meaning of Islam is the expression of obedience and submission, expression of being religious, and sticking fast to the Sunnah of The Holy Prophet."(2)

The discussion and introduction to Islam as a word and as a religion (Din) may never come to an end for it, being a complete code of life, encloses (surrounds) all what makes life and even beyond it "Islam" is a comprehensive word bearing unlimited aspects, but to make a long story short we can say that Islam is a Din (Religion)

Lo! religion with Allah (is) the surrender (to His will and guidance).(3)

There are some other words in the Holy Quran to depict Islam such as.

(4) The Religion of Truth.
(5) The religion of Allah.
(6) The right religion.

What is the ultimate conclusion of all the discussions about Islam is that Islam is a set of beliefs, actions (deeds) and a complete code of life. Its collective name is Din (religion) which includes creeds (faiths), prayer services (worships), and matters (individual, collective, political, economical, military, judicial and international).

Faiths in Islam:

Hazrat Abu Huraira (R) relates in a lengthy Hadith, that a person appearing before the Prophet, (who, was in fact the angel Gabriel in the shape of a man), said to him, "Tell me, what is meant by faith." The Prophet replied "Faith means belief in Allah and His angels, belief in the Holy books revealed to man, belief in the prophets of Allah, holding as the truth, the day of Judgement and having firm belief in the fact that whatever happens in the world is by the will of Allah, whether it be good or bad."(7)

It was all about faiths included in Islam. This is an extract from a lengthy hadith, also known as the 'Hadith of Gabriel'.

Now we come to the acts of worship and importance of worship in Islam.

Acts of Worship and Concept of Worship in Islam.

The Holy Book (Quran) as the basic source of Islamic law emphasises.

I created the Jinn and humankind only that they might worship me.(8)

This shows that the rationale behind creating this Universe and its creature is nothing but worship.

Now we come to the list of acts of worship.

(i) Prayer (ii) Zakat (iii) Fasting (iv) Hajj

As far as the obligation to perform each of these acts is concerned, we can quote verses from the Holy Quran.

Prayer (Salat)

Worship at fixed hours hath been enjoined to the believers.(9)
Zakat:-

Those who, if we give them power in the land, establish prayer and pay the poor-due.(10)

Fasting (As-Siyaam)

O ye who believe! Fasting is prescribed for you, even as it was prescribed for those before you, that ye may ward off (evil):(11)

Hajj (Pilgrimage):-
And pilgrimage to the House is a duty unto Allah for mankind, for him who can find a way thither.(12)

Fasting as a pillar (Fourth one) of Islam.
Fasting is the Fourth pillar in acts of worship in Islam. It is known as Som(Saum) in Arabic which means stop, refrain, desist. According to some scholars it has been named as patience (Sabar in Arabic) which means self-control, resoluteness, and perseverance. The above mentioned meanings express to some extent what fasting means in Islam.

It is, indeed, to keep self-control and to keep oneself resolute among sensual greed and to keep oneself unwavering in the times of lust. Let us see what do authentic books say about fasting and its meaning.

Fasting:-
Fasting (As-Siyam) Generally means "to abstain from something."
What is meant here is abstaining from food, drink, and sexual intercourse from dawn until sunset with the explicit intention of doing so (for the sake) of Allah.(13)
Fasting to go without food or without certain kinds of food, especially as a religious duty.(14)
To eat little or no food for a period of time, especially for religious reasons.(15)
Fast is obstinence from food, or certain kinds of food, for a period of time. (16)
Fasting is the practice of abstaining from food, either completely or partially, for a specified period. (17)
Fasting is a ritual abstention from food and drink, observed by either individuals or communities for varying lengths of time. (18)
Fasting, obstinence from food or drink or both for ritualistic, mystical, ascetic, or other religious or ethical purposes. (19)
It is from the root من. Its literal meanings are to abstain from something or to leave it. In religious meanings it means if a person is bound to religious commands and if he refrains himself from food, drink and other absurdities, he will be said observing fast.(20)

The Origin of Fasting:-
The history (dates) about the origin of fasting is unknown. A very famous physician of England Herbert Spenser in his book, "Principles of Sociology" makes a guess on the basis of examples of few uncivilized (savage) tribes that the fasting might have originated in the way that people in times of savageness would have kept themselves hungry and would have thought that their meal reaches in return to male and female. But scholars do not seem to rely on this conjecture.(21)
The origin of fasting is unknown. But the custom of fasting has played a part in the practices of every major religious group at some time.(22)
It is an ancient practice found in most religions of the world. (23)
Fasting has been practiced from antiquity worldwide by the founders and followers of many religions. In the religions of ancient people and civilizations, fasting was a practice to prepare persons, especially priests and priestesses to approach the deities.

In the Hellenistic mystery religions, the gods often revealed their divine teaching in dreams and visions only after a fast that required the total devotion of the devotees. (24) Like prayer fasting has also been a compulsory part of the Shariah of Prophets for old times. (25)

**Fasting in Different Religions:**

Fasting has been somehow in vogue in all, religions before Islam because all religions regard starvation and meditation necessary for spiritual development. No world religion has encouraged abundant eating. Even uncivilized nations, where there is no concept of any religion, have been found somehow practicing fasting.

Our discussion here will take into account the concept of fasting in different religions of the world.

**Fasting in Hinduism:**

Hinduism is regarded as the oldest religion in world religions. Many of its rites and rituals started in 6th century B.C or later, but it carries one or the other form of all religions. It does not have any remarkable founder. But inspite of all this we see that there exists an act of fasting for two days in each month on 11th and 12th for Brahman.

The fasting is known as Akadas. This makes 24 fasts round the year. In Hinduism, fasting is only for Brahman. Non-brahman are exception. Some Brahman observes fast on each Monday in Katak which lasts from 17th October till 15th November. The Hindu ascetics, going for mystic seclusion, observe fasting for 40 days. (26)

There are some other kinds of fasting as well in accordance with the purpose, for the achievements of cherished desires, and duration. Sometimes, personal or political goals are sought through fasting. Mohandas Gandhi of India used fasting both as a penance and as a means of political protest. (27)

**Apwas Fasting:**

Apwas means to be hungry. It is a fasting of mild class. The person observing it specifies a day and pronounces the name of that supernatural being to whom he wants to gift his fasting, for instance some god or goddess. The person observing fast eats lunch one day before fasting and then after picking his teeth intends for fasting for the next day and stops eating. This lunch is like pre-dawn meals. The next day after taking a bath the fasting person performs the day duties, takes water in his palm and throws it in all directions. The next day after sun rise he has the authority to break his fast at that time or at noon. If it lasts till noon then it is named as Lakant rather than Apwas. (28)

**Parak fasting:**

In it, the fasting person eats lunch on three consecutive days, for the next three days eats only dinner and then for the following three days observes fast. There is also another fast same to Parak, namely Karchara but it is for only four days. (29)

**Chandrabin fasting:**

It is observed on the day of full moon. Maswas is also of the same kind. (30)

**Fasting in Judaism:**

Our discussion here will be about the nature and duration of fasting in Judaism.
Jewish law orders a yearly fast on Yom Kippur, the Day of Atonement. Many Orthodox Jews follow the custom of having the bride and groom fast on the day before wedding. (31)

In Judaism, fasting is a command of God. Moses spent 40 days without eating and drinking on the burning bush. So Jews regard the fasting for forty days following Moses. It comes on the 10th of their 7th month. Therefore it is known as Ashura (10th). It was the day when Moses received ten commandments of Torah. Therefore Torah has laid great stress on this day for fasting. (32)

Judaism is an ancient revealed religion. The mentioning of fasting is found in its texts with speciality. But the fasting on 40th day is compulsory which falls on the 10th of 7th month (Tashreen) Torah has laid great stress on this Yom Kippur. Jews also had a fasting of quietness. The fasting person is required to be quiet all the day. (33)

In Judaism, the days for fasting are limited and specified.

- In the times of Babylonia, fasting was considered a sign of mourn.
- According to Jews when they felt God was angry with them, they observed fast or when the king set off for an expedition, they observed fast.
- Fasting is in practice as a sensation of some terrible event that took place.
- Some other fasts are also in practice but they are local. They also belong to some mishap.
- Some Jewish communities observe fast on the very first day of the new year.
- Some of them are in the hands of Jewish religious scholars. Occasionally they are prescribed for certain purposes.
- There also exist some personal fasts which the fasting person keeps according to his free will.
- Fasting is also practiced on having a nightmare. In Jewish law, fasting is prohibited on Eid. (34)

**Fasting in Christianity:-**

In Christianity, fasts, originally voluntary, became the subject of legislation only in the 4th century. The Roman Catholic Church distinguishes between fast and obstinence. The former, obligatory on all persons over 21, permits only one full meal in 24 hours; the latter, which binds all over 14, forbids meat or dishes made from meat.

The only obligatory fasts today are those of Ash Wednesday and Good Friday. The faithful are also required to observe a one-hour fast before receiving Holy Communion. Formerly, fasting was enjoined throughout Lent (except on Sundays), on Ember days, on vigils of the more solemn festivals, and on all Fridays except between Christmas and Epiphany and between Easter and Ascension. According to universal church law, abstinence was prescribed for all Sundays in Lent, St. Mark's day, Rogation Days, all Saturdays, and all Fridays except those noted above. The universal law, however, was usually adjusted by local custom and dispensation. The older system is followed, at least nominally, by the Church of England. The Greek Orthodox Church recognizes 266 fast days in a year. These include every Wednesday and Friday; the 40 days before Christmas and the 40 before Easter, the fast of the Apostles, between Whitsunday (Pentecost) and the feast of St. Peter; and the Lent of the Virgin, from August 1 until August 15 (The feast of the Assumption, or, as it is called in the East, the Dormition). In contrast to the Roman Catholic Church, the Orthodox never keep Saturday as a day of abstinence.
The reformed churches of Europe fasted during Lent only; the Scottish Presbyterians recognized only fasts with Scriptural authority. (35)

Many Christians Commemorating the 40 days that Jesus spent fasting in the wilderness. In general, for Christians, fasting seldom means doing without all food for an entire day at a time. In addition, people who are not well can usually receive permission from their religious leaders not to fast.(36)

Roman Catholicism and Eastern Christianity, has observed a 40 days fast period during Lent, a spring period of penitence, and during Advent, a penitential period before Christmas. Protestant churches generally leave the question of fasting to the consciences of individual church members.(37)

There are certain differences among various sects of Christians regarding the obligation and observance of fast. However, Christian Calendar prescribes following types of fasts.

(i) Christian fast  (ii) Polis fast  (iii) Eranus fast  (iv) Fast of cross  
(v) Eid-ul-Fasah  (vi) Church fast.

Fasting in Buddhism:-
Buddhist monks fast on certain days and confess their sins in quiet whispers. (38)

While Buddhism is an ascetic religion and regards the body as evil, Buddha was opposed to excessive ascetic practices of any kind, mainly because excess was evil. Hence, though food was to be taken in moderation as a method of guarding the gateways of the senses, he never advised excessive fasting. One of the ten abstinences is that of eating at forbidden times. Monks must eat but one meal, at mid-day, and nothing after it, they must fast on the days of the new and full moon. (39)

Fasting in Zoroasterianism:-
Among the western religions, only Zoroastrianism prohibits fasting because of its belief that such a form of asceticism will not aid in strengthening the faithful in their struggle against evil. (40)

Zoroasterian, religious leaders have protested against fasting from food. They claim that the food fast actually has no moral value, when compared with "fasting from evil" with eyes, hands, tongue, or feet. (41)

Fasting in China:-
In China, before the sacrifice during the night of the winter solstice, when the heavenly Yang (positive energy) principle was believed to begin its new cycle, a fixed period of fasting and abstinence was observed. (42)

Fasting in Egypt:-
Fasting is conditioned with some religious festivals in traditional Egyptians.

In Egypt, fasting as a method of expiation for sin, either occasional or at fixed times, was recognized. All luxuries had to be abstained from, as well as every form of gratification of the passions. (43)

Fasting in Greeks:-
Only Greek women observe fast on 3rd of Thismo feria among traditional greeks. (44)

Fasting in Islam:-
The main fast of Islam, ordained by Mohammed himself is the 30-days period of Ramadan, when no food may be eaten until sundown. Even though this month often comes during the hottest seasons of the year. Devout Muslims also observe the six days in the
following month; the fast of Ashura, on the 10th day of Muharram; every Monday and Thursday; and the 13th and 14th of each month (known as "the bright days."). (45)

Fasting is often referred to as a good work and it is one of the recognized duties of the Muslim. Hence, there are many stated times of fasting, some of which are obligatory, and others may be regarded as works of supererogation undertaken by the devout. Chief amongst the former class is the fast of the 30 days of Ramadan, rigorous and strictly observed, in which no water is allowed between dawn and sunset, and from which only the sick and infirm, travellers, idiots, and children are exempt. (46)

**Obligation of fasting:-**

All the above given discussion strongly advocates the importance of fasting not only in Islam but also in other world religions. But here we shall stick to the obligation of fasting in Islam. The command of obligation of fasting was given after two weeks of the incident of alternation of Qibla in 2 A.H. Ramadan was specified as a month for fasting about which it was revealed in Shaabaan. (47)

**In Quran:-**

And whosoever of you is present, let him fast the month. (48)

O ye who believe! fasting is prescribed for your. (49)

The two verses advocate strongly the significance and obligation of fast in Islam. The whole Muslim nation agrees that the fast of Ramadan is obligatory.

**In Hadith:-**

Allah has made it mandatory for all to fast during this month.

The person fasts in the month of Ramadan, in the condition of faith and with the specific intention, of gaining a reward in the hereafter, he will have the sins has committed till that time, forgiven. (50)

Your fast is a shield.(51)

Fasting is for me and I shall reward for it. (52)

**Purposes of Fasting:-**

Whatever command was revealed to Muhammad (P.B.U.H.) is not a mere command of God but it is full of wisdom and advantages. The building of Islam is on such pillars that carry spiritual, moral, collective, material benefits along with them. So the purposes of fasting are also well said in the words of Holy Quran.

(53) (54)

These two verses explain the purposes of fast.

(i) That ye should magnify Allah for having guided you.

(ii) And that preadventure ye may be thankful.

(iii) That ye may ward off (evil)

So it is our duty regarding the purpose of fasting (i) to magnify Allah for having guided us.(ii) to be thankful to him and (iii) to ward off( Evils).

**Fasting and Society reformation:-**
So far we have discussed the obligation and usefulness of fasting in the light of Quran and Hadith. Now we are going to analyse the role of fasting in society reformation. We shall see how it plays its role in eradicating social evils.

i. Prayer is a daily training while fasting is a training schedule of extraordinary kind for one month. It holds the man for 720 hours in the strong claws of its discipline to uproot the evils. This kind of training causes an entire change not only in individual but also in society.

ii. It gives Muslims a sense of service. He feels that he is a servant to Him. He must consider himself dependant upon God.

iii. Along with the sense of service it gives the feeling (sense) of obedience. It trains man for complete obedience of His command to abstain from gratification of desires such as food, drinking etc. Without obedience fasting (eating and drinking nothing) will be like a dead body without soul.

iv. It helps the individuals to build their character. The character is based on fear of God. It kills all what is negative in man and promotes all what is positive.

v. The training in fasting includes self control. i.e. control for the gratification of desires such as eating, drinking and sexual pleasure. It also helps individual to control his passions such as anger. A fasting person is bound, in the true sense, to show such a self-control in all his dealings that it becomes ideal. This self-control helps individuals to evolve a society full of peace, prosperity and care (feel) for other's rights. The society thus transforms into an earthly paradise. (55)

The Spiritual Aspect of Fasting:-

The spiritual aspect of fasting is implicit in the verse that makes the obligation of fasting known to the people.

O ye who believe! fasting is prescribed for you even as it was prescribed for those before you that ye may ward off (evil). (56)

Piety is the name of that feeling at heart having gained one hesitates to commit what is regarded as sin. He finds anxiety in him for what are known as good deeds.

We can say that the spiritual goal of fasting is piety.

(ii) It gives Muslims the lesson of true love and sincerity.
(iii) It motivates Muslims for service (worship) and makes him closer to God.
(iv) It awakens the human being by making him broad minded
(v) It teaches tolerance and selflessness.
(vi) It makes him moderate. (57)

Fasting and Medical Sciences:-

Now we have come almost to the concluding part of this research article. This part is about the significance of fasting in the eyes of Medical Sciences.

The Holy Quran Says:-

And that ye fast is better for you if ye did but know. (58)

M. Arifuddin (Scientist Centre for Cellular and Molecule Biology Haidrabad India) Says:-
Human body is, indeed, like a machine which can be named as Biological Machine. It also works in the same manner as other machines do. For example, motor car is a machine but it needs petrol which gives it energy. For maintenance it needs servicing and overhauling occasionally.

Similarly the biological machine of human body needs food for energy as well as occasional service and overhauling so that it may produce good deeds which will effect the soul and morality of him. The Creator of this machine, therefore, has made fasting obligatory to keep the machine neat and clean to get neat and clean (good) deeds as a result. These good deeds will help him to reach a high spiritual place. Now we see the importance and role of fasting in making the biological machine neat and clean.

i. Obesity means the increase in size and number of Adipose cells, Fasting is the best way to control Adipose cells.

ii. People compel the stomach to produce Hydrochloric Acid consistently by having food more than enough for them. It increases the chances of Peptic Ulcer. Fasting in this regard gives stomach rest and the production of HCL stops. Thus the chances of falling ill decrease.

iii. Liver is Lipogenic Glycogenic and Cholestrogenic in well Fed condition. It means that it produces fat, glycogen and cholestrol but when one observes fast, the liver produces glucose from glycogen, fat and proteins. The liver produces 160 kg glucose in one day in a man with fast. Our brain needs it badly. Moreover the coricycle which does not work in well fed condition starts working in fast.

iv. It is a notable fact that the amount of energy we get from food is produced without food in fasting from the waste matter in our body. It is known as calori Homostasis.(59)

Our discussion here will focus on the effects of fast on different systems of human body. Our this discussion will help us to analyse the unimaginable usefulness of fast for healthy body and healthy mind.

**Fasting and Digestive System:**

Fast casts its effect on all organs of human body but it must be kept in mind that fasting is prescribed by the creator of humans who knows the most. He knows the limitations of human body and His commands do not take any one beyond limitations.

i. The very first effect of fast is on water level in a human body. Though it surely decreases but, with the help of some natural system one can overcome the decrease in water level, to prevent water loss harmones such as Nor. AdreNalin start working.

ii. With the decrease in water level digestive juices also decrease. In the last hours of fast these juices appear but in a very less quantity. The glands producing these juices go in rest which enhances their working later after Aftar. (60)

**Fasting and Liver:**

Fasting also effects liver like other organs. It is an interesting fact that fast influences liver functioning wonderfully.

Fast provides liver a rest condition for four to five hours. This rest is not possible without fast. Liver produces bile to digest the food. Science suggests the duration of rest for liver at least one month in a year. It is possible only through fasting.
The modern man, who values his life very much, considers himself safe after several medical check-ups. But if liver had the ability to speak, it would have said to such a man you can favor me only by observing fast.

During fast liver is free to digest and store food so it can produce Globulin which strengthens immune system. (61)

**Fasting and Obesity Resulting in Sterility:**

Obesity causes sterility in too much fat women. Fasting helps pregnancy in fat women. Thus fasting is helpful both to cure sterility and as causing pregnancy in fat women. (62)

**Fasting and Hormones Functioning:**

The substance produced by body to digest food is through Retrogogue and Secretogue processes. We eat 1.5 litre food in one day. While Secreto Gogue produces 7.5 litres to digest food. This makes 9 litres in total. During fast the production of 7.5 stops and thus this system takes rest. During fast the following hormones increase in their numbers.

Cortisol Aderndcorticorts Hormone (Acth) B- Endorphine B-Liportophine Harmone, Adrenaline, Noradrenaline. (63)

**Fasting and Immune System:**

The quantity of Adrenaline increases from 200 Pmal / 1 to 700 P mal/1. Noradrenaline increases from 0.25 n mal/l to 1.5n mal/1. Glucogon and Insulin increase from 2 to 7 in proportion. The chief function of cortisol is to enhance immunity. It decreases inflammation. B-Endorphine is a natural pain killer which works like opium. Its function is to make human feel no pain. It also casts good effect on mood and sleep. With the increase in Adrenaline, the Glycogen in Liver and Fat in Adipose Tissue starts dissolving.

Fasting, thus, causes an extraordinary Tuning, Overhauling and Servicing of human body. All the organs start functioning with a new power. The decrease in Follice Stimulating Harmone decreases sexual urge and increases the ability to think. (64)

**Fasting and Metabolism:**

Complete Fast decreases hunger or eradicates hunger and thus the body weight decreases quickly. Allancot in 1975 in his book "Fasting, Way of life" emphasises that fast gives rest to digestive and nervous system and causes body metabolism to be balanced. (65)

Metabolism is the chemical activity in a body that uses food to produce energy one needs to work and grow.

**Fasting and Health:**

Dr. Jack Gold Stein, who has been approved by American Natural Society, advocates fasting in his book. "Triumph over Diseases by Fasting" in these words

Fast causes an end to Toxin in human body which is very much necessary for better health. Another book of 45 pages about the effects of fast has been published by Ahmedabad Gala Publishers. Dr. Gala and Dharrun Gala have provided the medical advantages of fast by showing detailed facts and figures of cases reaching health with the help of fasting. They say that following were the diseases which came to an end due to fasting.

<table>
<thead>
<tr>
<th>Disease</th>
<th>Effect of Fasting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temperature</td>
<td>Feeling cold</td>
</tr>
<tr>
<td>Constipation</td>
<td>Diarrhoea.</td>
</tr>
<tr>
<td>Sinusitis</td>
<td>Malaria</td>
</tr>
<tr>
<td>Appendicitis</td>
<td>Obesity</td>
</tr>
<tr>
<td>Menses Problem</td>
<td>Asthma etc.</td>
</tr>
</tbody>
</table>
Fasting and Blood Production:

Blood is produced in bone marrow. When the human body needs blood, an automatic system stimulates the bone marrow. In weak people, the bone marrow is also in passive working. During fasting when food is at the lowest level, the bone marrow starts its function. In this way, weak persons can cause more blood production by keeping fast. (67)

Fasting and Intestines:

Fast provides energy and rest to intestines. It happens because of healthy digestive juice production and the muscles' movement of the stomach. There lies Endothelium under the layers of intestines to cause immunity. This network of intestines gets new power and freshness. Thus, a fasting person becomes safe from all such diseases that may come to him because of digestive intestines. (68)

Fasting and Nervous System:

During fasting, in some people, feeling of anxiety and peevishness increases but this has nothing to do with the nervous system. It is mainly because of Egotistic in such persons. On the contrary, during fasting, the nervous system is at rest. The comfort gained from full offering of worship eradicates all hatred and anger. All worries and anxieties dissolve in complete obedience to Him. Fast casts pleasant effects on the nervous system and thus helps the fasting person to be free from worries. (69)

Fasting and Diabetes:

In the list of modern diseases, Hypertension and Diabetes Mellitus are such two which have caused disturbance in every second person. The patient of diabetes, despite expensive treatment, do not recover because of over dieting. They are always found eating something with the idea that diabetes can cause weakness. It rather adds to the sickness and disturbs stomach and liver. The only curing technique for such persons is fasting. Fast saves one from over dieting. This causes the functioning of the stomach and liver to come to normal. That's why fast proves healthful for diabetic patients.

The sugar level in persons without fast may fluctuate but in persons with fast it becomes normal. (70)

Fasting and Cancer:

The findings of a recent research have astonished everyone by saying (disclosing) that fasting prevents cancer. It causes the growth of cancer cells to slow down. The glucose level decreases during fasting. Our body needs fuel as energy. So, to get energy, our body uses fats instead of glucose. It produces Ketone bodies which cause the decomposition of protein to stop. The cancer cells need decomposed proteins for growth. During fasting, they are produced in less number and so fast prevents cancer. (71)
Conclusion

In the light of all discussion which is authentic too, it can be concluded that the observance of fasting is found much earlier than Islam. The words of Holy Quran strongly advocate this notion.

As it was prescribed for those before you.

Fasting is a pillar of Islam but it also occupies a high status in other religions as well including the most ancient Hinduism, Judaism, Christianity etc.

Islam being a complete code of life carries unlimited wisdom in all its commands whether they are worships or daily matters. Fasting as the fourth pillar of Islam is also full of profound advantages for humankind without regard of religion. That is the reason that it has been in vogue since the very beginning. Moreover the recent researches of medical sciences prove its unlimited advantages.

Medical sciences show its vital role in making a human body rich in health. The opinions of European Doctors given at the end of the article show that they prescribe it as a cure for certain fatal diseases such as Cancer and Asthma. It also proves handy in curing obesity causing sterility. It has been found more useful than expensive treatments in diabetes and hypertension. In the light of all its advantages which cannot be taken into account one can say that fasting carries great importance both as an act of worship and as a curing technique.
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Abstract
This piece of writing throws light on the origin and evolution of languages and provides detailed information about the languages spoken in Subcontinent. This is a commendable effort of the researcher as to collect the required information he had to go through a laborious work. The task was not easy but the way it has been dealt with is appreciable. As far as the origin of language is concerned, 4 theories have been presented, and for the evolution of languages the researcher has given sketches to make the reader understand the gradual progress of languages. The reasoning and argumentation from Quranic verses is a unique effort of this research as it was purely a topic of linguistics, but the researcher has proved that the Holy Quran contains all kinds of knowledge in its contents. We only need to meditate them deeply and as a result we will find ourselves in an endless ocean of knowledge.

Keywords: Origin; Language; Light; Quran; Phases; Evolution; Languages Spoken; Subcontinent.

Introduction
Man is eager to learn by nature. It means that it is in the nature of man to find out about all the living things on earth and in the universe. Man wants to know how all these things originated. Language which is the most important human activity has remained a subject of serious meditation by language scholars over the centuries. In an attempt to find out the origin of language, linguists have gone even up to the extent of studying the language of children, primitive societies, the behaviour of the higher animals and even the language of those people who are suffering from speech defects. But origin of languages is wrapped in mystery and we are profoundly ignorant about the origin of language. We have to content ourselves with more or less plausible speculations. Because of this ignorance 20th century linguists have refused to discuss the matter, on the ground that it is wastage of time on a subject where we lack evidence. It seems probable that speech arose at the same time as tool-making, and the earliest form of specifically human cooperation.

Mr. Ehsaan-ul-Haq has given a beautiful lingual analysis in the magazine “Fikr-o-Nazar” with the topic “Linguistics: A Historical Analysis”. about the origin and evolution of languages. This analysis is given in the following.

“Language occupies the status of an important phenomenon in human personality. Therefore, man, from the very beginning, is making a serious consideration about the universe around him. Similarly the universe inside a man is
also a centre of attention for him. The wonders of this universe are diverse and the mysteries of it are indefinite. Language is also one of these mysteries.

God Says in Quran.

“And there are (Signs) in thy soul, Thou do not consider.”(1)

Another saying,

We shall show them our portents on the horizons and within themselves until it will be manifest unto them that it is the Truth.(2)

Language is also one of these signs as described in Quran.

And of His signs is the creation of the heavens and the earth, and difference of your languages and colours.(3)

On another occasion, God says,

“And by the Lord of the heavens and the earth, it is the truth, even as (it is true) that ye speak.”(4)

Besides humans, the mutual communication in animals also has not reached to the level of language rather it is very defective in comparison to humans. Allah interpreted this communication of humans as utterance as mentioned in Quran.

“He hath created man. He hath taught him utterance.”(5)

So philologists and philosophers are busy in exposing the mysteries that are there within human languages for centuries. (6)

Philologists and philosophers raise this question regarding the mysteries of language: what is the origin of human language, how it originated, and how variations are taking place. What is the number of language families? What is the nature of difference between languages of different sects (classes) of society?

Mr. Ehsaan-ul-Haq writes.

“When did man begin to meditate about these (lingual) mysteries? It is obvious that to discover the time of meditation in this field, before the advent of calligraphy or copying book, is difficult. But the first book of this series was written by Panini in 4th century B.C. in view of clear religious purposes. In it, he has skillfully explained the sound system, and grammatical system of Sanskrit. European Scholars discovered this book in 19th century.” (7)

This discovery made the connection of Sanskrit with the European languages known (clear). And a strong movement of Comparative Linguistics rose up. It reached fame and popularity in 19th and 20th century.” (7)

Ehtishaam Hussain writes in “A Brief Sketch of Urdu Linguistics”.

“In 1786, Sir William Jones expressed these thoughts after studying Sanskrit, Greek, Latin, German and old Persian. He said that all these languages have some connection with one language. Of these languages the most ancient one is Sanskrit. Since that time there started the study of comparative linguistics. The comparative linguistics and comparative rules got promoted. (8)
The study of Panini’s book reveals that Greeks and Romans were aware of linguistics. But one can find no book of such status as that of Panini. Probably the reason for it was the interest in the philosophy. They looked towards it under philosophical point of view.

Dr. Nayaf Khurma wrote about language.

“Regarding language, the most important problem raised by Greek scholars, the effects of which did also impress (influence) contemporary literal researches is that whether language is a natural phenomenon or a social sign (indication). Plato’s thought is that language is natural phenomenon, and words and their sounds are such ingredients which can not be separated from their meanings. But the school of thought of Aristotle opined that language is a reflective (phenomenon) of society, and words and their sounds are such secret terms which have no connection (direct or physical) with their meanings. So, the first school of thought got fame with the name “Tauqueefia” and the other was called Technical or Tawaziah. (9)

Ibn-e-Faris defended the Tauqeefi theory about language in 4th century Hijri and produced the evidence with the verse of Surah Al-Baqra Ch.2, Verse 31.

“And He taught Adam all the names”. (10)

It means language (vocabulary) is a gift of God but this theory was opposed by a famous philologist Ibn-e-Janni. He calimed that language is neither a revelation nor a thing settled by God. Rather it is elected and deducted one (means the technical or tawaziah theory). In addition, the meaning of the knowledge mentioned in the verse is the ability to speak and name (ability of naming things.)

**Various Theories regarding the Origin of Language.**

Linguists have put forward various theories regarding the origin of language/languages. Of these theories the most prominent are following. (11)

a) Pooh Pooh Theory.
b) Ding Dong Theory.
c) Yo-He-Ho Theory.
d) Gesture Theory.

A brief introduction of above mentioned theories given by different authors is given in the following.

**a) Pooh Pooh Theory:-**

This theory was pointed out by Max Muller in 19th century. It is also called “Interjection Theory.” According to this theory, man articulated (uttered) some sounds in the states of grief, happiness, anger and amazement.

These various sounds assumed the form and shape of language in the following period.

**b) Ding Dong Theory:-**

Ali Nawaz Jatoi wrote about this theory.
According to this theory it has been concluded that there is a connection (link) between the sounds of language and their meanings. The earliest humans used suitable sounds as a result of effects of outer atmosphere. These sounds assumed the shape of language. (12)

C) Yo-He-Ho Theory:-

According to the opinions of the experts of this theory when a group of ancient humans performed a task with a joined effort and produced certain sounds such as Hay, Ho, Hon, Han etc.(13)

Lado wrote about linguistics.

Linguistics is the Science that describes and classifies languages. The linguist identifies and describes units and patterns of sound system, the words, and morphemes and the phrases and sentences, that is, the structure of language. (14)

The definition of language according to human nature is that language is a relation of sounds and vocal signs which came into existence along with man. It is such system, and such a process with the help of which the members of one social group can establish a connection (relation) with the members of other group, and can understand each other.(15)

In short, it can be said that the effort that linguistic psychology does to access the origin of human languages does not contain scientific absoluteness and linguistic facts (evidences), yet it produces a vague outline about it. The theories mentioned about the origin of language are partially true but they do not give certain knowledge that how language originated. Any how it is a reality that on the grounds of being old (worn out) of civilization traces whatever is the ancientness of humans, we are to admit that man from the very start had the quality of using gestures and vocal language for the actions of command, inquiry and expression. He adopted social life as being subject to his needs. And language came into being due to social requirements.

The Languages Spoken in Subcontinent.

Some people have this point of view that the origin of all languages of world is one language. But this does not seem right as some languages are such different from each other in their structure that any link (connection) between them is out of imagination. Some experts have made divisions about languages that they are divided in four, eight, twelve, twenty six or even more groups. But the division at which the experts on the whole are agreed is that the languages known to this world are classified in two divisions.

(1) Classification on the basis of characteristics of words, and letters.

(2) Classification on the basis of historical and racial relations.

Remember this is the most agreed classification.
The way scholars (experts) have classified the languages of the world is given in the following.

### Historical Group

#### Wordy group

**a) One word group.**

The languages, the foundation words of which do not add variation in their meaning and sense through changes in their shape (form). Such kind of languages are in vogue in China, The eastern countries of India, and the surrounding habitations. All words in these languages are usually free (independent) and there is no usage of suffixes and prefixes with them.

**b) Derivatives group**

This group is one word or origin from which hundreds of words are derived. According to the classification of languages of world, the second group is Historical and Racial group.

#### Historical relations and Racial relations group.

In this group the world languages are divided in eight major groups. Each family clarifies that the speakers of that are members of particular countries or particular tribes. Of these some have been separated but the ancient common factor is still there in their language.
Eight languages constitute this group.

(i) Semitic
(ii) Chinese India
(iii) Dravidian
(iv) Monra
(v) African Banton.
(vi) American
(vii) Malaya
(viii) European India.

My intent, here, are the languages spoken in the Subcontinent. Thus, for its explanation the connection with European India language is essential which is a branch of Racial and Historical group.

Dr. Syed Mohayuddin Qadri wrote in “Indian Linguistics” in this context.

“In comparison to other groups (families) of language, this group (European India languages) is very vast and is spread on a relatively important part of the globe. In our country, India, most languages spoken are of this family”.

(16)

From the given sketch of European India languages, Persian India group shows the languages spoken in the Subcontinent.
Rajhistani

Ehtishaam Hussain writes in “A Brief Sketch of Urdu Linguistics”(17)
“The History of Irani (Persian) language is very old. But its most ancient (antique) patterns belong to 600 B.C. The most important pattern is that which is in the form of Avesta. This one and Sanskrit have strong resemblance and likeness. This language turned into Persian after going through frequent changes. (18)
Irani was the language of Aryans.
“Where did Arya born”? is a question of dispute among scholars. But majority of them are agreed on this idea that this nation reached various parts of the world after migrating from Central Asia. One group of Aryans travelled to Europe after leaving Central Asia, and there got divided in groups. This is the reason of the resemblance between Greek and Sanskrit. Another group of Aryans settled in Iran and got divided in various tribes. They entered Sub continent from Iran crossing mountain channels and brought their languages along with them. The Aryans in Iran and the new comer Aryans in Subcontinent had the same racial back ground. But when they got separated their languages developed in different ways. Irani got promoted in Iran while Sanskrit in Hindustan (India). The date of Sanskrit is determined 1500 B.C.
After Sanskrit there started an age of Parakrats. The age of it is described 600 B.C. to 1000 A.D. Ehtishaam Hussain writes about these “Parakrats are traced in the books of Budhism and Jainism, the epitaphs of Ashok, and in some religious poetry that was written in that age. Of these languages the prominent ones are Magdhi Ardhgidhi, Shorsaini, Maharashtri, Nagar, Abnagar, Verachdi and Kaiki. Beside these there comes the name ‘Paali Parakrat’ frequently in history. Infact, Ardhgidhi is the shape that Gautam Budh used, and Ashok used in his epitaphs. It spread through Subcontinent with Budhism. (19)
Parakrati period lasted for one century and a quarter in Subcontinent. It went through great variations. The greatest variation is “Up Bhrunsh. Its time is almost from 800 A.D to 1400 A.D. Scholars have not regarded it a separate lingual age (period). Rather this third age of central and modern Aryan India is called the age of dialects. It starts nearly 1000 A.D and lasted till the time in which all those languages are included which came into being after 1000 A.D. Some of these languages remained limited in the form of dialect and few assumed the shape of languages and they are rich of a high class of literature. All these three periods of the evolution of Aryan India are very vast as well as wide. Modern Aryan India is its last period. This last period languages are divided in five or six groups on the grounds of geographical areas.

Grierson and Doctor Mohayuddin divided it in five parts but Dr. Swenti Kumar Chattarji divided them in six parts.

Here, I analyse the division in the light of “Indian Linguistics.” by Dr. Mohayuddin Qadri.
2: South Western Group

2
---
Pahari                        Rajhustani

3 2 1
---
Western  Middle  Eastern      Western  Jaipuri  Mevati  Gujrat  Malvi  Nimari

4 3 2 1
---
Nepali                        Gujrat  Marvari

2 1
---
Guthwali  Kamaoni

2
---
Sarimoni  Mandi (21)

3: Middle Group

3 4 2 1
---
Bandhaliy  Qanooji  Burj Basha  Bangroo  Hindustani

4
---
Persian alphabet  Nagri alphabet

2 2 1
---
Modern Urdu  Dakni  Gujrat (22)
The languages so far discussed are only Aryan India. There are other languages as well that were spoken in Subcontinent but they belong to other language families. For example, in the very north of India and occupied regions of North West Border, the spoken languages belong to 3 groups of Persian India which are introduced through a sketch.

**Persian India**

```
3 2 1
Aryan India Pashacha Irani
5 4 3 2 1
Eastern Irani Avestai Modern Safdi Karastani
```

The languages so far discussed are only Aryan India. There are other languages as well that were spoken in Subcontinent but they belong to other language families. For example, in the very north of India and occupied regions of North West Border, the spoken languages belong to 3 groups of Persian India which are introduced through a sketch.

**Southern Group**

```
3 2 1
Konakni Deshi or Puna Maghi Barati
```

**Eastern Group**

```
2
Urd Maghdi
3 2 1
36 Gadh Baghali Orhi
```

```
2 1
Western Eastern
2
Urya Bengali Asami
3
Bhojpuri Maghi Marathi
```
Gist of discussion is that there were numerous dialects (languages) spoken in Subcontinent. But when Muslims appeared on the scene of Subcontinent, Aryans were at the peak and Sanskrit was spoken there. “What languages were spoken here before Aryans”? This question has been explained to some extent in “The Old History of Urdu Language” by Ainul Haq Fareed Koti. He writes “Before the arrival of Aryan tribes the languages of Awwal Manda group were in vogue in Subcontinent and later came Dravidian group. The present public languages of North India (Urdu, Punjabi, Sindhi etc.) and the forerunner local prakrats sprung from the Manda and in particular Dravidian group that were in vogue before Sanskrit in Subcontinent. (25)

Ehtishaam Hussain in his book “A Brief Sketch of Urdu Linguistics” writes “When Aryans came in Subcontinent there were other nations already settled here e.g. Kolmanda and Dravidian Kolmanda came here and settled in India in 5000 B.C. or earlier. After that Dravidian people reached Subcontinent in 3000 B.C. and settled in Sindh (Indus). They founded the great civilizations of Harappa and Mohenjodaro. This age is described as 2500 B.C. Dravidians declined after the arrival of Aryans and they migrated towards Deccan leaving North India and they are limited there at this time.” (26)

Conclusion
In the light of all the discussion above it can be concluded that though linguists have put forward numerous theories to understand the origin of language to some extent but none of the theories is final and absolute one. Each theory seems a plausible speculation as to find the record of that prehistoric time is impossible. Islamic point of view is that language is a gift of God to mankind. Though these theories are lacking, yet they produce a vague outline about the origin of language. The information about the languages spoken in Subcontinent has been conveyed in the form of sketches for the convenience of the reader. These sketches prove the laborious effort made by the researcher. To study this research work is equal to the study of an encyclopaedia about languages as the valuable information is conveyed with economy of words.
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Analyzing the Causes/Factors of conflicts in Male & Female Secondary Schools

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Abstract

This paper examines the probable causes of conflict in work environment with respect to performance of school teachers keeping in view both male and female secondary schools of Khyber Pakhtoonkhwa. The findings suggest that causes of conflict vary from male to female schools but both male and female schools’ principals responses testify that causes do exist and these needs to be resolved. On the basis of findings of the study some recommendations have been forwarded for policy implications. The paper concludes that remedial measures for resolving of conflicts although are very important one should not ignore the root causes of differences.

Keywords: Conflict, Conflict management, Education

Introduction

Conflict is “a situation in which the conditions, practices, or goals for the different participants are inherently incompatible”. The nature of conflict with its potential caliber either to be destructive or constructive is an essential phenomena for all human organizations. Negative connotations have been associated with the existence of conflict in any situation, whether it is in an organization or in individual dealings. Most of the people opin that whenever you hear the word conflict, its consequences will definitely be destructive.

Kreisberg (1973), for example, defines conflict as a "relationship between two or more parties who... believe they have incompatible goals." Another view about conflict is that it should not be discouraged but that "organization's goal should be to control conflict rather than to eliminate it".
Studies show that conflict has always been regarded a positive force depending on its proper management. Campbell et-al (1983) opines that educational leaders must be aware of the fact whether the conflict is beneficial or harmful to the organization. If the conflicting situation proves to be of some value to the organization it must be encouraged and its output must be accumulated. And if the situation presents an adverse effect on the employees and organizational goal achievement it must be discouraged and if possible must be eliminated.

1.1 Statement of the Problem

Conflicts as necessary phenomena of school setting have contributed one way or the other for promotion of working relation; however these inter-personal relations got a set back when these conflicts were poorly managed. The present study aims at answering the following research question;

1. What are the contributing factors/causes for conflicts in the schools?

1.2 Research Methods and Design

This study covers randomly selected male and female high secondary schools in the two districts of KPK. The subjects for the study include school principals, and vice principals (in case where the school principal was not available at the time of data collection). Both primary and secondary data was collected for the study. The primary data were collected through questionnaires and secondary data was obtained from literature.

Out of the selected districts 20 schools were selected from each district. Out of these 20 schools, all principals i.e. a total of 40 principals (both male and female) were targeted. Principals of these schools were informed about the purpose of the study and questionnaires were handed over to them.

1.3 Selected Review of Literature:

Administrator ability lies in the fact that he should be able enough to understand the causes of conflict and thereof to control it as well as ensure the organization progress. Williams (1978) argue that good and effective administrators should solve the problems whatever its intensity might be. He should not avoid problems but should face it boldly and cash its positive results for the staff and institution as well. This is because they accept problems as challenges and as an opportunity to prove their worthiness for advancement. Owens (1998) state that since educational/organizational objectives cannot be achieved without proper cooperation, harmony and collaboration of the staff, it is essential that the administrator must foster cooperation among the staff.

Educational administrators try to influence their subordinates’ behaviour, they try to have full control of their staff but the administrator’s influence varies from situation to situation.

Educational administrators have different leadership styles which are classified into autocratic, participative and laissez-faire style.
Starratt (1996) states that educational administrators are like teachers of autobiography, in which he tries to teach his students his own life history. In this autobiography, he conveys the message that how we live, how we take administrative decision and how we resolve various issues and problems of our life. In solving the problem the whole process is coloured by our personal likes and dislikes. Our feelings of others and behaviour towards other people and the situation is marred by our personalities.9 Principals are the key players for implementing any conflict resolution strategy in the school. It depends on the leadership style of the concerned principal and his/her background knowledge/training in conflict resolution that how he/she deals with a particular conflict situation. Finally, it is hoped that most of the research reviewed here provide a theoretical framework for ascertaining different types of conflicts, the sources of conflicts, and techniques of resolving conflicts. It is concluded that on the basis of theoretical aspects an in-depth investigation will be carried out in order to answer the questions which were posed for this study.

1.4 Findings and Discussions

In this section major findings and discussions of data gathered from both the primary and secondary sources have been presented. The presence of conflicts in schools in the province and its occurrence among the staff members is undisputable.

Table 1: Assigning of duties/work distribution among the staff

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male Principals</td>
<td>38</td>
<td>22</td>
<td>60</td>
</tr>
<tr>
<td>%age</td>
<td>63%</td>
<td>37%</td>
<td>100%</td>
</tr>
<tr>
<td>Female Principals</td>
<td>43</td>
<td>17</td>
<td>60</td>
</tr>
<tr>
<td>%age</td>
<td>72%</td>
<td>28%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 1 illustrates both male and female principals’ responses to the question that whether Assigning of duties/work distribution among the staff can be regarded as a cause of conflict in their respective schools. For the above question 63% male and 72% female principals respectively responded in affirmative whereas 37% and 28% responded in negative.
In the above table the symmetric measures between the responses of male and female principals are tested on question assigning of duties/work distribution among the staff. Its result shows a significant level which means that both of the principals agree on the same level of response.

**Table 2: Misappropriation and embezzlement of school funds**

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male Principals</td>
<td>8</td>
<td>52</td>
<td>60</td>
</tr>
<tr>
<td>%age</td>
<td>13%</td>
<td>87%</td>
<td>100%</td>
</tr>
<tr>
<td>Female Principals</td>
<td>13</td>
<td>47</td>
<td>60</td>
</tr>
<tr>
<td>%age</td>
<td>22%</td>
<td>78%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 2 shows both male and female principals’ responses to the question that whether misappropriation and embezzlement of school funds can be regarded as a cause of conflict in their respective schools. For the above question 13% male and 22% female principals respectively responded in affirmative whereas 87% and 78% responded in negative.
In the above table the symmetric measures between the responses of male and female principals are tested on question misappropriation and embezzlement of school funds. Its result shows a significant level which means that both of the principals agree on the same level of response.

Table 3: Indiscipline (on the part of both staff and students)

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male Principals</td>
<td>12</td>
<td>48</td>
<td>60</td>
</tr>
<tr>
<td>%age</td>
<td>20%</td>
<td>80%</td>
<td>100%</td>
</tr>
<tr>
<td>Female Principals</td>
<td>33</td>
<td>27</td>
<td>60</td>
</tr>
<tr>
<td>%age</td>
<td>55%</td>
<td>45%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 3 illustrates both male and female principals’ responses to the question that whether indiscipline (on the part of both staff and students) can be regarded as a cause of conflict in their respective schools. For the above question 20% male and 55% female principals respectively responded in affirmative whereas 80% and 45% responded in negative.

<table>
<thead>
<tr>
<th>Nominal by Nominal</th>
<th>Value</th>
<th>Approx. Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phi</td>
<td>.230</td>
<td>.005</td>
</tr>
<tr>
<td>Cramer’s V</td>
<td>.230</td>
<td>.005</td>
</tr>
<tr>
<td>Contingency</td>
<td>.230</td>
<td>.005</td>
</tr>
<tr>
<td>Coefficient</td>
<td>.230</td>
<td>.005</td>
</tr>
</tbody>
</table>

In the above table the symmetric measures between the responses of male and female principals are tested on indiscipline (on the part of both staff and students. Its result shows a significant level which means that both of the principals agree on the same level of response.
Table 4: Negligence of duty

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male Principals</td>
<td>17</td>
<td>43</td>
<td>60</td>
</tr>
<tr>
<td>%age</td>
<td>28%</td>
<td>72%</td>
<td>100%</td>
</tr>
<tr>
<td>Female Principals</td>
<td>33</td>
<td>27</td>
<td>60</td>
</tr>
<tr>
<td>%age</td>
<td>55%</td>
<td>45%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 4 illustrates both male and female principals’ responses to the question that whether negligence of duty can be regarded as a cause of conflict in their respective schools. For the above question 28% male and 55% female principals respectively responded in affirmative whereas 72% and 45% responded in negative.

<table>
<thead>
<tr>
<th>Value</th>
<th>Approx. Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cramer’s V</td>
<td>.167</td>
</tr>
<tr>
<td>Contingency Coefficient</td>
<td>.230</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>120</td>
</tr>
</tbody>
</table>

In the above table the symmetric measures between the responses of male and female principals are tested on question negligence of duty. Its result shows a significant level which means that both of the principals agree on the same level of response.

Table 5: Personal clashes

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male Principals</td>
<td>38</td>
<td>22</td>
<td>60</td>
</tr>
<tr>
<td>%age</td>
<td>63%</td>
<td>37%</td>
<td>100%</td>
</tr>
<tr>
<td>Female Principals</td>
<td>43</td>
<td>17</td>
<td>60</td>
</tr>
<tr>
<td>%age</td>
<td>72%</td>
<td>28%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 5 depicts both male and female principals’ responses to the question that whether Personal clashes can be regarded as a cause of conflict in their respective schools. For the
above question 63% male and 72% female principals respectively responded in affirmative whereas 37% and 28% responded in negative.

<table>
<thead>
<tr>
<th>Nominal by Nominal</th>
<th>Value</th>
<th>Approx. Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phi</td>
<td>.335</td>
<td>.000</td>
</tr>
<tr>
<td>Cramer's V</td>
<td>.237</td>
<td>.000</td>
</tr>
<tr>
<td>Contingency Coefficient</td>
<td>.318</td>
<td>.000</td>
</tr>
</tbody>
</table>

In the above table the symmetric measures between the responses of male and female principals are tested on question Personal clashes. Its result shows a significant level which means that both of the principals agree on the same level of response.

Table 6: Inferiority/superiority complex

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male Principals</td>
<td>7</td>
<td>53</td>
<td>60</td>
</tr>
<tr>
<td>%age</td>
<td>12%</td>
<td>88%</td>
<td>100%</td>
</tr>
<tr>
<td>Female Principals</td>
<td>11</td>
<td>49</td>
<td>60</td>
</tr>
<tr>
<td>%age</td>
<td>18%</td>
<td>82%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 6 illustrates both male and female principals’ responses to the question that whether Inferiority/superiority complex can be regarded as a cause of conflict in their respective schools. For the above question 12% male and 18% female principals respectively responded in affirmative whereas 88% and 82% responded in negative.
In the above table the symmetric measures between the responses of male and female principals are tested on question Inferiority/superiority complex. Its result shows a significant level which means that both of the principals agree on the same level of response.

**Table 7: Favoritism**

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male Principals</td>
<td>21</td>
<td>39</td>
<td>60</td>
</tr>
<tr>
<td>%age</td>
<td>35%</td>
<td>65%</td>
<td>100%</td>
</tr>
<tr>
<td>Female Principals</td>
<td>27</td>
<td>33</td>
<td>60</td>
</tr>
<tr>
<td>%age</td>
<td>45%</td>
<td>55%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 7 illustrates both male and female principals’ responses to the question that whether favoritism can be regarded as a cause of conflict in their respective schools. For the above question 35% male and 45% female principals respectively responded in affirmative whereas 65% and 55% responded in negative.

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>Approx. Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal by Nominal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phi</td>
<td>.177</td>
<td>.009</td>
</tr>
<tr>
<td>Cramer's V</td>
<td>.177</td>
<td>.009</td>
</tr>
<tr>
<td>Contingency Coefficient</td>
<td>.174</td>
<td>.009</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>217</td>
<td></td>
</tr>
</tbody>
</table>

In the above table the symmetric measures between the responses of male and female principals are tested on question Favoritism. Its result shows a significant level which means that both of the principals agree on the same level of response.

**Table 8: Role conflicts**

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male Principals</td>
<td>47</td>
<td>13</td>
<td>60</td>
</tr>
<tr>
<td>%age</td>
<td>78%</td>
<td>22%</td>
<td>100%</td>
</tr>
<tr>
<td>Female Principals</td>
<td>49</td>
<td>11</td>
<td>60</td>
</tr>
<tr>
<td>%age</td>
<td>82%</td>
<td>18%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Table 8 illustrates both male and female principals’ responses to the question that whether Role conflicts can be regarded as a cause of conflict in their respective schools. For the above question 78% male and 82% female principals respectively responded in affirmative whereas 22% and 18% responded in negative.

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>Approx. Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal by Nominal Phi</td>
<td>.237</td>
<td>.016</td>
</tr>
<tr>
<td>Cramer's V</td>
<td>.167</td>
<td>.016</td>
</tr>
<tr>
<td>Contingency Coefficient</td>
<td>.230</td>
<td>.016</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>217</td>
<td></td>
</tr>
</tbody>
</table>

In the above table the symmetric measures between the responses of male and female principals are tested on question Role conflicts. Its result shows a significant level which means that both of the principals agree on the same level of response.

3.2 Suggestions for Conflict Resolution and Management in Schools:

Some suggestions and recommendations on the causes of conflict in school are made for possible implementation:

1. In order to create and provide a working environment, the school principals should distribute work equally among the staff.

2. School funds should be properly managed and utilized and the principals should keep a clear record so that if there is any doubt among the staff the principal may clear his position.

3. For maintaining a good working relation and maximum output the principal need to maintain discipline in the school.

4. Principals should keep check on all the staff to involve them and utilize their staff potential to the maximum possible level.

5. Conflicts exist no doubt everywhere and in all kinds of relation; the principal should do his best to resolve their staff personal clashes.

6. Principals should treat all the staff on equal footing so that there may be no complex among the staff.
7. For smooth running of the school, the principals should not favour one teacher on the other because all of them belong to the same family/institute.

8. Teachers often feel that they are assigned extra duties and they are overburdened with extra work, principals should keep in mind that they should be given the role which best suit their potentials.

Conclusion:

Conflict, no doubt, remains central to all matters associated with school staff; whether they face each other in personal capacity or in group form. Human beings are prone to personal likes and dislikes; their relationship gets a setback when they are odds with each other. In order to minimize and to mitigate their differences, the authorities need to resolve their differences so that they might feel at ease and might work in congenial environment. The authorities should address all their issues not only for the time but rather they should go deep into the matters and should try to know the root causes of their differences.
References


Impact of Global Financial Crisis on the Auditing Profession in the Republic of Yemen (An Empirical Study)

Dr. Atef Aqeel Al-Bawab
Philadelphia University, Amman - Jordan

Abstract
This study aimed to identify the impact of financial crisis on the auditing profession in the Republic of Yemen, where the level of income for the offices of the audit firms and level of financial advisory, tax, and level of performance and services audit. To achieve the goal of this study, was designed questionnaire was distributed to (75) of accountants and auditors working in the offices of the audit firms operating in the Republic of Yemen, recovered from (54) questionnaire by recovery was (72%), and after analyzing the data using a program (SPSS), The study reached several conclusions, including: (i) Financial crisis negatively affected on the auditing profession in Yemen. (ii) Decreased level of income of the offices and the audit firms, as well as decreased the level of financial advisory, tax, and also the level of performance and audit services. (iii) The activity decreased and the number of visits by the auditors of the companies that are audited.

One of the most important recommendations of the study include: (i) The need to raise the level of trust between the offices and the audit firms with firms that are audited. (ii) Increase free advisory services to companies that are audited. (iii) The necessity of activating the role of internal control units in companies that are audited.

Keywords: Impact; Global Financial Crisis; Auditing Profession; Republic of Yemen; Empirical Study

1. Introduction to the Study
Started appearing on the global financial crisis appears within the United States of America is attributed with the year 2007, as the crisis in the real estate sector, for complicated and then turn to a credit crisis within the banking and financial system American. (Sidani, 2009). But the appearance of clear signs of the global financial crisis was in September 2008, which is considered the worst of its kind since the time of the Great Depression of 1929. First, the crisis has begun in the United States of America, then spread to countries in the world to include European countries and Asian countries, and the Gulf States and developing countries that link their economies to the U.S. economy directly, "capitalist economy.

It is worth mentioning that he had reached the number of banks that have declared bankruptcy in the United States of America since the beginning of the crisis and until January 2010 145 banks.

It was the global financial crisis impact on the global level and the Arab world, and the Republic of Yemen has been affected by the global financial crisis like the rest of the world, where it is linked to global trade, and deal with the economies of the capitalist world, and it was necessary to study the effects on economic and financial sectors, and to what extent influenced the crisis on these sectors, and what actions have been taken to reduce this crisis?, and whether there are pros to the crisis?, and this study was to examine the vulnerability of the auditing profession in the Republic of Yemen, and whether this will be the crisis negative or positive on the performance of the profession?
1.1 Study Problem
We can be summarized the problem of the study by asking the following questions:
1. Is the global financial crisis has affected negatively on the auditing profession in Yemen?
2. Is there a decrease in the level of income of the offices of the audit firms of Yemen?
3. Is there a decrease in the level of tax and advisory services provided to customers?
4. Is there a decline in the level of performance and audit services provided to customers?

1.2 Study Significance
The importance of this study of the important role played by the auditing profession in the legalization audit the accounts of companies to be trusted applicants, as well as to be certified and accredited by the beneficiaries of these data, both existing investors or potential, in addition to the Government requesting financial statements are supported by auditor, giving it the status of official and credible, and that lenders such as banks rely on them as well, and therefore the impact of any factor on the profession that would affect customer confidence to the financial statements, and here it was necessary to identify the impact of the financial crisis in this sector of the economy, which reliable financial investors and others in the building of economic decisions.

1.3 Study Objectives
This study aims to identify the impact of global financial crisis on the auditing profession in the Republic of Yemen, through the study:
1 - the income level of the offices of the audit firms of Yemen
2 - the level of tax and advisory services provided to customers
3 - level of performance and audit services provided to customers

1.4 Literature Review
There are many studies that addressed the issue of the impact the global financial crisis on many economic sectors and related to the subject of the study. I have been searching for a study focused on the impact of global financial crisis on the auditing profession in general and on the profession in Yemen in particular, could not be found in any study. The studies that have been obtained and had a link to the study were as follows:

Farhan (2010) titled "The impact of current global financial crisis on the performance of Islamic banks and development". This study aimed to identify the five axes show the impact of Islamic banks and global financial crisis, these themes are:
1. The nature of Islamic banks in terms of definition and the importance and objectives as well as the difference between them and the traditional commercial banks.
2. What is the current global financial crisis and what are the impacts.
3. The impact of current global financial crisis, Islamic banks, especially on the assets of Islamic banks, and profits in terms of size and accounting treatments.
4. Impact the current global financial crisis on the Yemeni Islamic banks in terms of assets, deposits and investments, as the case of Islamic banks are applied.
The most important results of the study include:
1. The apparent decrease of the volume of deposits in Islamic banks.
2. The apparent decrease in the volume of assets in Islamic banks.
3. Achieve a minimum rate of investment in Islamic banking since its inception.
4. The current global financial crisis originated in the real estate sector, and moved it to the banking sector, and then moved it to other sectors.
5. Was the first direct impact on economic sectors is labor where she tried to enterprises of all economic sectors to restructure their resources and their uses, and among the items covered by the restructuring is a strong item of human resources.
6. Crisis was more severe on economic development when she moved the crisis to the real sector, and in particular the automotive sector, which was almost collapsing, despite treasures, and strength and magnitude, but the brunt of the crisis was above all.
7. Decline in value of financial assets especially stocks and bonds, and low revenues and consequent aggravation of the problem of access, and increasing the debt of individuals and institutions.

Kholi (2010) titled "The impact of financial crisis on the banking sector." A study on the banking sector Arabia. This study aimed to reveal the pros and sockets of the financial crisis that affected the Saudi banking sector, and most important of these drawbacks as follows:

1. High concentration of lending to the names and limited companies.
2. Some investment banks, the amounts are relatively high outside the Kingdom of Saudi Arabia.
3. Reservation bit to give more local credit.
4. Some of the losses hitting a number of banking customers Arabia as a result of foreign investments.

One of the main recommendations of this study include:

1. Work on the integration of small banks to benefit from the advantages of large economies.
2. Establishment of the Department of crises, co-formed by representatives from all the banks in addition to SAMA, the Ministry of Economy.
3. Making decisions about targeting and correct the wrong tracks, and work to show the negatives with a view to correction, and not settling accounts.
4. Reconsidered in the interest rate by sectors that are funded, which allow the running of a larger number of people, and reduce unemployment, giving notice to pay to help the growth of such projects.
5. The need to define the duties of the auditor on the basis of a clear understanding of the nature and objectives of the audit function in society, and modify the expectations of society, and increasing awareness and culture of the public audit function and objectives.
6. Enhance transparency and accountability, and dissemination of sound regulatory, encourages integrity of financial markets, and enhance cooperation between financial institutions.

Miqdaam (2009) titled "The global financial crisis and its impact on the insurance sector in Yemen." The purpose of this study was to investigate the reality of insurance industry in Yemen and the impact of the global financial crisis on the global economy, as the study aimed to identify the impact of the global financial crisis on the insurance in Yemen, and the
ability of insurance companies of Yemen to face the repercussions of the financial crisis. One of the most prominent results of the study include:

1. The negative effects of the current financial crisis on the economy and banks and insurance companies low expectations, according to the International Monetary Fund because of their small balances banking and financial sector in overseas banks.
2. Insurance industry was not affected by the repercussions of the financial crisis in Yemen, because the insurance companies in Yemen often complain of leakage of the bulk of insurance premiums to the oil companies abroad.
3. Were not the effects of the crisis on the insurance companies directly, because of the reinsurance operations of major global companies.

The study recommended the need to join efforts and work continuously to raise the awareness of insurance and the dissemination of its importance among citizens in order to activate the role of its larger, as in the interest of insurance companies to combine their efforts to guard against any dangers that may be facing the insurance sector in the future.

Study Ghurery and bin Awad (2008) titled "2008 Global financial crisis, the nature and causes, impacts and ways to address them." This study aimed to identify the causes of the global financial crisis 2008 and the statement raised the global economy. The study hypothesis is that the lack of attention to rules of the correct cash flow and non-application of the terms of bank credit and the lack of government control of the will of a banks and financial institutions related to the problems of bankruptcy and failure.

The study found many of the most important results:

1. Proved the global financial crisis the state's role in economic activity, especially in dealing with economic crises as they arise.
2. Have not been applied by banks and mortgage lending conditions did not assess the correct potential borrowers and their ability to pay, and did not take adequate safeguards them.
3. Speculators contributed to a crisis in the mortgage because of their expectations high housing prices and real estate in the future.
4. Turning to the financial crisis stock market or the stock market which led to a sharp decline and rapid in the shares of banks and American companies and achieve substantial losses in the indicators of such exchanges.
5. Affected the financial crisis on the economies of the Arab influence is clear so that the prices of oil and gas and raw materials exported by Arab countries to the global market.
6. Financial crisis demonstrates that transparency and accuracy of information and clarity in the management of banks and companies in accordance with the LCB and the existence of effective supervision, it can avoid those banks and firms risk bankruptcy and collapse.

The study recommended a number of recommendations including:

1. Emphasis on the state's role in maintaining the stability of economic activity and to prevent manipulation and speculation and monitor the performance of companies.
2. The adoption of government oversight and follow-up to the financial statements published by companies and the emphasis on the principle of transparency and clarity in this area.
3. Adoption of rules and the right foundations to maintain liquidity in banks and companies.
4. Strengthening the role of central banks to follow the work of local banks, financial companies and control assets and liquidity that is owned in order to protect them.
What distinguishes the current study from previous studies is the following:

The present study is the first to look at the impact of financial crisis in the sector auditors in the Republic of Yemen, which had not been addressed by scholars and researchers informed by the researcher. This study also focused on the practical side of the field through a questionnaire designed to collect and analyze data in a scientific manner.

1.5 Study Methodology

Will follow two approaches to achieve the objectives of the study: First - the descriptive method of this study, where he was to go back and access to periodicals, articles, books and references on the subject of study. Second - the analytical method and the practical side (field) for this study where a questionnaire was designed to gather information and analyzed using statistical methods computerized SPSS.

1.6 Study Hypothesis

Based on previous studies have been formulated the following hypotheses:

The main hypothesis:
According to this hypothesis as follows:
H0: There is no negative impact of the global financial crisis on the auditing profession in the Republic of Yemen. To test this hypothesis has been building the following sub-hypotheses:

1.6.1 First sub-hypothesis:
According to this hypothesis as follows:
H0: There is no reduction in the level of income and corporate offices of the Audit of Yemen as a result of the global financial crisis.

1.6.2 Second sub-hypothesis:
According to this hypothesis as follows:
H0: There is no reduction in the level of tax and advisory services provided to customers as a result of the global financial crisis.

1.6.3 Third sub-hypothesis:
According to this hypothesis as follows:
H0: There is no reduction in the level of performance and audit services provided to customers as a result of the global financial crisis.

1.7 Study Variables

For the purposes of testing hypotheses of the study, were used the following variables: First: the independent variables: measured and all questions through a questionnaire distributed to a sample of the study population and these variables are:

1. The income level of the offices of the audit firms operating in the Republic of Yemen.
2. The level of advisory services and the tax provided for customers.
3. The level of performance and audit services provided to customers.

Second: the dependent variable: the measured independent variables affected by the above, this shows the extent of the negative impact of global financial crisis on the auditing profession in the Republic of Yemen.

1.8 Statistical Universe
The study community consists of staff and external auditors and the Yemeni's (113) one hundred and thirteen a chartered accountant practicing the profession, working in audit firms operating in the Republic of Yemen. (Association of Chartered Accountants of Yemenis, 2009).

1.9 Data Sources
Data were collected from the following sources:
First - the primary sources: include questionnaires, interviews, and observations, and the financial statements and final accounts.
Second - Secondary sources: This includes books, reference works, periodicals, studies, research, and theses.

Upon the above, split the study into four chapters, where he was the first to the methodology of the study in terms of defining the research problem, significance and objectives, as well as the exposure of this chapter to previous studies that looked at this topic, or have had close association of the methodology, where it was utilized in building some of the assumptions the current study, as well as building tool for the study were analyzed on the basis of the collected data, was also identified variables and the community and a sample of the study.

In the second chapter was to address the theoretical framework of the study, as has been identified on the concept of the manifestations of the financial crisis and its causes and effects.

In the third chapter is an analysis data and conduct the necessary tests of the hypothesis, using the computerized statistical methods for this purpose, and during the analysis was to identify the characteristics of society, and the credibility of the responses on the instrument of the study, as well as learn how to accept or reject the hypotheses of the study.

In the fourth and final chapter of this study was to review the results showed that the credibility of the study and the characteristics of society and the study sample, as the analysis results of testing the main hypotheses and sub first, second and third.

After obtaining the results of the study was to provide many of the necessary recommendations, which we see the importance to be taken into account in order to maintain the standards of the profession's services and to address deficiencies in some ways necessary.

2. The repercussions of the global financial crisis
2.1 for a historical overview of the financial crisis
The nature of the profitability of the capitalist system has made its economic activities characterized by speculation and exaggerations, derivatives and futures contracts in order to achieve a profit. And therefore the economy spider rapid deployment rapid collapse, which makes it always passes cycles recession and recovery 'is this economy is in crisis.
The evidence of this are many, including the crisis of global recession in 1929, and the crisis in financial markets known as the Tib Black in October 1987, and the crisis in financial markets in 1997 and in 2006, which collapsed on the impact of Gulf bourses, especially of the TASI, and whatever has taken the world of action with survival mechanisms of the capitalist system, in particular the interest rate, the crisis will be repeated each period will be adopted from time to time on the size of exaggerations and speculations that precede each crisis. (Farhan, 2008).

In the present global economy is interdependent with each other by virtue of technical development, especially communication technology. and then, any faulty economic in any country of the capitalist countries directly affects the domestic and international markets in less than one minute through electronic networks interrelationship between markets, when look to the current crisis, we will find that the world had been upset the whole simply because the two financial institutions were hit by losses in the United States of America and by Dalk shook the global financial system as a whole to varying degrees. (Farhan, 2008).

2.2 The emergence of the current global financial crisis

Global financial crisis started by the U.S. banks to grant facilities for the mortgage lender over the past two years, where he was investing in real estate sector profitable .. and then flocked to individuals and institutions to borrow from banks to purchase real estate and re-sold to a quick profit through speculation, and what has become the real estate prices fictional result exaggerations and speculation have become their price does not reflect reality. began this sector is being depressed, and as a result, no individuals can debt borrowed from banks to pay premiums on these loans, they started offering their properties for sale, as banks seize the property because of their subject for the benefit of these banks as collateral for these loans Even banks can meet their obligations to their depositors, and this led to a doubling of the problem of stagnation in the property. (Farhan, 2008).

Thus began collapsing mortgage lending institutions, and the stock market collapsed in the stock market, and given the close interdependence between financial institutions has begun affected by institutions that have had a relationship with lending institutions, real estate, and began every bank and institution affected by the other, and so fell apart and appeared current global financial crisis. (Farhan, 2008).

2.3 Manifestations of the global financial system crisis

When the global financial crisis started to emerge taken several aspects including the following: (Shehata, 2008).

1. Rush to withdraw deposits from the banks.
2. The fact that many financial institutions to freeze the granting of loans to companies and individuals fearing the difficulty of recovery.
3. Lack of liquidity among individuals and financial institutions and companies, which led to a contraction of the economy and for the borrowers to repay their debts.
4. Low level of trading in money markets and money, and that an imbalance in the indicators of ups and downs.
5. Low level of energy used by the companies due to lack of liquidity and freeze access to credit from financial institutions, but high interest rates and guarantees high.
6. Decline in sales due to poor liquidity, especially in real estate and cars.
7. The increasing rate of unemployment due to the bankruptcy and liquidation, and every employee and worker threatened with dismissal.
8. The increasing rate of demand for social benefits from governments.
9. Low rates of consumption and saving, spending and investment which led to recession and unemployment, bankruptcy and liquidation.

2.4 The main causes of the global financial crisis
I have noted many of the leaders of the global economy into a number of reasons led to the emergence of the global financial crisis, and for these reasons: (Shehata, 2008).
1) the spread of moral corruption such as economic exploitation, lies and rumors, fraud, monopoly and fictitious transactions, and this led to the grievance debtors and the poor and small depositors by the owners of capital and the rich.
2) The money became the dominant policy and decision-making sovereign in the world.
3) the traditional banking system is based on the interest rate system, the higher the interest rate on deposits, the higher the interest rate on loans, and the beneficiary is the banks and financial intermediaries, the burden is on borrowers, whether for consumption or production.
4) the financial system and the traditional banking system is based on the rescheduling of debt at an interest rate higher, and this is causing additional burden on the consumer debtor who was unable to pay the first loan.
5) the global financial system and the system of financial markets is based on financial derivatives, which are mainly dependent on transactions and fake paper does not involve any over exchangers actual goods and services, they are gamblers, and betting based on luck, and that most bank loans, and when the wind does not blow as ship breaks down everything and spoke of the financial crisis.
6) The behavior of financial intermediaries based on the temptation of wanting to borrow and obtain loans that high commissions in the case of a risk, and which bears all the debtor is the borrower.
7) The expansion in the application of credit cards without balance (overdraft), which enables them to bear the high costs, and when unable to repay the indebtedness of what it is by booking your property.

2.5 The devastating effects of the crisis of the global financial system
Appeared ill effects of the global financial crisis rapidly and these adverse effects: (Shehata, 2008).
1 - panic, fear, anxiety and confusion that all people, including:
- Governors, presidents and ministers.
- Owners of financial institutions based on the financial markets.
- Owners of financial intermediation institutions.
- Owners of the deposits in banks.
- Borrowers from banks.
- Consumers who are threatened by high prices.
- Workers and staff threatened with losing their jobs.
- The poor and needy people who live on subsidies and handouts
2 - the bankruptcy of some banks and financial institutions due to lack of liquidity and increasing withdrawals of depositors. And the fact that some governments through central banks to save the rest so there is no total breakdown of economic life and is located in the State Department of bankruptcy.
3 - the bankruptcy of some firms that were dependent on loans against interest or halt some production lines to some other companies, some banks have also begun the implementation of mortgages and guarantees with them and this led to an imbalance in their cash flows.

4 - job losses and the high proportion of asylum and other social benefits.

5 - by some states to impose more taxes to compensate for deficits in their budgets because of the high budget support and assistance to companies and banks to bankruptcy.

6 - loss of assets of the borrowers and mortgaged their homes because of loans and are among the displaced persons and refugees and displaced persons and the poor and needy.

2.6 The Impact of the Global financial crisis on the international trade

The financial crisis has led to a decline and contraction of the global economy through lower commodity prices, especially of raw materials and oil, in addition to the decline in demand for tourism services P developing countries, the decline in demand in the markets of world exports by 5% to 10% for the whole of 2009. (WTO, 2009).

Has shown that indicators including the World Bank over the low real growth in world GDP, stood at 205 in 2008 when he arrived to 0.09 in 2009. (World Bank, Global Economic Prospects, 2009).

The impact of financial crisis on the oil sector, has declined a request States Economic Cooperation and Development (OECD) estimated at 205% since May 2008. (OPEC, 2009).

As a result of these effects has declined because of credit tightening is granted, except that the data of the central banks of some Arab countries, pointed to a rise in total bank lending directed to the trade sector, such as Qatar, Jordan, Egypt, Saudi Arabia, United Arab Emirates. (Arab central banks, 2009).

Data also indicate the Union of Arab Banks in 2009 to a rise in banking credits of the total assets and total deposits of 10.9% and 93.89% respectively in 2009 compared with 45.08% and 90.93% respectively in 2008 (the Union of Arab Banks, for central banks in the Arab States).

The crisis has had an impact on the Arab Trade Foreign Trade, where he International Monetary Fund that the proportion of exports and imports for Arab countries has decreased, and the intra-regional trade also declined, for example, in Yemen, the percentage of exports 9.7% in 2008 while in 2009 the percentage of exports 6.4%. (IMF, Regional Economic Outlook, Middle East and Asia, October, 2009).

2.7 Impact of the global financial crisis on Yemen

Yemen is one of developing countries with limited ties to international markets, they do not have the Stock Exchange. However, there is nothing to Yemeni banks, both conventional and Islamic banks in the world or in Europe as banks U.S. correspondent for the completion of commercial transactions between Yemen and the outside world, and the size will be influenced by the size of affected U.S. and European banks to banks messaging Yemeni crisis. Yemen also be affected in the future, down the flow of international loans and grants as a result of the global financial crisis. (Farhan, 2008).

3. Statistical analysis and hypothesis testing

3.1 Statistical Universe and Sample

Consists of community and a sample study of the external auditors of the Yemeni and counted (113) one hundred and thirteen as an accountant a legal practitioner of the profession

**Demographic characteristics of study universe**

I have included the demographic characteristics of the sample job description, age, years of experience, qualification, and vocational rehabilitation, and the following table illustrates these properties:

**Table (1): Description of study sample**

<table>
<thead>
<tr>
<th>Description</th>
<th>Rank</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Job Description</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior</td>
<td>17</td>
<td>31.50%</td>
<td></td>
</tr>
<tr>
<td>Partner</td>
<td>5</td>
<td>9.30%</td>
<td></td>
</tr>
<tr>
<td>Semi-Senior</td>
<td>23</td>
<td>42.60%</td>
<td></td>
</tr>
<tr>
<td>Manager</td>
<td>9</td>
<td>16.60%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>54</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>less than 30 years</td>
<td>5</td>
<td>9.30%</td>
<td></td>
</tr>
<tr>
<td>From 31-41 years</td>
<td>25</td>
<td>46.30%</td>
<td></td>
</tr>
<tr>
<td>From 41 – 50 years</td>
<td>20</td>
<td>37%</td>
<td></td>
</tr>
<tr>
<td>More than 51 years</td>
<td>4</td>
<td>7.40%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>54</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td><strong>Years of Experience</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 5 years</td>
<td>13</td>
<td>24.10%</td>
<td></td>
</tr>
<tr>
<td>From 6 – 10 years</td>
<td>21</td>
<td>38.90%</td>
<td></td>
</tr>
<tr>
<td>From 11 – 15 years</td>
<td>14</td>
<td>25.90%</td>
<td></td>
</tr>
<tr>
<td>More than 16 years</td>
<td>6</td>
<td>11.10%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>54</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td><strong>Qualifications</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bachelor</td>
<td>44</td>
<td>81.50%</td>
<td></td>
</tr>
<tr>
<td>Master</td>
<td>6</td>
<td>11.10%</td>
<td></td>
</tr>
<tr>
<td>Ph.D</td>
<td>4</td>
<td>7.40%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>54</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td><strong>Vocational Rehabilitation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auditor Yemen YCPA</td>
<td>21</td>
<td>38.90%</td>
<td></td>
</tr>
<tr>
<td>Internal Auditor CIA</td>
<td>1</td>
<td>1.90%</td>
<td></td>
</tr>
<tr>
<td>Managerial Accountant CMA</td>
<td>1</td>
<td>1.90%</td>
<td></td>
</tr>
<tr>
<td>Certificates Other</td>
<td>13</td>
<td>24.10%</td>
<td></td>
</tr>
<tr>
<td>More than one certificate</td>
<td>18</td>
<td>33.20%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>54</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>
Given the table above we note that the rate of 42.6% of the sample work function of assistant auditor, and this is normal as the number of workers in offices and audit firms are virtually non-obtaining the license check, which proves the credibility of the responses, and accounted for 31.5% and 16.7% are Key auditors and managers and also the result of this nature, as well as 9.3% are partners and this is normal because many of the auditors did not wish to establish an auditing company for the sharing of income and all of this is consistent with the above ratios, which indicate the credibility of the responses to the questionnaire.

With regard to age was the highest percentage is the age group 31-40 years increased by 46.3% which shows the novelty of the profession and Auditors are young people who have a university scientific qualification and considerable experience in accounting work, but the rest of the sample was less whether the owners of the age groups large or small, as shown in table No. (1).

With regard to the experience came in line with other properties where the category was 6-10 years occupies a rate of 38.9% of the total members of the sample and this corresponds with the age group significantly, which indicates the modern trend among graduates of universities and working in the sector and wish to practicing the profession, The remaining percentages were lower, especially the category that represents 16 years and over, as shown in table No.(1).

With regard to rehabilitation university has occupied the eligible bachelor's rate of 81.5% and qualified Master's 11.1%, and Doctoral 7.4% and this is normal as who wishes to practice the preparation and study for a leave the profession and the belief that it is better than graduate, especially if you look at the perspective of material because the profession may generate higher income.

The auditors practicing it is natural that the ratio of obtaining a certificate of auditor Yemen is the highest, reaching 38.9% in addition to obtaining the certificates of other professional, even if it is their combination of ratio was very high and may reach more than 70% as shown in Table (2), and other certificates are of interest by the offices of the audit firms, therefore, often find these certificates from the campaign working in the offices of the audit.

3.2 Statistical methods Used

To achieve the goal of this study, was designed questionnaire was distributed to (75) of accountants and auditors working in the offices of the audit firms operating in the Republic of Yemen, recovered from (54) questionnaire by recovery was (72%).

The data were analyzed using statistical program (SPSS), was used the following statistical methods:
A - test validity and reliability study tool (Cronbach's Alpha).
B - Descriptive Statistics through the use of the following:
   1. The arithmetic mean.
   2. Standard deviation.
C - test (t-test) to test the hypotheses of the study.

3.2.1 Test validity and reliability study tool Cronbach's Alpha Test

Tool has been tested through the study of test Cronbach, where the analysis shows that the value of Cronbach alpha reliability coefficient (Cronbach, 1990) is 0.877 at the level of all paragraphs of the resolution, which reflects the degree of good and acceptable of internal consistency between paragraphs of the study compared with the accepted ratio of 60%.
3.2.2 paragraphs of the resolution analysis

3.2.2.1 First sub-hypothesis

Table No. (2) shows Averages and standard deviations of the paragraphs of the resolution relating to the first sub-hypothesis that the results were as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th>Paragraphs</th>
<th>mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Factors affecting the income of the offices of the audit firms as a result of the global financial crisis</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>there is a decrease in the level of annual income of audit firms</td>
<td>3.83</td>
<td>1.28</td>
</tr>
<tr>
<td>2</td>
<td>There are 2 drop in the prices of services such as consulting</td>
<td>3.64</td>
<td>1.13</td>
</tr>
<tr>
<td>3</td>
<td>withdrawal of a number of companies affected the income of the audit firms</td>
<td>3.53</td>
<td>1.19</td>
</tr>
</tbody>
</table>

We note from the table above that all the averages were higher than the middle premise is 3, with the highest results with paragraph (1) and the low level of income for the audit firms, where he was the arithmetic mean (3.83) and standard deviation (1.28), although there is a decrease in the prices of consulting and other services where it reached the arithmetic mean (3.64) and standard deviation (1.13), and analysis showed that there was a withdrawal of a number of companies have negatively impacted on the income of the audit firms where it reached the arithmetic mean (3.53) and standard deviation (1.19). This is a whole indicates that the income levels of the offices and audit firms had fallen.

3.2.2.2 Second sub-hypothesis

Table No. (3) shows averages and standard deviations of the paragraphs of the resolution on the second sub-hypothesis that the results were as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th>Paragraphs</th>
<th>mean</th>
<th>standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Factors affecting the level of advisory services and tax provided to customers as a result of the global financial crisis</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>decreased the level of tax consultancy as a result of the global financial crisis</td>
<td>3.5</td>
<td>1.17</td>
</tr>
<tr>
<td>5</td>
<td>decreased the level of financial advisory as a result of the global financial crisis</td>
<td>3.2</td>
<td>1.21</td>
</tr>
<tr>
<td>6</td>
<td>did not prepare the auditor provides consulting services with a high level as a result of lower prices for those services.</td>
<td>3.22</td>
<td>1.36</td>
</tr>
</tbody>
</table>
We note from the table above that all the averages were higher than the middle premise is 3, with the highest results with paragraph (7) and related Balmedkq where no longer provides consulting services almost free, where the arithmetic mean (3.55) and standard deviation (1.11), the table also showed that there is a decrease on all tax and financial consulting, and decreased the level of confidence of the profession by the companies. This is a whole indicates that the levels of handling and confidence and consulting to offices and audit firms had fallen.

3.2.2.3 third sub-hypothesis
Table No. (4) shows averages and standard deviations of the paragraphs of the resolution relating to the third sub-hypothesis that the results were as follows:

Table (4): Averages and standard deviations for the questions of the third sub-hypothesis

<table>
<thead>
<tr>
<th>No.</th>
<th>Paragraphs</th>
<th>mean</th>
<th>standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Factors affecting the level of performance and audit services provided to customers as a result of the global financial crisis</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>decreased the number of field visits to companies to undertake audits</td>
<td>3.2</td>
<td>1.23</td>
</tr>
<tr>
<td>10</td>
<td>decreased the size of the test sample being tested by the auditor Audit</td>
<td>3.09</td>
<td>1.3</td>
</tr>
<tr>
<td>11</td>
<td>decreased the size of the test sample being tested by the auditor Audit</td>
<td>3.25</td>
<td>1.29</td>
</tr>
<tr>
<td>12</td>
<td>decreased the level of professional care enough as a result of the low level of fees and wages paid to the auditor as a result of the global financial crisis</td>
<td>3.11</td>
<td>1.28</td>
</tr>
</tbody>
</table>

We note from the table above that all the averages were higher than the middle premise is 3, with the highest results with paragraph (11) and on the number of meetings with the heads of boards of directors and managers in companies that are under scrutiny, where the arithmetic mean (3.25) and standard deviation (1.29), the table also showed that there is a decrease in the number of visits and the sample size and the level of professional care. This is a whole indicates that the levels of performance and audit services has decreased as a result of the global financial crisis.
3.3 test hypotheses: Hypothesizes Test

3.3.1 First sub-hypothesis:

H0: There is no reduction in the level of income and corporate offices of the Audit of Yemen as a result of the global financial crisis.

To test this hypothesis test was used (t-test) to all paragraphs of the hypothesis, reaching values of (t) to the clauses of the premise 21.92, 23.61, 21.78, respectively at the level of significance 0.00 for each of the paragraphs, and in that this level of significance less than 0.05, we reject nihilism hypothesis and accept the alternative hypothesis is that there is a decrease in the level of income and corporate offices of Yemen as a result of the audit of the global financial crisis. The following table illustrates this.

<table>
<thead>
<tr>
<th>Paragraph</th>
<th>the value of T</th>
<th>degree of freedom DF</th>
<th>Sig. (2-tailed)</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>21.92</td>
<td>53</td>
<td>0.00</td>
<td>3.48  4.18</td>
</tr>
<tr>
<td>Q2</td>
<td>23.61</td>
<td>53</td>
<td>0.00</td>
<td>3.33  3.95</td>
</tr>
<tr>
<td>Q3</td>
<td>21.78</td>
<td>53</td>
<td>0.00</td>
<td>3.21  3.86</td>
</tr>
</tbody>
</table>

3.3.2 Second sub-hypothesis:

H0: There is no reduction in the level of tax and advisory services provided to customers as a result of the global financial crisis.

To test this hypothesis test was used (t-test) to all paragraphs of the hypothesis, reaching values of (t) to the clauses of the premise 21.84, 19.31, 17.29, 23.53, 19.19, respectively at the level of significance 0.00 for each of the paragraphs, and in that this level of significance less than 0.05 we reject the hypothesis nihilism and accept the alternative hypothesis is that there is a decrease in the level of tax and advisory services provided to customers as a result of the global financial crisis. The following table illustrates this.

<table>
<thead>
<tr>
<th>Paragraph</th>
<th>the value of T</th>
<th>degree of freedom DF</th>
<th>Sig. (2-tailed)</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4</td>
<td>21.84</td>
<td>53</td>
<td>0.00</td>
<td>3.17  3.82</td>
</tr>
<tr>
<td>Q5</td>
<td>19.31</td>
<td>53</td>
<td>0.00</td>
<td>2.87  3.53</td>
</tr>
<tr>
<td>Q6</td>
<td>17.29</td>
<td>53</td>
<td>0.00</td>
<td>2.84  3.59</td>
</tr>
<tr>
<td>Q7</td>
<td>23.53</td>
<td>53</td>
<td>0.00</td>
<td>3.25  3.85</td>
</tr>
<tr>
<td>Q8</td>
<td>19.19</td>
<td>53</td>
<td>0.00</td>
<td>2.80  3.45</td>
</tr>
</tbody>
</table>
3.3.3 Third sub-hypothesis
H0: There is no reduction in the level of performance and audit services provided to customers as a result of the global financial crisis.

To test this hypothesis test was used (t-test) to all paragraphs of the hypothesis, reaching values of (t) to the clauses of the premise 19.07, 17.38, 18.54, 17.81, respectively at the level of significance 0.00 for each of the paragraphs, and in that this level of significance less than 0.05 we reject the hypothesis nihilism and accept the alternative hypothesis is that there is a decrease in the level of performance and audit services provided to customers as a result of the global financial crisis. The following table illustrates this.

<table>
<thead>
<tr>
<th>Paragraph</th>
<th>the value of T</th>
<th>degree of freedom DF</th>
<th>Sig. (2-tailed)</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q9</td>
<td>19.07</td>
<td>53</td>
<td>0.00</td>
<td>2.86, 3.54</td>
</tr>
<tr>
<td>Q10</td>
<td>17.38</td>
<td>53</td>
<td>0.00</td>
<td>2.73, 3.44</td>
</tr>
<tr>
<td>Q11</td>
<td>18.54</td>
<td>53</td>
<td>0.00</td>
<td>2.90, 3.61</td>
</tr>
<tr>
<td>Q12</td>
<td>17.81</td>
<td>53</td>
<td>0.00</td>
<td>2.76, 3.46</td>
</tr>
</tbody>
</table>

3.3.4 Main Hypothesis
According to this hypothesis as follows:
H0: There is no negative impact of the global financial crisis on the auditing profession in the Republic of Yemen.

To test this hypothesis test was used (t-test) to all paragraphs of the hypothesis, reaching values of (t) to the clauses of the hypothesis as shown in Tables (6), (7) and (8) respectively at the level of significance 0.00 for each of the paragraphs, and in that this level of significance less than 0.05 we reject the hypothesis nihilism and accept the alternative hypothesis is that there is the impact of the global financial crisis on the auditing profession in the Republic of Yemen. The following table illustrates this.

<table>
<thead>
<tr>
<th>Paragraph</th>
<th>the value of T</th>
<th>degree of freedom DF</th>
<th>Sig. (2-tailed)</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>21.92</td>
<td>53</td>
<td>0.00</td>
<td>3.48, 4.18</td>
</tr>
<tr>
<td>Q2</td>
<td>23.61</td>
<td>53</td>
<td>0.00</td>
<td>3.33, 3.95</td>
</tr>
<tr>
<td>Q3</td>
<td>21.78</td>
<td>53</td>
<td>0.00</td>
<td>3.21, 3.86</td>
</tr>
</tbody>
</table>
4. Results and Recommendations

4.1 Results:
The study found the number of results, are summarized as follows:
1. World financial crisis affect negatively the auditing profession in the Republic of Yemen.
2. Decreased the level of income and corporate offices of Yemen as a result of the audit of the global financial crisis.
3. Decreased the level of advisory services and tax provided to customers as a result of the global financial crisis.
4. Decreased the level of performance and audit services provided to customers as a result of the global financial crisis.
5. There is a decrease in the prices of services provided such as consulting and the withdrawal of a number of companies have negatively impacted on the income of the offices.
6. Decreased the level of confidence of the profession by the companies so that the impact on the quality and level of advisory services provided.
7. Decreased number of field visits and meetings with the heads of boards of directors and managers for companies to carry out the audit.
8. Decreased the size of the test sample being tested by the auditor scrutiny, and this led to the low level of professional care as a result of lower fees and auditor fees.

4.2 Recommendations:
researcher recommends the following:
1. Increasing advisory services free and almost free for companies, because of the interest for the continuation of the work of companies and businesses replace audit.
2. Need to work to raise the level of trust between businesses replace audit offices and audit firms.
3. The auditors to persuade and invite the Yemeni government to deal with a loss of business in a positive manner through the reduction of taxes or installments to the lack of adequate liquidity.
4. That the offices and audit firms to invite companies to re-trade policies and financial conditions in line with the global financial crisis.

5. Increase the number of meetings and joint meetings between the auditors and business owners to re-drafting of regulations, and accounting and to ensure that the face of financial crises that may occur in the future.

6. That the offices and audit firms help companies trade on the work of the financial analysis necessary to detect weaknesses and mistakes that led to the decline in corporate income business.

7. The necessity of activating the role of internal oversight units, or sections of the Internal Audit in the business and strengthening the relationship between the external auditor and internal auditor.

8. That the work of other researchers for more research and studies in this sector to come out with recommendations to help maintain the audit profession and its relationship with business.
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ABSTRACT
Since the beginning of the 21st century, ecological problems have been described as the most important problems of the humanity and surely will affect the life quality of the next generations. In order to solve ecological problems, businesses are trying to develop more ecological approaches as green in the market. These events caused to develop green marketing. Environmental protection consciousness which is called green movement has been supported by the great part of society that enterprises has adopted this view and has caused to develop the least destructive applications for the environment. At this point green marketing is taking a critical and crucial role to create a sustainable development framework. This study focuses primarily green marketing philosophy as an important part of sustainable development and global environmental problems and the reasons which cause the enterprises to apply the green marketing are going to be discussed and lastly examine some of the reason that organizations are adopting a green marketing philosophy.

Key Words: Green Marketing, Ecological Marketing, Protecting the environment, Social Responsibility, Sustainable Marketing

1. INTRODUCTION

Nowadays, a lot of changes as well as in the global field, rapid change in business management philosophies, scope of activities, marketing strategies, consumer needs and their demands are developing. While settlement of environmental awareness and understanding the nature conservation began to have crucial point around the world, these developments which related to the subject caused to implement several civil society organizations and environment related criteria in international quality standards and legal regulations start to take place in business life. All these developments also significantly affect marketing activities so under the name of green marketing there is an apprehension which taking into account ecological factors in designing marketing activities at each level was improved.

As it’s supposed that the sources of earth aren’t limitless and coming to an end, also threatening of the environmental problems to the human health and ecosystem put the governments, civil social organizations and consumers in action. In order to find a solution many countries collaborate and determine common policies in international area. Factors such as population growth, global warming, threatening the future of human beings, exhaustion of natural resources that have attracted world attention to green marketing. In many national and international areas, many government and non-governmental organization
has started to develop co-operation with each other to seek common solutions to environmental problems. In the 1980’s environmental issues had dominated the world. Since the 1980’s there have been a progressive increase in consumer environmental consciousness, as increasing kinds of environmental problems put a strong impact on all forms of life. Specifically, society in general regarded business as the source of variety of environmental problems. In particular, the concept of sustainable development more and more has an important place and this led businesses to adopt sustainable green strategies.

In our country, Turkey, environmental awareness and environmental marketing activities is increasing rapidly in recent years. In businesses advertising messages, product packaging, manufacturing strategies and in many other different areas which do not harm the environment and strategies to protect the natural balance of the results began to appear in daily life routine.

Many of the articles assign that, marketing science is one of the most important elements to create sustainable relationship between ecology and industry, and also among the people of the world. All of these developments revealed the concept of “Green Marketing” and this concept has come to an important place in marketing literature.

2. THE CONCEPT OF GREEN MARKETING

True definition of green marketing is quite difficult. Yet defining green marketing is not a simple task. Indeed the terminology used in this area has varied, it includes: Green Marketing, Environmental Marketing and Ecological Marketing. Up to date, the studies carried out under a multi-title but now these are carried out under the heading of green marketing (Chammorro, 2009). While green marketing came into prominence in the late 1980s and early 1990s, it was first discussed much earlier. Description must be compatible in the formations of time changes. Terms like Phosphate Free, Recyclable, Refillable, Ozone Friendly, and Environmentally Friendly are some of the things consumers most often associate with green marketing (Polonsky, 1994). Today’s some of green concept may lose its importance year after year. For instance, saving bulbs firstly introduced as environmentally friendly in the world; however, in the light of today’s technology, unfortunately it is accepted as a hazardous substance that damage to human health.

Today’s green marketing experts define green marketing as “A holistic management process which is responsible for identifying the needs of consumers and the community as profitable and sustainable manner and also it is responsible for forecasting and satisfaction these needs” (Annick, 2004). Also, according to the American Marketing Association definition, green marketing is a science that analysis on marketing studies about pollution and it analysis advantages and disadvantages of energy consumption and consumption of exhaustible resources (Uydacı, 2002). In general, green marketing approach is a marketing activity that businesses more realized the importance of natural environment (Tarhan, 1996). Furthermore, according to the Oxford University Business Dictionary definition of green marketing is as follows; “Green marketing approach can be define as if businesses do its production, promotion, and distribution activities firstly in order to be the benefit of environment, it is called as green marketing.” (Oxford, 2002).

There is growing interest among the consumers all over the world regarding protection of environment. Worldwide evidence indicates people are concerned about the environment and are changing their behavior. As a result of this, green marketing has
emerged which speaks for growing market for sustainable and socially responsible products and services.

Hence, green marketing incorporates a broad range of activities, including product modification, changes to the production process, packaging changes, as well as modifying advertising.

3. THE IMPORTANCE OF GREEN MARKETING

The roots of green marketing can be traced back to the wave of environmental concern of the 1970s which spawned the ‘ecological marketing’ concept (Baker, 2003). The developments which in media (television), communications (internet), manufacturing (miniaturization) and the use of personal computers has caused the world to become a large village (Zinkhan and Carlson, 1995). Furthermore, there is a growing awareness that a ‘greener consumer society’ need not be one of joylessness and abstention and need not be in total opposition to the current system of production and marketing (Solomon, Bamossy, Askegaard and Hogg, 2006).

Thus, companies should work at developing the dimensions of environmental sustainability (Kotler, Wong, Saunders and Armstrong, 2005). For instance; Hewlett-Packard has evolved through three distinct phases of environmental sustainability over the past two decades. In the 1980s, the environmental concerns were primarily pollution control and prevention, with a focus on reducing emissions from existing manufacturing processes. HP has recognized that pollution prevention and product stewardship have become baseline market expectations. To be an environmental leader in the 21st century, HP needs to integrate environmental sustainability into its fundamental business [vision and] strategy (Preston, 2001).

Even the green goods that have caught on have tiny market shares. Organic foods—which consumers buy more for their own health than for the environment’s- accounted for less than 3 percent of all food sales in 2006, according to the Nutrition Business Journal. In 2006, green laundry detergents and household cleaners made up less than 2 percent of sales in their categories. And despite their trendiness, hybrid cars made up little more than 2 percent of the U.S. auto market in 2007, according to a report by J.D. Power and Associates (Bonini and Oppenheim, 2008).

Firms could adopt management systems that create conditions for reducing the environmental impact of value-addition processes (Prakash, 2002). An important strategic reason for green marketing is that it could help firms to pre-empt command-and-control regulations that often hurt their profits and enable them to shape future regulations, thereby reaping first-mover advantages (Fri, 1992). Therefore, green marketing is inevitable.

4. BENEFITS OF GOING GREEN

While modification of business or production processes may involve start-up costs, it will save money in the long term. For example, the cost of installing solar energy is an investment in future energy cost savings. Moreover, companies that develop new and improved products and services with environmental impacts in mind give themselves access
to new markets, substantially increase profits and enjoy competitive advantages over those marketing non-environmentally responsible alternatives.

Today, with the overwhelming Green Wave that seems to be sweeping the nation, design professionals are finding their world is changing rapidly, as it is for their clients. Companies like Wal-Mart Stores Inc. Promise to slash energy use overall, from its stores to its vast trucking fleets, and purchase more electricity derived from renewable sources. Also, Dow Chemical Co. is increasing research into products such as roof tiles that deliver solar power to buildings. Similarly, Ford Motor Co. put on a 10- acre grass roof to capture rainwater on its main plant, and its designers are incorporating sustainable materials into vehicle interiors. Mega search engine Google announced in November 2007 that it will spend hundreds of millions of dollars over the coming years to develop renewable energy technologies, with a corporate goal of producing one gigawatt (enough power to serve the City of San Francisco) of renewable energy through solar, geothermal and wind power cheaper than that produced by coal-generated power (Quatman, Manies and Thomson & Kilroy, 2008). McDonald's replaced its clam shell packaging with waxed paper because of increased consumer concern relating to polystyrene production and Ozone depletion (Gifford and Hume, 1991).

Green power marketing offers utilities and power marketers a way to differentiate their products. The market for green power is growing (Wiser and Pickle, 1997). Companies that develop new and improved products and services with environment inputs in mind give themselves access to new markets, increase their profit sustainability, and enjoy a competitive advantage over the companies which are not concerned for the environment (Pirakatheeswari, 2009).

Some of the advantages of green marketing are:

• It ensures sustained long term growth along with profitability.
• It helps the companies market their products and services keeping the environment aspects in mind.
• It helps in accessing the new markets and enjoying the competitive advantage.
• Most of the employees also feel proud and responsible to be working for an environmentally responsible company.

5. BEYOND THE GREEN MARKETING: SOCIAL RESPONSIBILITY

The social responsibility is an approach which is focused on the customers and it takes into account the environmental problems, and its long term welfare (Vazifehdust and Asadollahi, 2011).

It seems that these days, every product has a social reason behind it. At the moment, marketing is one of the most important activities of the companies due to social and environmental considerations.

Green marketing must satisfy two objectives: Improved environmental quality and customer satisfaction. Many environmental products have become so common and widely distributed that many consumers may no longer recognize them as green because they buy them for non-green reasons. Green household products, for instance, are widely available at
supermarkets and discount retailers, ranging from energy-saving Tide Coldwater laundry detergent to non-toxic Method and Simple Green cleaning products (Ottman, Stafford and Hartman, 2006).

Environmental management is the driving force behind eco-(re)design (existing products) and eco-innovation (new products) with information percolating down to designers (engineers) through checklists (Charter and Clark, 1996). Most companies also divorce eco-efficiency from the social dimensions of sustainability (Charter, 1998).

Companies with socially responsible corporate values will appear more credible to target audiences, but it is critical that they also back up environmental claims (Ginsberg and Bloom, 2004). Some firms can be very environmentally responsible but does not promote this fact. For example, Walt Disney World has an extensive waste management program and infrastructure in place, yet these facilities are not highlighted in their general tourist promotional activities (Murphy, 1985).

6. CONCLUSION
Green marketing covers more than a firm’s marketing claims. Also, consumers are demanding more ecological products. Environmental problems which occur in today’s most important issue are emerging as the spam result of industry and industrialization. Ecological system was broken because of rapid population growth and industrialization, consumption of energy and natural resources and growing environmental pollution. The result of unconscious production and consumption caused climate change, decreasing the biodiversity and increasing diseases. These developments led to questioning of the enterprises and industries.

All these negative developments have led to unease in national and international societies. While communities began to be more conscious about the environment, governments began to corporate with each other and with the effects of consumer and legal pressures on businesses; production process was forced to make changes. Hence, businesses have begun to develop their production and marketing strategy towards greener wave. Now, in the process of product design, not only the general features of the products but also environmentally friendly products began to crucial for businesses’ marketing strategy.

Green marketing approach was based on the natural environment at every stage of marketing activities. Furthermore, businesses can gain competitive advantage through effective green marketing strategy. Green marketing is based on the premise that businesses have a responsibility to satisfy human needs and desires while preserving the integrity of the natural environment.

Today’s consumers are becoming more and more conscious about the environment and are also becoming socially responsible. Therefore, more companies should become responsible to consumers’ aspirations. Effective green marketing targeted at the right audience will make a difference. Green marketing should not neglect the economic aspect of marketing so marketers need to understand the implications of green marketing.
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Information Technology, Accounting Information System and their effects on the Quality of Accounting University Education: an empirical research applied on Jordanian Financial Institutions

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Abstract
This study examines the effects of information technology and accounting information system on the quality of accounting university education for Jordanian financial institutions working in Jordan and listed on Amman Stock Exchange in 2010, because these institutions are recruiting the major part of fresh accounting university graduates by showing the advantages of using information technology and its importance in developing the accounting information system. The study, also, investigates the importance of information technology in developing the accounting information system and then the expectation ability of the quality of accounting university education. In order to achieve these objectives, a four-section questionnaire was developed and its data was input to SPSS V16.0. Having the responses analyzed, it was shown that employers do recognize that advances in information technology and the developing of accounting information system have a positive interaction effect on the quality of accounting university education. Furthermore, the respondents believed that more applications of information technology in accounting university education, and training hours for accounting students are needed in order to increase the quality of accounting university education and to bridge the gap between theory and practice in accounting education.

Keywords: IT, AIS, Financial institution, Accounting Education, Quality assurance, Jordan.

1. Introduction
Information technology (IT) refers to the hardware and software used in computerized information systems and has been a major force in shaping our current society. Such technology influences our lives in many personal ways. In this information age, for example, fewer workers actually make products while more of them produce, analyze, manipulate, and distribute information about business activities. These individuals are often called "Knowledge workers" (see, Thottam, 2004). Companies find that their success or failure is often dependent on the uses or misuses of the information that knowledge workers manage.

Consistent with this view, Bagranoff et al. (2005) viewed accountants as knowledge workers and the information age has an important implication for accounting. Because their role has
been, in part, to communicate accurate and relevant financial information to parties interested in how their organizations are performing, accountants have always been in the “information business”. In a computerized system, the collection, recording and transmitting accounting data are done automatically or by giving the command to process. Also, financial reports are generated based on an instruction given to the computer which is actually a group of hardware components that work together with software to perform a specific task which enable an Accounting Information System (AIS) to fulfill its functions in any organization. This study expected that to be able to give the accounting students the scope of knowledge needed in real-life situation, the study of IT should be integrated as far as possible in the study of accounting, which allow the students to evaluate the performance of information systems in an accurate and timely manner. Therefore, the technology should be studied from the perspective of their usefulness and application to business situation and should not be seen as an end in itself.

The business press frequently reports the many ways in which IT is profoundly changing the way that accounting and many other business activities are performed. Because this impact is likely to continue, the study focus on understanding how IT can be used to improve the performance of an AIS and then the quality of accounting university education (QAUE). To do so, we have to recognize the advantages of using IT and its importance to AISs and their effects on the QAUE and this study tries to consider these issues in the remainder of this paper is organized into seven sections; The next section presents a theoretical framework of this study. Section three provides a literature review of IT, AIS and QAUE. The fourth section identifies the research framework and research propositions. The fifth section presents the research methodology and describes the research methods adopted. The sixth section presents the findings of this study, and the summary and concluding remarks will be presented in the last section.

2. Theoretical framework:

2.1 The recognition of and the advantages of using IT

In automated accounting systems, IT serves as a platform on which other system components in part rely. According to Bagranoff et al. (2005) AIS view as a set of five interacting components: hardware, software, data, people, and procedures. Computer hardware is probably the most tangible element in this set, but “hardware” is only one piece of the pie. Computer hardware must work together with the other system components to accomplish data processing tasks. Without computer software, for example, the hardware would stand idle. Without data to process, both the hardware and the software would be useless. Without procedures, accounting data could not be gathered accurately or distributed properly. And

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62 In Statement of Financial Accounting Concepts No.2, the Financial Accounting Standards Board defines Accounting as being an Information System. It also that the primary objective of Accounting is to provide information useful to decision makers. Therefore, it is not surprising that the Accounting Education Change Commission recommended that the Accounting curriculum should emphasize that Accounting is an information identification, development, measurement, and communication process. The commission suggested that the Accounting curriculum should be designed to provide students with a solid understanding of three essential concepts: (1) the use of information in decision making, (2) the nature, design, use, and implementation of AIS, and financial information reporting (Romney & Steinbart, 2000 pp 4-5).
finally, without people, it is doubtful that the rest of the system could operate for long or be of much use.

Researchers (Anderson, 2002; Huber, 2004) make clear that IT and accounting systems are intimately related, and a computer system must interact with all the other system components to create a working AIS. Giddens (1984) explains that using and developing IT in accounting firms is considered an essential element through which such firms can strongly establish themselves and improve their productivity.

The information age and the IT that created it, are influencing all areas of accounting, including financial and managerial accounting, auditing, and taxation. With respect to financial accounting, critics contend that periodic, audited financial statements are less relevant in the information age. The accounting profession has responded by studying the needs of financial information users and improving the relevance of accounting information. Managerial accounting is also developing new costing approaches such as activity-based costing systems, new performance measurement approaches such as the balanced scorecard (Kaplan & Norton, 2001), and new IT to help managers make more informed business decisions (Zeller et al., 2001). Auditing practice is expanding to include a variety of new assurance services, and the nature of the audit has also shifted (AICPA/CICA, 1999). Finally, the availability of tax software and extensive tax databases influences both tax preparation and tax planning.

Therefore, the use of computer in the college classroom has become so commonplace that on most campuses, it is difficult to find a classroom that does not have at least an instructor computer workstation connected to a projector (Guthrie & Carlin, 2004). Also, it is likely to affect the way accountants will work in the future. IT will become even more important to accountants as AIS continue to incorporate technological advances in their designs, and also as this technology becomes more important to their daily professional and personal tasks. These reasons became major factors to conduct this study. Therefore, this view consists with Bagranoff et al. view (2005) that there are many reasons to study AIS and to recognize the importance of IT to it.

2.2 The importance of IT in developing of AIS

Before recognizing AIS we have to understand the terms data and information which are the raw material for an AIS and both are some of an organization’s most valuable assets according to Romney & Steinbart (2003). Data refers to any and all of the facts that are collected, stored, and processed by an information system. Once data have been collected,

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63 Others researchers present six reasons to show that IT is important to accountants and must be compatible with, and support, the other components of an AIS (for details, see Bagranoff et al, 2005).

64 Romney and Steinbart (2003) show three kinds of data need to be collected for any activity: facts about the event itself, the resources affected by the event, and the agents who participated in that event (p.9).
it is the job of the AIS to transform the facts into useful information so they can be used to make decisions.\textsuperscript{65} The study of AISs is, in large part, the study of the application of IT to accounting systems. We begin by answering the question, “What are AISs?” and then look at some advantages of developing the characteristics of AIS which are affected by IT.

Many researchers (Bagranoff \textit{et al.}, 2005; Romney & Steinbart, 2003; Moscove & Simkin, 1984) believed that we cannot define AIS by its size, but it is better to define it by what it does. Bagranoff \textit{et al.} (2005) define AIS “as a collection of data and processing procedures that creates needed information for its users” and suggest that AISs stand at the crossroads of two disciplines: accounting and information systems. In the same track Moscove & Simkin (1984) define AIS as “an organizational component which accumulates, classifies, processes, analyzes, and communicates relevant financial-oriented, decision-making information to a company’s external parties and internal parties.” (pp. 6-7).

We conclude from these definitions that, it is convenient to conceptualize AIS as a set of components that collect accounting data, record it, store it for future uses, and process it for end users.\textsuperscript{66} Today, however, AISs are concerned with nonfinancial as well as financial data and information because many of the end users of the information of an AIS are not accountants, but include customers, investors, suppliers, financial analysts, and government agencies. Thus, the present definition of AIS as an enterprise-wide system views accounting as an organization’s primary producer and distributor of many different types of information. The definition also considers the AIS as process focused. This matches the contemporary perspective that accounting systems are not primarily financial systems (see, Drucker, 1992).

Consistent with previous definitions Romney & Steinbart (2003) argued that AIS consists of five components: people, procedures, data, software, and information technology infrastructure. Together, these five components enable AIS to fulfill three important functions in any organization:

- Collecting and storing data about the activities performed by the organization,
- Transforming data into information that is useful for making decisions that enable management to plan, execute, and control activities,
- Providing adequate controls to safeguard the organization’s assets, including its data, to ensure that the data are available when needed and are accurate and reliable.

Thus, the study of AISs is viewed as the study of computerized accounting systems. Computerized accounting systems, in the information age, perform many of the tasks once performed by traditional manual systems- for example, collecting, processing, storing, transforming, and distributing both financial and non-financial information for planning, decision-making, and control purposes.

Therefore, most accounting transactions, which are done automatically or by given the command to the computer, are processed in a three-phase operation called input-processing-output cycle. The starting point of the input-processing-output cycle –especially when organizations process accounting transactions- is input which is a records of a business

\textsuperscript{65} To make information meaningful and useful for decision making, Romney and Steinbart, (2003) intended that it must have the following characteristics: relevant, reliable, complete, timely, understandable, and verifiable.

\textsuperscript{66} So that, it is useful view AIS as a collection of hardware, software, data, people, and procedures that must all work together to accomplish processing tasks.
activities. Thus, even where the amount of data is small, computerized AISs require input methods and procedures that ensure complete, accurate, timely, and cost-effective ways of gathering and inputting accounting data. The starting point for collecting accounting data in most AISs is a source document. A source document is a piece of paper or an electronic form that records a business activity such as the purchase or sale of goods. Therefore, in order to process source-document data electronically, the data must first be transcribed into machine-readable media, where most AIS designers prefer data-capturing methods that gather data that are already in machine-readable formats, because electronic source documents eliminate many errors that are introduced by human input. Therefore, computerized AISs make extensive use of source documents. Also, source documents help manage the flow of accounting data in several ways (Bagranoff et al., 2005). Many devices enable AISs to capture data that are already in machine-readable formats, and to store and archive data on media that permanently maintain its accuracy and integrity, yet permit the system to access and modify this information quickly and easily.

A well-designed computerized AIS can add value to the organization by: improving the quality and reducing the costs of products or services by reducing the amount of wasted materials, improving efficiency of operations by providing more timely information, improved decision making by providing accurate information in a timely manner, and sharing of knowledge by providing competitive advantages.

The information produced by well-designed computerized AIS can improve decision making in several ways. First, it identifies situations requiring management action. Second, by reducing uncertainty, accounting information provides a basis for choosing among alternative actions. Third, information about the results of previous decisions provides valuable feedback that can be used to improve future decisions (for details, see Romney & Steinbart, 2003).

Therefore, the advances in IT will permit AIS to create more information. Nevertheless, although more information is often better, this is only true to a point. There are limits to the amount of information that the human mind can effectively absorb and process. Information overload occurs when those limits are passed. Information overload is costly, because decision-making quality declines while the costs of providing that information increase. Thus, information overload reduces the value of information. Consequently, information systems designers must consider how advances in IT can help decision makers more effectively filter and condense information, thereby avoiding information overload.

Moreover, it is important to recognize that there are costs associated with producing information. Those costs include the time and resources spent in collecting, processing, and storing data, as well as the time and resources used to distribute the resulting information to decision makers. There are also many opportunities to invest in additional IT to improve the overall performance of the AIS.

Most organizations, however, do not have unlimited resources to invest in improving their information systems. Therefore, another important decision involves identifying which

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67 First, they dictate the kinds of data to be collected and help ensure legibility, consistency, and accuracy in recording data. Second, they encourage the completeness of accounting data because these source documents clearly enumerate the information required. Third, they serve as distributors of information for individuals or departments. Finally, source documents help to establish the authenticity of accounting of accounting data.

68 POS devices, MIRC readers, OCR readers, and magnetic-strip readers.

69 Magnetic (hard) disks, floppy disks, CD-ROMs, DVD disks, and USB flash disks
potential AIS improvements are likely to yield the greatest return. Making this decision wisely requires that accountants and information systems professionals understand their organization’s overall business strategy (Porter, 1996).

These arguments allow us to raise this question: how AISs operate properly and record accounting data accurately? Documentation explains how AISs operate and is therefore a vital part of any accounting system. For example, documentation describes the tasks for recording accounting data, the procedures that users must perform to operate computer applications, the processing steps that computer systems follow, and the logical and physical flows of accounting data through the system (Bagranoff et al., 2005).

Although written narratives can be used to document an AIS, several graphical tools are available that are usually more efficient such as document flowchart and a data flow diagram. A document flowchart describes the physical flow of documents through AIS, for example, by providing an overview of where documents are created, what departments receive and review them, what activities they trigger, and where these documents are stored (see also, Lehman, 2000). System flowcharts are similar to document flowcharts, except that system flowcharts usually focus on the electronic flows of data in computerized AISs. Documentation also describes the logic flow of data within a computer system and the procedures that employees must follow to accomplish application tasks. Accountants can use many different types of diagrams to trace the flow of accounting data through AIS. Therefore, documentation includes all the flowcharts, narratives, and other written communications that describe the inputs, processing, and outputs of AIS. By using IT, these flowcharts pictorially represent data paths in compact formats and therefore save pages of narrative description and make better communications (Bagranoff et al., 2005).

The information which are created and documented by computerized AISs will be used by interested users in different locations. According to Moscove & Simkin (1984) in their definition for AISs insisted that AIS communicates financial information to both company’s external and internal parties. In this situation, IT will be very helpful in transmitting accounting data and information to various locations, because, data communication which refers to transmitting data to and from remote locations, enable AISs to transmit accounting data over local and wide area networks. Many accounting applications use data communications in normal business operations. For example, banking systems enable individual offices to transmit deposit and withdrawal information to centralized computer locations.

Therefore, accountants must understand data communication concepts because so many AISs use them and also because so many clients acquire AISs that depend on data transmissions. Many AISs now use LANs or WANs for e-mail, sharing computer resources, saving software

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70 There are seven reasons to document AIS:

1. to explain how the system works,
2. to train others,
3. to help develop new systems,
4. to control system development and maintenance costs,
5. to standardize communications among system designers,
6. to provide information to auditors,
7. to document a business’s processes (for details, see Bagranoff et al 2005).
costs, gathering input data, or distributing outputs. Wi-Fi technology of the future will significantly increase the ability of accountants to be mobile, yet connected to their offices as well as to their clients (Malik, 2003).

The above discussion recognized the advantages of using advanced IT in developing and enhancing the performance of AISs.

3. Literature Review

The last few years have witnessed a steady increase in using IT in various aspects of life. Organizations (ER, 1987) and universities (Thomas, 1983; Wu, 1984; Haugland, 1997; Siam & Rahahleh 2005) were not isolated from such development, as IT enjoys several advantages making it an ideal method to be used in improving the educational process and enhancing it. Significant research on the adoption of technological innovations has been undertaken by Rogers (1995), who identified individuals on a continuum from Innovator to Laggard. Less (2003) used Roger’s research as a basis to classify full-time faculty teaching in degree programs into one of five categories developed by Rogers. Faculties identified as either users or non-users of computer technology in instruction and were studied using the demographic characteristics of age, gender, race/ethnicity, teaching experience and highest degree attained. No differences were found in any of these five categories between faculty who used computer technology in instruction and those who did not. Faculty members who reported employing technology for instruction often utilized multiple techniques, such as e-mail contact with students, posting assignments and other information on course websites, and using course management software for record keeping functions. Non-users identified a number of reasons for not incorporating technology into instruction, as well as which strategies might be employed to encourage them to adopt computer technology into instruction.

Thomas (1983) and Wu (1984) explained that the use of IT methods in the educational field will develop the students’ analytical thinking capacities, thus it is considered as an effective way to prepare them for practicing accountancy. Haugland (1997) examines two Accounting courses where computer instructional technology was used to present course material to students. Haugland’s study describes the procedures used by the professor, observations of the professor and the reactions from students enrolled in the two courses. The results of Haugland’s study indicate the use of computer instructional technology and course web pages enhance student’s learning: students are more motivated to attend and participate in class; students retention of information is increased; students are able to integrate information, concepts and course materials, leading to a greater understanding of class content and ultimately improved grades; and students gain confidence in utilizing these resources themselves, which enable them to make more effective and professional presentations in the future.

In the same track, Saim & Rahahleh (2005) recommended that the use of IT in education achieves many advantages that support quality assurance of accounting university education and increase its effectiveness.

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10 Wi-Fi is the ability to transmit voice-grade signals or digital data over wireless communication channels. Wi-Fi application has two dimensions: connectivity and mobility.
Thus, this study sought to extend previous research on IT use in accounting university educations, with respect to the developing of AISs to enhance the quality of accounting university educations.

Yaverbaum (1996) focuses on the idea that faculty and students need to change their approach to the learning process when technology is introduced. The traditional model of talk versus listen will frequently not be appropriate. What is appropriate depends on how the technology is integrated into the learning environment.

Najjar (1998) examined the information transfer process and found strong links between presentation structure and test performance. Although the evidence was not conclusive, it did indicate that presentation channel (visual, pictorial, verbal) did have an effect on test performance. In general if the testing was done using the same channel as the presentation there was somewhat better performance than if there was a change in channel between the two. This would seem to indicate that if assessment is to be done with conventional text based tests it is important to make sure that the presentation is text based as opposed to being highly visual.

McAdams & Duclos (1999) report on the conversion of a traditional multimedia (film based slides, video, and audio) presentation to an integrated PowerPoint based presentation of the same material. Although it was easier for the presenter to deal with supporting aids with PowerPoint, they report that students did not receive it as well. They also expressed concerns about the amount of time that it took to generate the PowerPoint based presentation. They had over 700 hours in the conversion process, including digitizing the old slides and video clips. All of this was to support a 90 to 120 minute presentation/discussion.

Parks (1999) reported on his first four years of using technology to aid his presentations in a Principles of Macro Economics class. Like others, he identified the additional preparation time as a significant change. He found this beneficial to the extent of being more organized but also detrimental as significant amounts of time were invested in mechanics that could have been better spent on content development.

Duchasted & Turcotte (2001) saw that among the advantages of accounting tele-education are the availability of information and the attractive way in which it is possible to access the material at the time and place that is appropriate for the student and proved to be efficient and spread via the Internet.

Rankin & Hoaas (2001a) investigated the effect of PowerPoint presentation on student performance in accounting courses, and they found no significant effect on student performance.

Rankin & Hoaas (2001b) report on a paired comparison test they ran in Principles of Economics classes where two sections were taught traditionally and two sections were taught with PowerPoint presentation aids. After adjusting for ACT score; gender; freshman versus non-freshman standing; whether the student had a high school economics course; and time of day, they found that grades were not significantly effected by the use of PowerPoint. Of the variables examined, ACT score was the only one to have a significant effect on student grades. Additional t-test was performed to determine if student satisfaction or instructor evaluation were impacted by the use of PowerPoint. No significance was found in either case.

Hicks (2002) indicated that employing IT in education was as assisting factor in improving the level of students and meeting their academic needs. The same results were found by Haugland’s study (2000) on the use of e-education in some accounting courses.
Guthrie & Carlin (2004) attempted to learn student perceptions about the value that Audience Response Systems (ARS) add to the classroom. Their research reveals that while initially leery of the technology and the modest cost it adds to the course, students are generally positive about its use, and prefer courses that use the technology over those that do not, also student participation approaches 100% in class sessions where ARS are used due in part to anonymity, ease of use and the ability to see how many others answered in the same way.

Domermuth (2005) presents a detailed approach to setting up a classroom for technology aided teaching. In the article he discusses some of the trade-offs that need to be addressed and the impact on cost that specific choices can have. His primary focus is on getting the room effective within a tight budget.

Craig & Amernie (2006) presented a wide-ranging analysis of the use of PowerPoint technology in higher education, and concluded that all users of PowerPoint should respond to Postman’s (1993) call and pause to reflect about any new technology and how it affects their engagement with what and how they teach, and they should engage in conversations and critique of new technologies, rather than to accept them blithely and unquestioningly.

Daniels et al. (2007) examined the impact of PowerPoint on student performance and the results showed that PowerPoint did not have an impact on grades when controlling absences, hours of study, previous high school and college economics courses, math learning styles, and gender. Although the majority of students expressed a preference PowerPoint over more traditional teaching methods, the effect on student course evaluation mixed.

In a research conducted by Monem (2007) provides empirical evidence on the effect of releasing tutorial solutions in a management accounting course at a large Australian university and the findings of this research that there was no evidence that releasing tutorial solutions improved performance in the final examination.

Some studies resulted in determining some problems facing the use of IT in university educations. Abo-Ghabah (1990) argued that, one of the main problems facing universities is the method of benefiting from IT in developing and updating accounting education. Granger & Benke (1998) confirmed that the use of IT in university education must take into consideration the problems related to how beneficiaries (students in the case) understand this technology, and should regard that their misunderstanding of the importance of using technology may be attributed to their lack of skills in using such technology or because they lack English language skills especially that English is the language of modern IT, in addition to the differences between cultures from one region to another, as people differ in accepting and adopting the use of IT.

Duchastel & Turcottee (2001) and Morgan (2001) indicated that it is difficult to determine the total cost related to e-education, as such expenses involve the cost of developing the skills of faculty members, administrators and students, in addition to the costs of training them on using modern technology, and the costs of computer software, moreover, there are the costs of maintaining, developing and supporting websites, which are seen as hard to be calculated, in addition to the cost of designing the teaching material and transfer it from a traditionally taught material to an interactive electronic material than can be taught through modern IT.

Collectively, many of previous articles make a strong case that the presentation aids do not make the presentation. Unless they are contributing to the objective of the presentation, the technology doesn’t accomplish anything except diverting the time that the presenter would otherwise be devoting to content development.
Thus, most previous research focused on IT use to improve student performance in classroom, relatively little is known about the effect if IT on AISs and their effects on the QAUE. One of the motivations for this study was to help redress this neglect.

4. Research framework and research propositions

Despite a number of studies on IT and QAUE (Hicks, 2002; Saim & Rahahleh, 2005) we know very little about IT and AISs and their effects on the QAUE. The recognition of IT, the AISs response to IT, and the recognition of these variables on the QAUE led us to formulate some specific theoretical questions.

The fundamental theoretical questions guiding this study are: first, how does theory and relevant previous research conceptualize and define IT and AISs?, and secondly, how do theory and relevant previous research conceptualize and define the QAUE responses to advances in IT and the developing of AISs?

Based on the above argument and the fundamental theoretical questions, this study will examine: (1) the two-way interaction effects of IT and AIS on the QAUE; and, (2) the one-way interaction effects of IT and AIS on the QAUE; and IT on AIS.

In this study, the basic premise is that there are important links between IT and AIS, and it is expected that the interaction effects between these variables is essential to better quality of Accounting university education, as depicted in Figure (1).

INSERT FIGURE 1 HERE

The above argument convinced the researcher to formulate the following four propositions for testing, and the researcher’s aim is to convince the reader rather than prove relationships between variables:

\[
P1: \text{There will be a positive interaction effect on quality of accounting university education between advances in IT and the developing of AIS.}

P2: \text{Advances in IT enhance the quality of accounting university education.}

P3: \text{Developing AIS leads to better quality of accounting university education.}

P4: \text{Advances in IT develop the characteristics of AIS.}
\]

After narrowing our focus in relation to the relevant previous research themes, designing the research framework and formulating the theoretical questions and the research propositions, the final refinement of the research methodology, methods, and procedures require justification. These are the focus of the next section.

5. Methodology of the study

5.1 Study population and study sample:
The research population consists of all Jordanian financial institutions. The study was restricted to banks and insurance companies working in Jordan in 2010, because these institutions are recruiting the major part of fresh university graduate no matter what their academic level was. This is due to fast expansion of banks and banking services in Jordan. New employees are usually enrolled in training courses in the training centers that belong to the same financial institution in most cases. The Companies Guide issued by the Jordanian
Security Commission (JSC) every year since 1990 showed that there were 15 banks and 20 insurance companies listed on Amman Stock Exchange in 2010.

The research covered only the financial institutions headquarters where the targeted respondents were expected to exist. The targeted respondents represent the parties that had the ability and knowledge to address it; therefore, the postal questionnaire was distributed to the head of accounting department, computer department, and employees departments in each of the financial institution during the summer of 2010, because these departments are the qualified parties who recognized the academic level of new accountants graduate whom recently involved in the working place in these institutions. Three questionnaires were distributed on each bank and insurance companies in order to maintain an equal numbers of questionnaires distributed on all financial institutions. One hundred and five questionnaires were distributed; one hundred were received in a usable format. Telephone calls were made after three weeks as follow-up reminders.

One way to assess the potential for non-response bias is to compare data from late respondents to data from on-time respondents as in Oppenheim (1992) and Wallace & Mellor (1988). In this study, five responses were received following a reminder. Those late responses were not significantly different from other responses in any of the analyses reported later in this study.

5.2 Research method:
This section examines data collection, measurement of variables, and the data analysis. For the purpose of data collection, the researcher depended on the findings of prior studies and published articles which addressed the subject of his study in order to enhance the comparability and reliability of the findings of this study. The questionnaire was developed accordingly within the theoretical framework and contained questions of the following issues: the recognition and the advantages of using IT; the importance of IT in developing AIS; and the QAUE and had many variables. Each variable in the relevant group was given a name and a number. This makes it easier for any one else to read the results. Unless otherwise stated, each question was measured on a five-point ‘Likert-type’ scale, ranging from (1) ‘very low level of expectation’ to (5) ‘very high level of expectation’. This helped the respondents answer quickly over a continuous range (Otley, 1976).

To investigate research instrument validity, professionals and academics were consulted. They were asked to check whether the suggested variables that exist in the research questionnaire represent essential elements in the advantage of using IT in developing AIS and then enhance the QAUE. They were also asked to confirm that each point is categorized under the correct and representative group. Furthermore, the questionnaire was pre-tested with a sample of two financial institutions one bank and one insurance company, and adjusted to incorporate their comments before being mailed to the full sample.

To encourage managers to respond, the length of the questionnaire was kept at the necessary minimum. An enclosed stamped and addressed envelope was included with the questionnaire in order to encourage respondents to mail the questionnaire back. Such cooperation was considered to increase the response rate significantly, and to decrease non-response bias, generally considered as a major disadvantage of mail questionnaire surveys. The low response rate was expected by the researcher because of "a competitive business environment which provides little incentive for companies to respond to surveys by indicating data which were successfully employed" (Chia, 1992; cited in Gul & Chia 1994, p. 418).
The revised questionnaire included four sections. The first section contained four questions which covered the respondents’ background, qualification and experience. The second section contained nine questions which used to measure the level of recognition of IT and the advantages of using this technology. The third section contained eight questions for measuring the development of AIS characteristics. The fourth section contained fourteen questions about the most influential factors affecting and enhancing the QAUE. Thus, the instruments for measuring each set of variables were chosen in this study for two reasons. First, they are well documented and representative of the current IT- AIS and quality accounting education relationship literature. Second, they measure key concept discussed previously in the early sections.

Data from the questionnaire was input to SPSS V16.0. The first task of data analysis was to find the basic distributed characteristics of each variable used in the subsequent analysis. Various statistics were calculated from SPSS to be able to answer some basic questions such as: how many respondents gave a particular answer or response, and how are the scores distributed or does there form a normal distribution? The answer to the first question is conducting frequency distribution, and the test of normality for the later question, for each variable. These provide necessary information required for selection of specific statistical techniques for the analysis. Although the data were ordinal scaled, a test of normality of the data (through histograms, skewness, kurtosis, normal plot, and boxplots) resulted in the data from the population being normally distributed. For a further test of normality of data, the researcher applied the studentized range test for each variable (see Pearson & Hartley, 1954). The test showed that the observed values are less than critical values (see David et al., 1954) which indicated that the null hypothesis of non normality of the distribution of the variables was rejected (see also Hoque & Hopper, 1995 as an example). Thus, the studentized range showed that the observations were normally distributed. Therefore, we should not have an estimation problem with our parametric tests. However, it should be noted that the observations are of an ordinal scale and therefore, it may be considered a suspicious measure to apply a parametric test. So, we interpret our parametric test with caution.

The background information of the respondents (87% males, 13% females) are presented in Table 1, indicating that they are mature, highly educated with very good working experience.

**INSERT TABLE 1 HERE**

The measurements of IT was based on responses asking to rate the characteristics of nine variables on the degree of the level of recognition and the advantages of using this technology. The results depicted in Table 2 show the level of recognition of and the advantages of using IT.

Table 2 shows high level of recognition of IT and high level of advantages of using IT in seven variables out of nine variables, where the percentage rating 57%-80% recording 4 or 5, and the other two variables show a medium level due to the low level of using the course web page or less of using technology in presenting or collecting course assignments.

**INSERT TABLE 2 HERE**

The descriptive statistics (means and standard deviations) of responses to each question on IT variables are also presented in Table 2. The mean scores in seven variables range (from 3.68
to 4.14) indicating high level of recognition of IT and great advantages of using IT by employers due to their understanding the importance of technology in developing their businesses.

The study applied an alpha analysis to judge the reliability of the answers obtained from the respondents. The alpha coefficient was 0.759, which indicates that the data is reliable (Cronbach, 1951; Nunnally, 1967; Amir & Sonderpandian, 2002). Moreover, factor analysis was performed "to improve interpretability" (Chenhall & Morris, 1986, p.25), "to understand the common underlying dimensions of the data" (Joseph & Hewins, 1991, p.250), and "to construct validity" (Gul & Chia, 1994, p.419). A measure of sampling adequacy was 0.612 and p<0.001 at 95% confidence and 72% of the total variance was explained (Stevens, 1992). The measurements of AIS was based on responses asking to rate the characteristics of eight variables on the degree of the level of importance of IT in developing the AIS. The results depicted in Table 3 show the importance of IT in developing the AIS. Table 3 shows high level of importance of IT in developing the AIS in eight variables where percentage rating 51%-78% recording 4 or 5.

**INSERT TABLE 3 HERE**

The descriptive statistics (means and standard deviations) of responses to each question on IT variables are also presented in Table 3. The mean scores range (from 3.43-3.80) indicating high level of the importance of IT in developing the AIS by employers who recognized the importance of using IT in storing data on media and transforming it into useful and accurate information, making better communication, and saving pages of narrative descriptions.

The study applied an alpha analysis to judge the reliability of the answers obtained from the respondents. The alpha coefficient was 0.717, which indicates that the data is reliable (Cronbach, 1951; Nunnally, 1967; Amir & Sonderpandian, 2002). Moreover, factor analysis was performed "to improve interpretability" (Chenhall & Morris, 1986, p.25), "to understand the common underlying dimensions of the data" (Joseph & Hewins, 1991, p.250), and "to construct validity" (Gul & Chia, 1994, p.419). A measure of sampling adequacy was 0.717 and p<0.001 at 95% confidence and 74% of total variance was explained (Stevens, 1992).

The measurements of QAUE was based on responses asking to rate the characteristics of fourteen variables on the expectation ability of the QAUE. The results depicted in Table 4 show the level of expectation ability of the QAUE. Table 4 shows low level of the expectation ability of the QAUE in twelve variables out of fourteen variables, where the percentage rating 52%-80% recording 1 or 2 due to the very low level of the ability of accounting graduates in writing report, and in speaking or writing in English especially when there was no training hours available during their academic years at the universities, and the other two variables (Q28, Q29) show a medium ability level of recognizing accounting concepts which covering the contemporary issues.

**INSERT TABLE 4 HERE**

The descriptive statistics (means and standard deviations) of responses to each question on IT variables are also presented in Table 4. The mean scores range (from 1.74-3.01) indicating low and medium level of expectation ability of the QAUE by employers who recognized the
lack of accountants' ability in writing report in English (Q32, 78% recording 1 or 2; Q34, 80% recording 1 or 2) and using documentation technique (Q35, 65% recording 1 or 2), and this may due to no training hours available (Q30, 77% recording 1 or 2).

The study applied an alpha analysis to judge the reliability of the answers obtained from the respondents. The alpha coefficient was 0.897, which indicates that the data is reliable (Cronbach, 1951; Nunnally, 1967; Amir & Sonderpandian, 2002). Moreover, factor analysis was performed "to improve interpretability" (Chenhall & Morris, 1986, p.25), "to understand the common underlying dimensions of the data" (Joseph & Hewins, 1991, p.250), and "to construct validity" (Gul & Chia, 1994, p.419). A measure of sampling adequacy was 0.839 and p<0.001 at 95% confidence and 73% of total variance was explained (Stevens, 1992).

6. Results and discussion:

As indicated in the previous section there are three groups of variables related to IT, AIS and QAUE. Because of the multidimensional nature of the variables related to IT and AIS and QAUE, a single measure for each of these three group is computed by three method: (1) using standardized value for each case for all variables related to each group (Finn, 1974); (2) using unweighted value (raw data) for the variables related to each group (Chenhall & Morris, 1986); and, (3) using weighted average scores after computing the weighted average of the raw data to each set of variables using factor scores (Ezzamel, 1990). The most common statistical method for prediction is regression analysis, where there is one dependent variable and one or more independent variables, and could be simple (uses one independent variable) or multiple (uses more than one independent variable) regression. Because this study uses more than one independent variable, the technique used for prediction is called "multiple regression analysis" (Allison, 1977).

Therefore, propositions one, two, and three indicated in section 4 was tested using not only multiple- regression routine but also stepwise regression technique in order to determine which explanatory variables are "best" in explaining variation based on the following multiplicative model to test these propositions, which expresses the relationship between two independent variables and their multiplicative interactions on one dependent variable:

\[ Y = b_0 + b_1X_1 + b_2X_2 + b_3X_1X_2 + e \]  

Where:
- \( Y \) = quality of accounting university education (QAUE)
- \( X_1 \) = information technology (IT)
- \( X_2 \) = accounting information system (AIS)
- \( X_1X_2 \) = interaction term
- \( e \) = error term

I conducted the regression above by using the three method mentioned above. The regressions' results indicate the standardized value gives better results than unweighted or weighted values in terms of adjusted R square, standard error, overall significance, and the significance of the individual variables. Therefore, the rest of the analysis will be based on the standardized value for the variables.
The model in Equation (1) was used to test proposition one, which reflects the two-way interaction on QAUE, which predict an interaction effect on QAUE between IT and AIS. The results are presented in Table 5.

**INSERT TABLE 5 HERE**

The b3 coefficient for the interaction between the advantages of recognizing and using IT and its importance in developing the AIS is 0.447 and significant (t-value= 4.291, p=.000), providing support for proposition one which predicts a positive interaction effect on QAUE between advances in IT and the developing of AIS. The prediction model in equation (1) accounts for 47% of the variance (R square=.478; F(3,96)= 44.470; p=.000) in QAUE. Although, this effect is positive and significant but it is at low level, a possible explanation for these results is that the employers have little ability to predict IT change and the developing of AIS within the university education system. These variables (IT and AIS) were combined to anticipate and predict effects which may be out of reach to those employers who have no power over the university education system which is accounted a major drawback of this study by the researcher. This provide new research opportunities for future investigation by taking the view of the universities academic staff into consideration in these issues to be able to avoid the major deficiency of this study.

Because the two-way interaction is significant, the model in Equation (1) was also used to test propositions two and three which reflect the one-way interaction effects of IT on QAUE in proposition two, and the interaction effects of AIS on QAUE in proposition three. The b1 coefficient for the interaction between IT on QAUE is 0.761 and significant (t-value= 7.739, p=.000), providing support for proposition two which predicts advances in IT will enhance the QAUE. This effect is slightly high, positive, and significant, a possible explanation for these results is that the employers recognize the availability of technological software in the universities but they believe that the course materials and assignments are still not fully accessible to students through technology.

The b2 coefficient for the interaction of AIS on QAUE is 0.646 and significant (t-value= 6.844, p=.000), providing support for proposition three which predicts the developing of AIS leads to better QAUE. This effect is moderate, positive, and significant, a possible explanation for these results is that the employers recognize the lower abilities of those new comers to the work field in dealing with technology in terms of modifying accounting data, writing reports, and speaking or writing in English, and this may due to textbook which not include technology software and not available in English. Although, training hours not available for accounting students during their academic life at the universities.

Furthermore, Equation (1) was recalculated by using AIS as dependent variable and IT as independent variable based on the following model to test proposition four.

\[ X_2 = b_0 + b_1X_1 + e \]  

(2)

The model in Equation (2) was used to test proposition four, which reflects the one-way interaction effects of IT on AIS. The results are presented in Table 6.

**INSERT TABLE 6 HERE**
The $b_1$ coefficient for the interaction of IT on AIS is 0.312 and significant ($t$-value = 2.915, $p = .004$), providing support for proposition four which predicts advances in IT develop the characteristics of AIS. The prediction model in Equation (2) accounts 8% of the variance ($R^2 = .080$; $F(1,98) = 8.500; p = .000$) in AIS. This effect is very low, positive, and significant, a possible explanation for these results is that the employers recognized very well the advantages of using IT and the importance of IT in developing the AIS but these technology and its applications not very well accessible to students during their academic life.

Previous studies, which support these findings, argue that IT enhance student's learning (Haugland, 1997) and increase the quality assurance of accounting education (Saim & Rahahleh, 2005). Also Hicks (2002) argued that employing IT in education was as assisting factor in improving the level of students and meeting their academic need. The same results were found by Haugland's study (2000) on the use of e-education in some accounting courses.

In addition to regression analysis, which is subject to misinterpretation of interaction coefficients unless coupled with correlation (see Hirst, 1987). Therefore, intercorrelations are employed among all independent and dependent variables as shown in Table 7. The correlation coefficients presented in Table 7 show a positive correlation between both IT and the QAUE and significant at the 0.01 level, and between AIS and QAUE is significant at the 0.05 level. Also, the correlation coefficients between the independent variables (IT and AIS) are far lower than the percentage, which has been noted greater than 0.70 to indicate potential problems (Tabachnick & Fidell, 1989, cited in Cone & Foster, 1993).

### 7. Summary and Conclusions:

The results explained in the previous section indicate that a two-way interaction improved the predictive ability of the model, which explains a significant amount of variation in the dependent variable, which provides support to previous studies (e.g. Gul & Chia, 1994). The results indicate that the employers highly recognized IT and the advantages of using this technology in their business by employed highly qualified accounting university graduate, but the major set back is that the employers have no power or access over the universities education system. So to bridge this gap a kind of cooperation should be established between employers and the university and what they teach, because the employers believe that the course materials and assignments are still not accessible to students via technology.

So in practical issues, course materials should be accessible to accounting university students, and assignments should presented and collected by using technology.

The results indicate that the employers also highly recognized the importance of advances in IT in developing and enhancing the QAUE in terms of storing accounting data on media and transforming these data into useful information, which allow accountants to use this technology in modifying accounting information quickly, making better communications, and saving pages of narrative descriptions.

So in practical issues, accounting students should encourage by the university via the accounting academic plan to study the application of IT to accounting systems. Therefore, accountants students must learned and understand data communication concepts because so
many AISs use them and also because so many clients acquire AISs that depend on data transmissions because technology of the future will significantly increase the ability of accountants to be mobile and connected to their offices as well as to their clients.

Also, the results indicate that the employers recognized the expectation ability of the QAUE which is very low in terms of gathering, processing, modifying, and transmitting data; and in terms of writing report and speaking or writing in English.

So in practical issues, universities should increase the technical ability and English proficiency for accounting students by using accounting textbook in English which include technology software and covering contemporary issues, also increase their communications skills by increasing their ability in writing report and in using documentation technique e.g. flow charts. These issues may develop better by increasing the availability of training hours for accounting students during their academic life as the employers recognized.

As a concluding remarks, the results of this study indicated that the advances in IT use and apply permits AISs respond to user needs- that is, they gather data cost-effectively, store them in useful forms and formats, process data in efficient, timely, and accurate ways, output useful information, and transmit accounting data to various user in different locations which makes accounting information easily accessible and widely available. Therefore, accounting students when they understand AISs properly, and recognized and used their related IT they became “knowledge workers” creators and distributors the information system of the organization and that it will provide users (external as well as internal) with the information they need, and then, will enhance the accountants role in their organizations.
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Annexure

Figure (1) the model for analysis

![Diagram](IT -> AIS -> QAUE)

Table (1)
Background information of the respondents

<table>
<thead>
<tr>
<th></th>
<th>Under 25 years of age</th>
<th>25 to 35 years of age</th>
<th>36 to 45 years of age</th>
<th>46 to 55 years of age</th>
<th>Over 55 years of age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>1%</td>
<td>28%</td>
<td>38%</td>
<td>21%</td>
<td>12%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Bachelor's degree</th>
<th>Master's degree</th>
<th>Doctoral degree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>48%</td>
<td>41%</td>
<td>11%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>3 to 6 years</th>
<th>7 to 11 years</th>
<th>12 to 16 years</th>
<th>Over 16 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience</td>
<td>7%</td>
<td>36%</td>
<td>33%</td>
<td>24%</td>
</tr>
</tbody>
</table>
Table (2)
The level of recognition of and the advantages of using IT

<table>
<thead>
<tr>
<th>Variables</th>
<th>Rating 1 or 2</th>
<th>Rating 4 or 5</th>
<th>Mean*</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q5 IT positively affects AIS</td>
<td>16%</td>
<td>69%</td>
<td>3.680</td>
<td>1.072</td>
</tr>
<tr>
<td>Q6 Availability of tech software</td>
<td>11%</td>
<td>78%</td>
<td>3.890</td>
<td>.941</td>
</tr>
<tr>
<td>Q7 Business exchange technology</td>
<td>0%</td>
<td>80%</td>
<td>4.140</td>
<td>.725</td>
</tr>
<tr>
<td>Q8 Messaging application</td>
<td>0%</td>
<td>57%</td>
<td>3.860</td>
<td>.841</td>
</tr>
<tr>
<td>Q9 IT affects the QAUE</td>
<td>0%</td>
<td>71%</td>
<td>3.860</td>
<td>.651</td>
</tr>
<tr>
<td>Q10 Classrooms equipped with computer technology</td>
<td>2%</td>
<td>73%</td>
<td>3.940</td>
<td>.749</td>
</tr>
<tr>
<td>Q11 Course materials presented by using tech.</td>
<td>0%</td>
<td>73%</td>
<td>3.940</td>
<td>.693</td>
</tr>
<tr>
<td>Q12 Course materials accessible to students</td>
<td>32%</td>
<td>18%</td>
<td>2.820</td>
<td>.880</td>
</tr>
<tr>
<td>Q13 Assignments presented and collected by tech.</td>
<td>49%</td>
<td>1%</td>
<td>2.490</td>
<td>.577</td>
</tr>
</tbody>
</table>

*Theoretical range, 1-5; 1, very low; 5, very high. N=100.

Table (3)
The importance of IT in developing the AIS

<table>
<thead>
<tr>
<th>Variables</th>
<th>Rating 1 or 2</th>
<th>Rating 4 or 5</th>
<th>Mean*</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q14 Data stored on media</td>
<td>8%</td>
<td>60%</td>
<td>3.590</td>
<td>.854</td>
</tr>
<tr>
<td>Q15 Well defined standards</td>
<td>9%</td>
<td>51%</td>
<td>3.430</td>
<td>.832</td>
</tr>
<tr>
<td>Q16 Data transformed into information</td>
<td>16%</td>
<td>78%</td>
<td>3.620</td>
<td>1.062</td>
</tr>
<tr>
<td>Q17 Information modify quickly</td>
<td>15%</td>
<td>70%</td>
<td>3.690</td>
<td>1.107</td>
</tr>
<tr>
<td>Q18 Information provided timely</td>
<td>10%</td>
<td>69%</td>
<td>3.800</td>
<td>1.044</td>
</tr>
<tr>
<td>Q19 Enhanced flow of data</td>
<td>10%</td>
<td>69%</td>
<td>3.800</td>
<td>1.044</td>
</tr>
<tr>
<td>Q20 Better communication</td>
<td>15%</td>
<td>69%</td>
<td>3.750</td>
<td>1.104</td>
</tr>
<tr>
<td>Q21 Save pages of narrative descriptions</td>
<td>13%</td>
<td>71%</td>
<td>3.750</td>
<td>1.019</td>
</tr>
</tbody>
</table>

*Theoretical range, 1-5; 1, very low; 5, very high. N=100.
Table (4)
The expectation ability of the QAUE

<table>
<thead>
<tr>
<th>Variables</th>
<th>Rating 1 or 2</th>
<th>Rating 4 or 5</th>
<th>Mean*</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q22 Textbook include tech. software</td>
<td>73%</td>
<td>14%</td>
<td>2.160</td>
<td>1.134</td>
</tr>
<tr>
<td>Q23 Ability of gathering data</td>
<td>60%</td>
<td>15%</td>
<td>2.400</td>
<td>1.073</td>
</tr>
<tr>
<td>Q24 Ability of processing data</td>
<td>63%</td>
<td>7%</td>
<td>2.270</td>
<td>.930</td>
</tr>
<tr>
<td>Q25 Ability of modifying data</td>
<td>70%</td>
<td>10%</td>
<td>2.130</td>
<td>.991</td>
</tr>
<tr>
<td>Q26 Ability of transmitting data</td>
<td>65%</td>
<td>11%</td>
<td>2.250</td>
<td>1.067</td>
</tr>
<tr>
<td>Q27 Ability of understanding terminology</td>
<td>52%</td>
<td>14%</td>
<td>2.650</td>
<td>.868</td>
</tr>
<tr>
<td>Q28 Ability of recognizing concepts</td>
<td>28%</td>
<td>27%</td>
<td>3.010</td>
<td>.893</td>
</tr>
<tr>
<td>Q29 Courses cover contemporary issues</td>
<td>29%</td>
<td>27%</td>
<td>2.990</td>
<td>.948</td>
</tr>
<tr>
<td>Q30 Training hours available</td>
<td>77%</td>
<td>13%</td>
<td>1.740</td>
<td>1.219</td>
</tr>
<tr>
<td>Q31 Ability of specking English</td>
<td>73%</td>
<td>17%</td>
<td>2.200</td>
<td>1.163</td>
</tr>
<tr>
<td>Q32 Ability of writing in English</td>
<td>78%</td>
<td>12%</td>
<td>2.030</td>
<td>1.067</td>
</tr>
<tr>
<td>Q33 Textbook in English</td>
<td>65%</td>
<td>5%</td>
<td>2.220</td>
<td>.871</td>
</tr>
<tr>
<td>Q34 Ability in writing report</td>
<td>80%</td>
<td>5%</td>
<td>1.960</td>
<td>.839</td>
</tr>
<tr>
<td>Q35 Ability in using document technique</td>
<td>65%</td>
<td>10%</td>
<td>2.290</td>
<td>.987</td>
</tr>
</tbody>
</table>

*Theoretical range, 1-5; 1, very low; 5, very high. N=100.
Table (5) Regression results from testing P1, P2, and P3

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficient</th>
<th>Value</th>
<th>SE</th>
<th>t</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>b_0</td>
<td>5.160</td>
<td>.393</td>
<td>3.116</td>
<td>1.000</td>
</tr>
<tr>
<td>X_1 IT</td>
<td>b_1</td>
<td>.761</td>
<td>.098</td>
<td>7.739</td>
<td>.000</td>
</tr>
<tr>
<td>X_2 AIS</td>
<td>b_2</td>
<td>.646</td>
<td>.094</td>
<td>6.844</td>
<td>.000</td>
</tr>
<tr>
<td>X_1X_2</td>
<td>b_3</td>
<td>.447</td>
<td>.104</td>
<td>4.291</td>
<td>.000</td>
</tr>
</tbody>
</table>

R=0.692; R^2=0.478; F(3,96)=44.470; p=.000

Table (6) Regression results from testing P4

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficient</th>
<th>Value</th>
<th>SE</th>
<th>t</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>b_0</td>
<td>2.772</td>
<td>.394</td>
<td>7.541</td>
<td>.031</td>
</tr>
<tr>
<td>X_1 IT</td>
<td>b_1</td>
<td>.312</td>
<td>.107</td>
<td>2.915</td>
<td>.004</td>
</tr>
</tbody>
</table>

R=0.283; R^2=0.080; F(1,98)=8.500; p=.000

Table (7) Correlation matrix for the variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Y</th>
<th>X_1</th>
<th>X_2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Y Quality of Accounting University Education</td>
<td>1.000</td>
<td>.595&quot;</td>
<td>.216&quot;</td>
</tr>
<tr>
<td>X_1 Information Technology</td>
<td>.595&quot;</td>
<td>1.000</td>
<td>.190</td>
</tr>
<tr>
<td>X_2 Accounting Information Systems</td>
<td>.216&quot;</td>
<td>.190</td>
<td>1.000</td>
</tr>
</tbody>
</table>

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).
Herd behavior and market stress:  
The case of Tunisian stock exchange  
Mohamed Amine BEN GABSIA (Corresponding author)  
Department of Accounting and Finance  
Faculty of Business, commerce and computer, Tunis

Abstract  
The aim of this paper is to test the presence of herding behaviour in the Tunisian Stock Exchange. To this end, two techniques estimating the Cross-Sectional Absolute Standard Deviation suggested respectively by Chang, Cheng and Khorana (2000) and Tan, Chiang and Nelling (2008) are used. Studying a sample of 20 firms listed on the Tunisian Stock Exchange and monthly data during the period January 1 2005 to December 31, 2010, the results confirm the existence of a herding behaviour in the Tunisian Stock Exchange mainly during downward cycles.

Key words: Financial behaviour, herding behaviour, Cross-Sectional Absolute Standard Deviation

1. Introduction  
Research has extensively studied investors’ behavior and its impact on stock rates. This behavior is believed to be linked to a number of factors mainly investment horizon, behavior of other actors and market volatility degree. The concept of hedging behavior dates back to the work of Keynes (1936) who considered the financial market as a beauty contest. In case of herding, stock prices do not reflect information available in the market. Specifically, when an individual decides to imitate others in contrast to information he holds, this latter is not reflected in the stock price which harms the accurate estimation of this stock. Such a situation may deviate the stock price from its real value and this at the expense of financial markets efficiency. Accordingly, herding behaviour may contribute in explaining excessive rates volatility (Park and Sabourian (2006)). According to Lakonishok, Shleifer and Vishny (1992), herding behavior emerges when individuals alter their private beliefs to make them align with opinions publicly expressed by others. For Nofsinger and Sias (1999), herding behavior exists when a group of investors uniformly negotiate over a period of time. Jondeau (2001) define herding behavior as a set of correlated individual behaviors.

Reviewing the financial literature allowed us to reveal that herding is due to two forms of behavior; rational and irrational behaviors. According to Scharfstein and Stein (1990), rational herding is linked to the principal-agent problem in which managers imitate others in order to preserve their reputation in the market, while completely ignoring information at their disposal. Bikhchandani et al. (1992) and Welch (1992) relate herding to an informational stunt. However, Devenow and Welch (1996) use human psychology to explain irrational herding where investors neglect their own beliefs and blindly follow other investors.

Rational herding behavior may be explained by referring to the principal-agent nexus. Indeed, Scharfstein and Stein (1990) and Truean (1994) propose a theory of rational herding behavior based on managers’ reputation whose performance is often measured in a relative fashion. Each one of them receives information on the return of a given investment. This signal will be informative if the manager is competent and it will be a simple noise if the manager is less competent.

The underlying idea of Scharfstein and Stein (1990) assumes that if the manager as well as the employer are not sure about the manager’s competence in selecting the best stocks, then imitating other professional investors fuels uncertainty on the manager’s ability to efficiently manage the portfolio.
Maug and Naik (1996) consider the case of a risk-averse investor (agent) whose compensation increases with his own performance and diminishes with the performance of a reference investor. These two investors are supposed to have perfect information on stock returns. In the first place, it is the reference investor who decides on investments, then the agent selects his portfolio after having observed the reference investor’s stocks. Compensation mode is another reason for adopting a herding behavior. The agent’s compensation diminishes if he achieves a performance inferior to that of the reference investor. This compensation mode is the best for the employer in case of a moral problem or of a conflicting principal-agent relationship. Admitti and Pfeiderer (1997) analysed a model based on several risky stocks in terms of a delegated portfolio management in which the agent has private information on stocks returns. They found out that reference-based agents’ compensation contracts are inefficient, incompatible with optimal risk sharing, and inefficient in solving moral problems and principal-agent conflicts.

2. Detecting Herd Behavior

According to Christie and Huang (1995), detecting herding behavior during a period of high fluctuation of stock prices may be done by calculating cross-sectional standard deviation. Indeed, if investors tend to conform with the market’s general opinion, individual returns tend to approximate market returns. Statistics-wise, standard deviation allows for evaluating deviation of individual stocks returns from the mean. Level of dispersion increases when stocks returns deviate from market returns. If, during periods of high fluctuation, investors follow the market’s average opinion, dispersion level becomes significantly less than the average.

The measure of Christie and Huang (1995) is based on a cross-sectional dispersion of returns:

$$CSSD = \sqrt{\frac{\sum_{i=1}^{N} (R_i - R_{m,t})^2}{N-1}}$$

Where;

CSSD, is the cross sectional standard deviation

$R_i$, is the observed return of a firm i;

$R_{m,t}$ is the cross-sectional average return of the N returns in the market portfolio

This measure examines the magnitude of cross-sectional deviation (or volatility) of returns of an individual stock during important price changes. If dispersion is lower during price changes, Christie and Huang (1995) suggest that there is no proof of herding behavior. In their study of the US market, they found no proof for herding behavior.

Chang, Cheng and Khorana (2000) proposed a new approach which is more powerful and less rigid that that proposed by Christie and Huang (1995) in order to detect herding in international stock markets. This approach is based on measuring cross-sectional absolute deviation of returns defined as follows:

$$CSAD_t = \frac{1}{N} \sum_{i=1}^{N} |R_{it} - R_{m,t}|$$

Where:

$CSAD_t$ : Measure of stocks returns deviation from market average return

$R_{it}$ : return of stock i at time (t)

$R_{m,t}$ : cross-sectional average of N portfolio returns at time (t),

$N$ : number of firms
In order to detect herding behavior using Chang, Cheng and Khorana’s model (2000), first we should compute cross-sectional absolute standard deviations of returns, consistent with equation (2). Then, we regress these cross-sectional absolute returns on the average return and its squared value. More formally, we are estimating the following regression:

$$CSAD_{t} = \alpha + \gamma_{1} |R_{m,t}| + \gamma_{2} R_{m,t}^{2} + \epsilon_{t}$$  \hspace{1cm} (2)$$

This regression allows identifying herding behavior. During periods of high stock prices fluctuation, we expect that an increase in CSAD is less proportional for $$R_{m,t}$$ extreme values. Nonlinearity between CSAD and market returns is estimated by the coefficient $$\gamma_{2}$$. Chang, Cheng and Khorana (2000) analysed the behavior of different international markets participants (US, Hong Kong, South Korea, Taiwan and Japan) between 1963-19997 and found out an absence of herding behavior in the US and Hong Kong markets. However, they found partial evidence of herding in Japan and pointed to a significant proof of herding behavior in emerging markets, mainly in South Korea and Taiwan.

Tan, Chiang and Nelling (2008) estimate that in order to consider an eventual existence of a symmetric relationship between CSAD and market return, it is convenient to test this hypothesis through the following two models:

Asymmetric effects will be examined through the two specifications below:

$$CSAD_{t}^{+} = \alpha + \gamma_{1}^{+} |R_{m,t}^{+}| + \gamma_{2}^{+} R_{m,t}^{+2} + \epsilon_{t}^{+} \hspace{1cm} \text{if} \ R_{m,t}^{+} > 0$$  \hspace{1cm} (3)$$

$$CSAD_{t}^{-} = \alpha + \gamma_{1}^{-} |R_{m,t}^{-}| + \gamma_{2}^{-} R_{m,t}^{-2} + \epsilon_{t}^{-} \hspace{1cm} \text{if} \ R_{m,t}^{-} < 0$$  \hspace{1cm} (4)$$

with :  

$$R_{m,t}^{+} , R_{m,t}^{-}$$ : are respectively weighted averages of monthly returns when the Tunisian stock market is performing upward or downward,  

$$\left(R_{m,t}^{+}\right)^{2} , \left(R_{m,t}^{-}\right)^{2}$$ : are respectively the squared values of $$\left(R_{m,t}^{+}\right)$$ and $$\left(R_{m,t}^{-}\right)$$.

$$CSAD_{t}^{+} , CSAD_{t}^{-}$$ : are respectively the monthly CSAD of $$\left(R_{m,t}^{+}\right)$$ and $$\left(R_{m,t}^{-}\right)$$.

3. Data and empirical results

3.1. Data

Our data is composed of monthly closing rates of a sample of 20 firms listed on the Tunis stock exchange for the period January 1 2005 to December 31 2010. returns are computed by $$R_{t} = \log \left(\frac{P_{t}}{P_{t-1}}\right)$$.

3.1. Detecting Herding Behavior

In order to detect herding behavior in the Tunisian stock market, we will use the method proposed by Tan, Chiang and Nelling (2008) based on the work of Chang, Cheng and Khorana (2000) who proposed a new measure of herding behavior using the Capital Asset Pricing Model, i.e. cross-sectional absolute standard deviation of returns. Following Chang, Cheng and Khorana (2000), if investors imitate then a non-linear relationship is sensed between the cross-sectional absolute standard deviation of monthly returns and the market’s average monthly return during periods of high stock prices fluctuation.

3.2. Empirical results
Our aim is to check in the short-run whether investors within the Tunisian stock market show herding behavior. To this end, firstly we compute the cross-sectional absolute standard deviations of returns and market’s average returns analysing normality and stationarity of these two series. Secondly, we estimate CSAD regression on market’s average returns and its squared value.

**Insert table 1**

It is obvious that CSAD series is not normally distributed. It is leptokurtic since skewness is positive (superior to zero) and kurtosis is superior to 3. Jarque –Bera statistics confirms the rejection of the normality hypothesis of the CSAD series. Similarly, market returns series is leptokurtic (kurtosis superior to 3) with a positive skewness. However, Jarque –Bera statistics does not reject the normality hypothesis.

**Insert table 2**

The results reported in table 2 show that all coefficients are significantly different from zero. The coefficient $\gamma_2$ is negative. The relationship between cross-sectional standard deviation and market returns is linear and decreasing. These results confirm the existence of a herding behavior and suggest that investors followed average market opinion. It is possible then to point out that if investors adopt a herding behavior during periods of high fluctuations, the cross-sectional standard deviation increases less proportionally. Consistent with the work of de Chang, Cheng and Khorana (2000), individual returns are not compatible the CAPM and the relationship between cross-sectional absolute standard deviation ($E(CSAD)$) and market returns is increasing, yet non-linear.

In order to refine our empirical investigation, we thought it useful to refer to Tan, Chiang and Nelling (2008) who hold the possibility that the relationship between market return and CSAD is symmetric.

**Insert Table 3**

Table 3 indicates that herding behavior exists during a downward market cycle. During the upward cycle, the coefficient $\gamma_2$ is negative and insignificant, indicating that herding behavior is absent, i.e. market returns do not reveal any information in favour of herding behavior during up ward periods. However, during down ward cycles, the coefficient $\gamma_2$ is negative significantly different from zero which confirms the presence of herding behavior within the Tunisian stock market.

**4. Conclusion**

In this paper, we tested the presence of herding behavior in the Tunisian stock market using two techniques. The first technique, proposed by Chang, Cheng et Khorana (2000), consists in regressing the cross-sectional absolute standard deviation on market return to check for the nature of the relationship between these two variables. If this relationship is linear and increasing, then investors’ behavior is consistent with the rationality hypothesis suggested by CAPM. However, if we note that the deviation of individual returns from market returns is increasing yet with a decreasing rate, this confirms the presence of herding behavior. If
market participants are more likely to herd during periods of large price movements, then there should be a less than proportional increase (or decrease) in the CSAD measure. At the end of our study, we noted that analysing herding behavior by referring to the techniques of cross-sectional standard deviation allows for confirming its presence for the investors of the 20 Tunisian firms studied in this paper. Estimating the relationships suggested by Tan, Chiang and Nelling (2008) indicates that herding behavior exists only during periods when the market is on the down cycle.
References


Table 1: Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>Rm</th>
<th>CASD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>0.004800</td>
<td>0.046220</td>
</tr>
<tr>
<td>Median</td>
<td>0.006220</td>
<td>0.036520</td>
</tr>
<tr>
<td>Maximum</td>
<td>0.083818</td>
<td>0.162376</td>
</tr>
<tr>
<td>Minimum</td>
<td>-0.102751</td>
<td>0.001712</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>0.035072</td>
<td>0.029694</td>
</tr>
<tr>
<td>Skewness</td>
<td>-0.269075</td>
<td>1.775596</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>4.292912</td>
<td>7.346902</td>
</tr>
<tr>
<td>Jarque-Bera</td>
<td>4.494479</td>
<td>72.20244</td>
</tr>
<tr>
<td>Probability</td>
<td>0.105691</td>
<td>0.000000</td>
</tr>
</tbody>
</table>

Table 2: CSAD Regression

\[ CSAD_t = \alpha + \gamma_1 |R_{m,t}| + \gamma_2 R_{m,t}^2 + \epsilon_t \]

<table>
<thead>
<tr>
<th></th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>\alpha</td>
<td>0.386366</td>
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<td>30.644511</td>
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</tr>
<tr>
<td>\gamma_1</td>
<td>0.462020</td>
<td>0.076662</td>
<td>6.026714</td>
<td>0.0000</td>
</tr>
<tr>
<td>\gamma_2</td>
<td>-1.302230</td>
<td>0.429467</td>
<td>-3.032194</td>
<td>0.0025</td>
</tr>
</tbody>
</table>

R-squared | 0.563608 | Mean dependent var | 0.046220 | 0.546824 | S.D. dependent var | 0.029694 | 0.019990 | Akaike info criterion | -4.934200 | 0.020779 | Schwarz criterion | -4.824709 | 138.6905 | Hannan-Quinn criter. | -4.891859 | 33.57952 | Durbin-Watson stat | 1.454643 | 0.000000 |
Tableau 3: Herding behavior in the Tunisian stock market at the upward and downward

\[
CSAD_{1}^{\text{haut}} = \alpha + \gamma_1 |R_{m, t}| + \gamma_2 (|R_{m, t}|)^2 + \epsilon_t \quad \text{of } R_{m, t} > 0
\]

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>(\alpha)</td>
<td>0.163781***</td>
<td>0.032156</td>
<td>5.093326</td>
</tr>
<tr>
<td>(\gamma_1)</td>
<td>0.186541**</td>
<td>0.084356</td>
<td>2.211354</td>
</tr>
<tr>
<td>(\gamma_2)</td>
<td>-0.326524</td>
<td>1.321687</td>
<td>0.247050</td>
</tr>
</tbody>
</table>

\(R^2 = 0.38593\)

\[
CSAD_{2}^{\text{bas}} = \alpha + \gamma_1 |R_{m, t}| + \gamma_2 (|R_{m, t}|)^2 + \epsilon_t \quad \text{of } R_{m, t} < 0
\]

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficients</th>
<th>Std. Error</th>
<th>t-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>(\alpha)</td>
<td>0.186214***</td>
<td>0.012608</td>
<td>14.781567</td>
</tr>
<tr>
<td>(\gamma_1)</td>
<td>0.362021***</td>
<td>0.076662</td>
<td>4.722300</td>
</tr>
<tr>
<td>(\gamma_2)</td>
<td>-1.022324***</td>
<td>0.294678</td>
<td>3.469291</td>
</tr>
</tbody>
</table>

\(R^2 = 0.54241\)

***, **, *: significance levels respectively 1%, 5% and 10%
MACRO DETERMINANTS OF GROWTH AND PRODUCTIVITY IN THE CONTEXT OF ENDOGENOUS GROWTH THEORY

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Abstract

Endogenous growth theory (EGT), proposes a “bootstrap” approach to accelerate the pace of growth for less developed countries (LDCs), i.e., pulling themselves into the information economy by making efficient use of available resources, especially human capital. Empirical studies show that sizeable contributions have been made through human capital and technological advances in most of the developed economies. This study aims at to determine and analyze the major factors of growth and productivity for Pakistan in purview of EGT and to undertake related comparisons with some other empirical findings. The empirical results illustrate that traditional factors are still predominant for the economy of Pakistan whereas contributions of human capital and technology lag behind as compared to developed and many of the dynamically emerging countries. Their contribution in Pakistan amounts to around 25% while in developed and in more dynamic emerging economies exceeding 50%.

Keywords: Endogenous growth; technological change; technical efficiency; human capital

JEL Classification: C13; O47; O53

1. Introduction

The basic argument of EGT is that long run growth and development of an economy is determined by systemic forces. EGT opens new avenues for developing countries by putting emphasis on using internal resources, especially human resources more efficiently. Technological change and technical efficiency brought about by human capital always has played a vital role for growth and development. According to Kendrick (1956), Denison (1967), Baumol (1986), Lucas (1988), Romer (1990) human resources contributed up to two thirds of growth performance in developed countries. Due to human capital and related skills to technological change and technical efficiency output growth in industrialized countries is higher today than it was a few decades ago.

“Output per hour worked in the US today is 10 times as Valuable as output per hour worked 100 years ago”.

(Romer, 1990, S-71)
EGT focuses on education, on the job training and development of new technologies for the world market. EGT assumes that human capital accumulation causes positive relationships between scale and productivity, outweighing thereby the impact of diminishing returns. Developed countries have been giving due attention to education, training and development of human capital. However, most of the developing countries like Pakistan have failed to place sufficient emphasis on it. Thereby, instead of proving an engine of growth, lacking availability of adequate human capital has resulted in a vicious circle of poverty and dependency.2

Pakistan has neglected human resources to such an extent that the country still lags behind the average of comparable low-middle income countries in education, training, R&D, nutrition, health, poverty alleviation and in other social indicators representing human development and as a result, after more than half a century of its existence, still stands at 134th position on the scale of the world human development indicators.3

The main objective of this study is to analyze the major determinants of growth and productivity in Pakistan and to make an international comparison with some existing studies in case of some developed and developing economies and to suggest some policy recommendations. Keeping in view the above mentioned objectives, layout of the study consists upon five sections. Section I gives the statement of the problem. Review of literature and historical background will be presented in Section II. Methodology, estimation techniques, measurement of variables and data sources are depicted in Section III. Section IV deals with empirical findings and discussion of results. Based on the results and conclusions, policy recommendation and summary is presented in the final section followed by references.

2. Review of Literature

Abramovitz (1956) in his empirical study for the US labour market over the period 1900-1950 found that up to two-third of the increase in labour productivity could not be explained by rising factor inputs. Solow (1957), Schlutz (1962, 1964), Ferguson (1965), Hulten (1973) and Kendrick (1973) came to similar results for subsequent periods.

Frankel (1962) provides the first version of endogenous growth theory in the form of an AK model by combining physical with human capital arguing that intellectual capital in an economy is accumulated when innovations occur.4 According to Nelson and Phelps (1966), human capital stock for any country determines the speed of its economic growth.6

Robinson (1971) estimated technological change, technical efficiency and spillovers caused by human resource accumulation for 39 developing countries and found that, on average, the share of productivity in total growth with only 15 % attributable to technological change, technical efficiency and human capital accumulation is much smaller than that in developed countries.

Romer (1986) in his model proposed that economic development and growth are being driven primarily by the accumulation of knowledge, considering knowledge a basic form of capital with investments in knowledge and R&D leading to increasing returns in the marginal product of factor inputs. Knowledge accordingly to be seen as a “natural externality”.7 Romer (1990) further assumed that there are four basic factors as relevant for endogenous growth, i.e., capital, labour, human capital and an index of the level of technology. Human capital is the most fundamental factor in Romer endogenous growth model. Grossmann and Helpman (1991) and Aghion and Howitt (1992) argue that from an endogenous view the variety of
goods in an economy expands through the process of innovation triggered by R&D activities entailing increased marginal productivity. Perelman (1995) analyzed eleven OECD countries over the period 1970-1987 measuring technical change, technological progress and total factor productivity (TFP) growth for the manufacturing industries, showing that TFP growth at 1.6% and technological progress at 1.8%.

Sarel (1996) measured TFP growth for East Asian countries and showed that in four Asian newly industrialize economies (NIEs) TFP growth exceeded that of the USA and Japan during 1975 to 1990 ranging between 3.0% to 3.8% for Hong Kong, Taiwan and Korea while for Singapore it was 1.9%, for Japan and the USA it was 1.9% and 0.9%, respectively, during the same period.

Edwards (1998) measured the difference of TFP, technical efficiency and technological change between developed and developing countries and could demonstrate that respective degree of openness in trade, levels of per capita income and difference in human capital accumulation were the major determinants of TFP growth and income divergence between developed and developing countries.

Baily (2003), Maudos et al. (2003), Brunner and Shields (2006) and Lee and Kim (2006) more explicitly measured the role of human capital for productivity growth in OECD countries demonstrating that the development and accumulation of human capital played a significant role not only for productivity gains but also for technological advances and enhanced efficiency. Keller (2004) similarly showed that international technology and its spillovers play an important role in most of the countries investigated contributing up to 90% of total domestic productivity.

Kim and Lee (2006) analyzed TFP, technological change and technical efficiency for 49 countries over the period 1965-1990 and found that East Asian countries were leading worldwide in technical efficiency, productivity and growth with Korea, Taiwan, Hong Kong and Japan owing at 8.51%, 8.62%, 8.03% and 5.74%, respectively; technological developments, human capital accumulation and technical efficiency thereby proving to be the major contributors.

Kemal (1981), Kemal and Ahmed (1992) and Kemal et al. (2002) estimated technological change, technical efficiency and productivity for Pakistan with TFP growing at a rate of 1.66% and a share in the GDP growth of roughly one-third during 1964-65 to 2000-01.

Iqbal and Zahid (1998) defined macroeconomic determinants of growth for Pakistan over the period 1959-60 to 1996-97 and could demonstrate that human capital formation through education (especially primary education), openness of trade and physical capital were indeed the major determinants of growth.

Khan (2006) estimated major determinants of TFP for Pakistan concluding that macroeconomic stability, foreign direct investment and conducive financial sector development were the significant contributors to productivity growth. Expenditure on education as a determinant of TFP was found to be rather insignificant and there was an inverse relationship between openness of trade and TFP.

From review of literature it becomes clear that human capital formation, technological change and efficiency are an indispensable source of growth both in developed and in developing countries.
3. Methodology

Endogenous growth assumes four basic inputs:
1. Capital
2. Labour
3. Human Capital
4. Index of Technology Level

\[ Y = f (A, K, L, H) \]  

Where

- \( Y \) = growth rate of GDP or Value-added
- \( K \) = growth rate of Physical Capital
- \( L \) = growth rate of Labour
- \( H \) = growth rate of Human Capital (activities as education & training, R&D, on the job training etc.)
- \( A \) = growth rate of Technology Level

Openness of the economy and interaction into world economy had also been one of the major determinants of growth for several economies. If we include openness of the economy or international trade as a determinant of growth Eq (1) can be written as:

\[ Y = f (A, K, L, H, T) \]  

Where; \( T \) = Degree of Openness of the Economy

In order to measure the major factors contributing to growth, technological change and technical efficiency, Cobb-Douglas production function is applied. Equation (2) in the form of Cobb-Douglas production function can be written as:

\[ Y_t = A H_t^\gamma K_t^\alpha L_t^\beta T_t^\psi \]  

Technological change is assumed with the following specification;

\[ e^{\lambda_1 t + \lambda_2 t^2} \] = Variable and continuous growth of technological change.

Cobb-Douglas production function with variable technical change is written as:

\[ Y_t = A e^{\lambda_1 t + \lambda_2 t^2} H_t^\gamma K_t^\alpha L_t^\beta T_t^\psi \]  

Where

- \( Y_t \) = Value of output or value-added
- \( K_t \) = Capital Stock
In order to eliminate certain econometric problems, particularly multicollinearity among the explanatory variables (especially between K and L), the following normalized transformed variable are used for estimations.

\[
y_t = \frac{Y_t}{L_t} \\
k_t = \frac{K_t}{L_t} \\
h_t = \frac{H_t}{L_t} \\
tr_t = \frac{T_t}{GDP}
\]

Taking log and using transformed variables, equation (4) in the estimatable form can be written as:

\[
\ln y_{it} = \ln A + \lambda_1 t + \lambda_2 t^2 + \alpha_1 \ln k_{it} + \alpha_2 \ln h_{it} + \alpha_3 \ln tr_{it} + u_{it}
\]

3.1 Measurement of Absolute and Relative Contribution
The method for calculation of absolute contribution was introduced by Hicks (1979) and calculation of relative contribution by Hadjimichael et al (1995). The absolute share of any factor of production towards growth can be found by multiplying the estimated coefficient of the explanatory variable by the standard deviation of the respective explanatory variable. The relative contribution for each independent variable can be measured by dividing its estimated absolute share by the standard deviation of the dependent variable. The relative share of variables will be unit free.

3.2 Measurement of Total Factor Productivity (TFP) Change Index
TFP change index is defined as the difference between rate of change of output and rate of change of inputs:

\[
\text{TFP} = y - x
\]

Where

\[
\text{TFP} = \text{total factor productivity change index}
\]
\[ y = \text{rate of change of output} \]
\[ x = \text{rate of change of inputs} \]

TFP growth can be estimated by subtracting the contribution of measured input growth from output growth as follow:

\[ \frac{\dot{Y}}{Y} = \frac{\dot{A}}{A} + \alpha \frac{\dot{K}}{K} + \beta \frac{\dot{L}}{L} + \gamma \frac{\dot{H}}{H} \] (7)

and

\[ \frac{\dot{A}}{A} = \frac{\dot{Y}}{Y} - (\alpha \frac{\dot{K}}{K} + \beta \frac{\dot{L}}{L} + \gamma \frac{\dot{H}}{H}) \] (8)

Where

\[ \text{TFP} = \frac{\dot{A}}{A} = \text{TFP change index} \]
\[ \frac{\dot{y}}{y} = \frac{\dot{Y}}{Y} = \text{rate of change of output} \]
\[ \frac{\dot{x}}{x} = (\alpha \frac{\dot{K}}{K} + \beta \frac{\dot{L}}{L} + \gamma \frac{\dot{H}}{H}) = \text{rate of change of inputs} \]

### 3.3 Major Determinants of TFP

As already mentioned, that besides the importance of conventional factor inputs (labour, capital etc.), the impact of TFP on growth has widely been accepted. TFP measures the change in value-added or output that is not contributed by the change of combined inputs. TFP is the joint effect of micro and macro level factors like new technologies, education, on the job training, R&D, managerial skills, political stability and macro economic conditions of a country, structural changes and relative openness of an economy etc. In trying to identify the major determinants of TFP, the functional form of these determinants is written as:

\[ \text{TFP} = \eta_0 + \eta_1 (\text{HRD}) + \eta_2 (\text{Pop}) + \eta_3 (\text{MES}) + \eta_4 (\text{PS}) + \eta_5 (\text{Tr}) + \eta_6 (\text{FS}) + U_t \] (9)

Where

- \text{TFP} = \text{Total factor productivity}
- \text{HRD} = \text{Human resources development such as education, training, R&D, on the job training etc.}
- \text{Pop} = \text{Population growth rate}
- \text{MES} = \text{Macroeconomic stability}
- \text{PS} = \text{Political stability and social peace (a qualitative variable measured in form of a dummy variable)}.
- \text{Tr} = \text{Degree of openness of the economy (it includes exports, imports and flow of foreign direct investment)}
- \text{FS} = \text{Financial sector development}
- \text{U_t} = \text{Error term}
- \eta_0...\eta_6 = \text{Parameters of determinants}
3.4 Data and Variable Description

The above model for the measurement of macroeconomic determinants of growth and productivity, the measurement of technological change and technical efficiency, productivity index, and their impact on input demand of factors of production will be applied for Pakistan, based on following variables and data sources (data series will cover the period from 1972-73 to 2006-07). All the data is converted on 1980-81 constant market prices.

Value-added or GDP
Real GDP or real Value-added on constant factor cost of 1980-81 prices

Labour as an Input
Total number of employed workers/labour force in the economy

Measures of Human Capital
Total expenditure on education, health, R&D activities and other related expenditures on human resource development activities on the 1980-81 prices is used as a proxy to measure Human Capital.

Capital Stock
Capital stock is measured by using perpetual inventory method as per following equation:

\[ K_t = I_t + (1 - \varphi) K_{t-1} \]  
(10)

Where
- \( K_t \) = Capital Stock in current year
- \( K_{t-1} \) = Capital Stock in previous year
- \( I_t \) = Current Year Investment or Gross Fixed Capital Formation
- \( \varphi \) = Depreciation rate

For estimating the initial capital stock \( K(0) \), the method used by Nehru and Dhareshwar (1993) and Khan (2006) is being followed. The capital stock series will be generated in the following way:

\[ K_t = I_t + (1 - \varphi)^t K(0) + \sum_{i=0}^{t-1} I_{t-i} (1 - \varphi)^i \]  
(11)

Where
- \( i=0 \) to \( t-1 \)
- \( K(0) \) = initial capital stock in year zero.

Nehru and Dhareshwar (1993) and Khan (2006) used a modified Harberger (1978) method to estimate K(0). The value of investment for the first year is estimated by way of a linear regression equation of the log of investment against time. The estimated value of investment for the base or zero year is used to calculate K(0) as per following equation:

\[ K(0) = \frac{I_t}{(gr + \varphi)} \]  
(12)

Where
- \( gr \) = Compound GDP growth rate
- \( \varphi \) = Depreciation rate

Various depreciation rates have been used in empirical studies. Here 5% capital depreciation rate is assumed. Several other studies used 4 percent depreciation rate e.g., Nehru and Dhareshwar (1993), Collins and Bosworth (1997), Khan (2006).
Macroeconomic Stability
Inflation rate is used as a sign of macroeconomic stability. Moderate inflation is expected to have a positive effect on the economy and on TFP.

Trade and Foreign Direct Investment
Trade and foreign direct investment are expected to have a positive impact on economic growth and productivity. International trade or openness of the economy is measured by taking the sum of foreign direct investment, exports and imports as percentage of GDP.

Political and Social Stability
This is a qualitative variable and plays an important role, especially in developing countries like Pakistan, where frequent changes in the political scenario have many faceted effects on the economy. It will be measured by using dummy variables.

Financial Sector Development
Financial sector development has a positive impact on the growth of the economy and TFP. To measure its effects, the ratio of M2 definition of money to GDP is used.

Sources of Data
Data sources for Pakistan include the following:
- Pakistan Economic Survey (various issues)
- Labour Force Survey (LFS), various issues
- Annual Education Statistics
- Pakistan Statistical Year Book (various issues)
- State Bank of Pakistan’s Annual Reports
- Government of Pakistan, Islamabad
- Human Development Report, UNDP (various issues)
- World Development Report, The World Bank (various issues)

4. Empirical Findings
Measurement of major determinants of growth and TFP in pursuance of endogenous growth theories and the calculation of their relative and absolute shares to the GDP and TFP growth in Pakistan are presented in this section. A comparison of some other relevant empirical studies is also given.

4.1 Major Determinants of Growth (Discussion of Estimated Results)
4.1.1 Traditional Factors
Table 2 shows the OLS estimations for Cobb-Douglas Production function for the economy of Pakistan. All the results are according to theoretical expectations. Equation (1) in table 2 is estimated for the economy without trade variable, while equation (2) is estimated with international trade as an explanatory variable in order to measure the impact of openness of the economy. Estimated coefficients for capital are 0.70 and 0.66 in equation (1) and equation (2) respectively. These estimations are significant at 1% level of significance showing that physical capital plays a significant role towards the growth of the economy. The estimations for labour are derived from Cobb-Douglas restrictions and these are 0.24 and 0.18 for equation (1) and equation (2) respectively.
Table 1: Human Resource Development and other Social Indicators in Pakistan in Comparison with Some Neighbouring Countries

<table>
<thead>
<tr>
<th>Social Indicators</th>
<th>Pakistan</th>
<th>Bangladesh</th>
<th>India</th>
<th>Nepal</th>
<th>Sri Lanka</th>
<th>China</th>
<th>Malaysia</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure on Education (% of GDP)</td>
<td>2.0</td>
<td>2.2</td>
<td>3.3</td>
<td>3.4</td>
<td>-</td>
<td>-</td>
<td>8.0</td>
<td>3.7</td>
</tr>
<tr>
<td>Expenditure on Health (% of GDP)</td>
<td>0.7</td>
<td>1.1</td>
<td>1.2</td>
<td>1.5</td>
<td>1.6</td>
<td>2.0</td>
<td>2.2</td>
<td>6.4</td>
</tr>
<tr>
<td>Expenditure on R&amp;D (% of GDP)</td>
<td>0.2</td>
<td>-</td>
<td>0.8</td>
<td>0.7</td>
<td>-</td>
<td>1.3</td>
<td>0.7</td>
<td>3.1</td>
</tr>
<tr>
<td>R&amp;D Researchers (per Million Pop)</td>
<td>86</td>
<td>-</td>
<td>119</td>
<td>59</td>
<td>-</td>
<td>663</td>
<td>299</td>
<td>5287</td>
</tr>
<tr>
<td>Literacy Rate (Percentage)</td>
<td>53</td>
<td>-</td>
<td>61</td>
<td>49</td>
<td>91</td>
<td>91</td>
<td>89</td>
<td>100</td>
</tr>
<tr>
<td>Life Expectancy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Male</td>
<td>63</td>
<td>64</td>
<td>63</td>
<td>63</td>
<td>72</td>
<td>69</td>
<td>71</td>
<td>82</td>
</tr>
<tr>
<td>b) Female</td>
<td>65</td>
<td>64</td>
<td>64</td>
<td>76</td>
<td>76</td>
<td>76</td>
<td>76</td>
<td></td>
</tr>
<tr>
<td>Infant Mortality Rate (per 1000)</td>
<td>74</td>
<td>56</td>
<td>63</td>
<td>59</td>
<td>13</td>
<td>30</td>
<td>07</td>
<td>04</td>
</tr>
<tr>
<td>Sustainable Access to Improved Water Source (% of Pop)</td>
<td>66</td>
<td>74</td>
<td>86</td>
<td>90</td>
<td>79</td>
<td>77</td>
<td>99</td>
<td>100</td>
</tr>
<tr>
<td>Population Growth Rate</td>
<td>2.0</td>
<td>1.7</td>
<td>1.3</td>
<td>1.9</td>
<td>0.7</td>
<td>0.6</td>
<td>1.6</td>
<td>0.5</td>
</tr>
<tr>
<td>Human Development Index rank</td>
<td>134</td>
<td>137</td>
<td>126</td>
<td>138</td>
<td>93</td>
<td>81</td>
<td>61</td>
<td>07</td>
</tr>
</tbody>
</table>

Sources:-
UNDP, Human Development Report 2006;
Pakistan Economic Survey 2005-06
4.1.2 Human Capital
The estimated coefficients for human capital as an explanatory variable are 0.06 and 0.065 for equations (1) and (2) respectively. The results of both equations are according to theoretical hypotheses. Many empirical studies like that of Nelson and Phelps (1966), Lucas (1988), Romer (1986, 1990, 1994), Grossmann and Helpman (1991), Aghion and Howitt (1992), Young (1994), Maudos et al. (2003), Aiello and Cardamone (2005), Cervellati and Sunde (2005), Chen and Kee (2005) and others found that human capital stock for any country determines the speed of its economic growth. But unfortunately this factor has failed to play a significant role in the economy of Pakistan (as is clear from the estimated coefficients).

4.1.3 Technology
The estimated results for technological changes, in both equations, are according to theoretical expectations and are statistically significant. The estimated results support the earlier findings of Parente and Prescott (1994), Perelman (1995), Coe, Helpman and Hoffmeister (1997), Baily (2003), Keller (2004), Lee and Kim (2006), Mussard et al. (2006) who also that found technological changes and its spillovers as one of the important contributors towards TFP and growth in developed and in many developing countries.

4.1.4 International Trade
Equation (2) presents the impact of foreign trade and openness of the economy on GDP growth. The estimated coefficient is 0.094 and is statistically significant, showing a positive correlation between trade and GDP growth. The findings favour empirical results of Taymaz and Saatci (1997), Edwards (1998), Iqbal and Zahid (1998), Soderbom and Teel (2001), Eaton and Kortum (2002), Baily (2003), Keller (2004), Lipsey (2004), Diao et al. (2005), Fu (2005), Kim and Lee (2006), Mastromarco (2006) and others who argued that openness of the economy to international trade and technological spillovers play a significant contribution towards growth and development.
### Table 2

OLS Estimates for Cobb-Douglas Production Functions (1971-72 to 2005-06)

<table>
<thead>
<tr>
<th>Equations Dependent Variable</th>
<th>C</th>
<th>$\lambda_1$</th>
<th>$\lambda_2$</th>
<th>$\ln(K/L)$</th>
<th>$\ln(HK)$</th>
<th>$\ln(Tr/gdp)$</th>
<th>SER</th>
<th>$R^2$</th>
<th>Adj.$R^2$</th>
<th>D.W.Stat</th>
<th>Prob</th>
<th>n</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economy</td>
<td></td>
<td>-0.0115 *</td>
<td>-</td>
<td>0.0004</td>
<td>0.70 ***</td>
<td>0.06</td>
<td>0.02</td>
<td>0.41</td>
<td>0.35</td>
<td>1.74</td>
<td>0.00</td>
<td>35</td>
</tr>
<tr>
<td>With HK^e</td>
<td>(0.97)</td>
<td></td>
<td>(1.66)</td>
<td>(4.20)</td>
<td>(1.41)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economy^e</td>
<td></td>
<td>-0.0112 **</td>
<td>-</td>
<td>0.0004 **</td>
<td>0.66 ***</td>
<td>0.065 *</td>
<td>0.094**</td>
<td>0.02</td>
<td>0.51</td>
<td>0.44</td>
<td>2.02</td>
<td>0.00</td>
</tr>
<tr>
<td>With HK and Trade</td>
<td>(1.04)</td>
<td></td>
<td>(2.13)</td>
<td>(4.17)</td>
<td>(1.63)</td>
<td>(2.33)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: Values in parenthesis are t-ratios.  
*** Significant at 1 percent level.  
**  Significant at 5 percent level.  
*   Significant at 10 percent level.  

SER = Standard Error of Regression  
n = Number of Observations  
Y = GDP at constant factor cost of 1980-81 prices  
L = Employed Labour Force; Estimates for ‘L’ can be found from Cobb-Douglas constraints of $\sum \alpha_i = 1$  
K = Capital Stock at 1980-81 prices  
HK = Human Capital  
C = Constant Term  
$\lambda_1$ & $\lambda_2$ = Measurement of Technology  
e = Estimated by taking first difference
### Table 3

The Contribution of Factor Inputs, Technological Change and Technical efficiency (TFP) to GDP Growth

<table>
<thead>
<tr>
<th>Variables</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Eq.1</td>
<td></td>
</tr>
<tr>
<td>GDP growth rate</td>
<td>5.240</td>
</tr>
<tr>
<td>Labour growth rate</td>
<td>2.570</td>
</tr>
<tr>
<td>Capital growth rate</td>
<td>4.770</td>
</tr>
<tr>
<td>HK growth rate</td>
<td>7.400</td>
</tr>
<tr>
<td>Trade growth rate</td>
<td>6.720</td>
</tr>
<tr>
<td>Share of K in GDP</td>
<td>0.700</td>
</tr>
<tr>
<td>Share of L in GDP</td>
<td>0.240</td>
</tr>
<tr>
<td>Share of HK in GDP</td>
<td>0.060</td>
</tr>
<tr>
<td>Weighted K growth rate</td>
<td>3.339</td>
</tr>
<tr>
<td>Weighted L growth rate</td>
<td>0.617</td>
</tr>
<tr>
<td>Weighted HK growth rate</td>
<td>0.444</td>
</tr>
</tbody>
</table>

| Total Factor Input Growth share in GDP growth | 4.400 |
| Technological and Technical Growth (TFP) share in GDP growth | 0.840 |

### Major Determinants of Growth as Percentage of GDP Growth

<table>
<thead>
<tr>
<th>Contribution</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>K Contribution</td>
<td>64</td>
</tr>
<tr>
<td>L Contribution</td>
<td>12</td>
</tr>
<tr>
<td>HK Contribution</td>
<td>08</td>
</tr>
</tbody>
</table>

| Total Input Factor Contribution | 84         |
| Technological Change and Technical Efficiency (TFP) Contribution | 16         |

**Total** 100

Source: Estimations in Table 2

- Pakistan Economic Survey (various issues);
- National Accounts of Pakistan;
- 50 Years of Pakistan in Statistics Volume I-IV;
- Pakistan Statistical Year Book (various issues)
4.2 Contribution of Factor Inputs, Technological Change and Technical Efficiency to GDP Growth

The estimated results of the contribution of factor inputs i.e. labour, capital, human capital, technological change and technical efficiency are presented in table 3. Shares or weights for capital, labour and human capital are taken from estimated equations (1) in table 2. Weighted growth rates for capital, labour and human capital are 3.339%, 0.617% and 0.444% respectively. Total factor inputs growth share in GDP growth is 4.4%. The share of technological change and technical efficiency (TFP) in the GDP is the difference between the average GDP growth (5.24%) and total factor inputs growth rates (4.4%). The estimated technological change and technical efficiency or total factor productivity (TFP) contribution towards GDP growth rate is 0.84%. In percentage form total contribution of factor inputs was 84%, out of which the contribution of capital, labour and human capital are 64%, 12% and 08% respectively. The share of technological change and technical efficiency in GDP growth is 16%.

4.3 Measurement of Absolute and Relative Contribution of Major Determinants of Growth

Estimated values for absolute and relative shares are presented in table 4. The results for equation (1) show that the absolute shares of capital (K), labour (L) and human capital (HK) are 0.443, 0.059 and 0.013 respectively. The relative shares follow the same sequence. The largest share is attributed by capital followed by labour and human capital. The relative shares for K, L and HK are 1.571, 0.210 and 0.046 respectively. The measurement for equation (2) indicates that absolute shares for K, L, HK and trade variables are 0.418, 0.045, 0.014 and 0.018 respectively. While relative shares for these explanatory variables are 1.481, 0.159, 0.050 and 0.064 respectively. The highest share was contributed by capital followed labour, trade and human capital.

Table 4

<table>
<thead>
<tr>
<th>Explanatory Variables</th>
<th>Estimated Standard Deviations</th>
<th>Eq.1</th>
<th>Eq.2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Estimated Coefficients</td>
<td>Absolute Share</td>
<td>Relative Share</td>
</tr>
<tr>
<td>ln(K)</td>
<td>0.633</td>
<td>0.700</td>
<td>0.443</td>
</tr>
<tr>
<td>ln(L)</td>
<td>0.247</td>
<td>0.240</td>
<td>0.059</td>
</tr>
<tr>
<td>ln(HK)</td>
<td>0.209</td>
<td>0.060</td>
<td>0.013</td>
</tr>
<tr>
<td>ln(Tr/gdp)</td>
<td>0.188</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dependent Variable ln(Y/L)</td>
<td>0.282</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Note: - Y = GDP; K = Capital; L = Labour; HK = Human Capital; Tr/gdp = Trade to GDP ratio.
Table 5

OLS Estimates of Major Determinants of Total Factor Productivity (TFP) Growth

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>TFP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>1.013***</td>
</tr>
<tr>
<td>HRD</td>
<td>0.017</td>
</tr>
<tr>
<td>Trade</td>
<td>0.162**</td>
</tr>
<tr>
<td>Pop. gr.</td>
<td>-0.0014</td>
</tr>
<tr>
<td>M2/GDP</td>
<td>0.097***</td>
</tr>
<tr>
<td>PS</td>
<td>0.0033</td>
</tr>
<tr>
<td>INF+</td>
<td>0.0012</td>
</tr>
<tr>
<td>INF-</td>
<td>-0.003</td>
</tr>
<tr>
<td>R²</td>
<td>0.95</td>
</tr>
<tr>
<td>Adj-R²</td>
<td>0.93</td>
</tr>
<tr>
<td>SER</td>
<td>0.02</td>
</tr>
<tr>
<td>F-stat</td>
<td>55.87</td>
</tr>
<tr>
<td>DW-stat</td>
<td>1.98</td>
</tr>
<tr>
<td>N</td>
<td>33</td>
</tr>
</tbody>
</table>

Notes: Values in parenthesis are t-ratios.

*** Significant at 1 percent level.
**  Significant at 5 percent level.
*   Significant at 10 percent level

Where:
- TFP= Total Factor Productivity;
- HRD= Human Resources Development
- Pop. gr.= Population growth rate
- M2/GDP= M2 definition of money to GDP ratio growth rate
- PS= Political Stability
- INF+ = Variable when inflation rate is higher than average inflation rate;
- INF- = Variable when inflation rate is less than average inflation rate;
- SER= Standard Error of Regression
- DW-stat= Durbin-Watson stat
- N= Number of Observations
### Table 6

<table>
<thead>
<tr>
<th>Variables</th>
<th>Estimated Standard Deviations</th>
<th>Estimated Coefficients</th>
<th>Absolute Contribution to TFP</th>
<th>Relative Contribution to TFP</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRD</td>
<td>0.1008</td>
<td>0.0170</td>
<td>0.0017</td>
<td>0.0225</td>
</tr>
<tr>
<td>Trade</td>
<td>0.0548</td>
<td>0.1620</td>
<td>0.0089</td>
<td>0.1176</td>
</tr>
<tr>
<td>Population Growth</td>
<td>1.0955</td>
<td>-0.0014</td>
<td>-0.0015</td>
<td>-0.0198</td>
</tr>
<tr>
<td>M2/GDP</td>
<td>0.8963</td>
<td>0.0970</td>
<td>0.0870</td>
<td>1.1493</td>
</tr>
<tr>
<td>PS</td>
<td>0.4748</td>
<td>0.0033</td>
<td>0.0016</td>
<td>0.0211</td>
</tr>
<tr>
<td>INF+</td>
<td>4.7203</td>
<td>0.0012</td>
<td>0.0057</td>
<td>0.0753</td>
</tr>
<tr>
<td>INF –</td>
<td>2.2514</td>
<td>-0.0030</td>
<td>-0.0068</td>
<td>-0.0898</td>
</tr>
</tbody>
</table>

Where:-
- TFP= Total Factor Productivity;
- HRD= Human Resources Development
- M2/GDP= M2 definition of money to GDP ratio
- PS= Political Stability
- SD of dependent variable is 0.0757
4.4 Major Determinants of TFP Growth

As mentioned earlier, human capital, openness of the economy and technological spillovers from abroad, population growth rate, labour force growth rate, financial sector development, political stability and macroeconomic stability are some of the major determinants of TFP growth. OLS estimates for these determinants are presented in table 5. Estimated coefficients of all the explanatory variables are according to theoretical expectations. Coefficient for Human Capital (HK) as an explanatory variable is 0.017. Though it is positive, and showing a positive correlation between TFP and HK, but is insignificant. This confirms our earlier findings that human resource has given secondary importance and as a consequence it contributes insignificantly towards GDP and TFP growth. Population growth rate has a negative coefficient (-0.0014) indicating that higher population growth rate has a negative impact on TFP. The other explanatory variables like trade, financial sector development and political stability have positive coefficients. Trade coefficient is 0.162 and is statistically significant. The financial sector development measured by M2 definition of money to GDP ratio is also significantly contributing towards TFP. In order to measure the impact of inflation rate on TFP, the variable is split into two sub-variables. One sub-variable (INF+) shows the values of inflation for those years where inflation rate was higher than the average inflation rate and the other sub-variable (INF-) shows the values of inflation for those years when inflation was less than the average inflation rate. The estimated results show that the impact of inflation on TFP was positive for the sub-variable which shows inflation rate higher than the average rate and vice versa. The estimated coefficients for INF+ and INF- are 0.0012 and -0.003 respectively. However, both of the variables are statistically insignificant.

The coefficient of political stability as an explanatory variable is also positive but is statistically insignificant. Some of our results support the findings of earlier studies while others contradict. Khan (2006) also measured the determinants of TFP in Pakistan. He found positive impact of inflation and M2 to GDP ratio on TFP. However, he measured a negative effect of education and trade on TFP.

4.5 Absolute and Relative contributions of major determinants to TFP

Absolute and relative contributions of explanatory variables towards TFP growth are depicted in table 6. The largest absolute share was contributed by M2/GDP variable (0.0870) followed by trade (0.0089), INF+ (0.0057), human capital (0.0017) and political stability (0.0016). While population growth rate and INF- have negative absolute impacts on TFP and their estimated values are -0.0015 and -0.0068 respectively. The estimations for relative contribution of explanatory variables on TFP followed the same sequence as that in case of absolute contribution. The largest relative share in TFP is contributed by M2/GDP and its value is 1.1493 followed by trade (0.1176), INF+ (0.0753), human capital (0.0225) and political stability (0.0211). INF- and population growth rate have negative relative shares towards TFP growth.

5. Summary and Findings

The main focus of the study was to analyze the macro determinants of growth and TFP in the context of endogenous growth theory. Results of the study show that Pakistan to a large degree still depends on traditional physical factors of production contributing around 75% to GDP.
growth over the sample period (1972-73 to 2006-07) with human capital only some 10%. The share of total factor inputs amounted to over 80%, with the share of technological changes and technical efficiency in GDP growth estimated less than 20%. Absolute and relative measures as to contributions of major determinants to growth further confirm Pakistan’s heavy dependence on the traditional factors. Contribution of TFP and human capital to growth in most of the developing countries ranges between 15 to 25%, while technological changes and technical efficiency brought about by human capital has been contributing over 50% in developed economies. Thus, human capital and technological changes including their spillovers turn out to be main drivers of income divergences between developed and developing countries.

Measures for major determinants of TFP growth in Pakistan reveal that financial sector development, macro-economic stability, openness of the economy, human capital development and political stability have a positive impact, while population growth a negative one. Financial sector development and trade were found to contribute more significantly, human capital, by contrast, rather insignificantly.

Against such background of empirical findings, the following macro-oriented recommendations and conclusions may be derived:

- Human capital should be given priority in allocating appropriate resources to education, health and other social improvements along with physical factors as having proved most important and conducive for sustained development; if neglected, as in case of many developing countries, it turns out to be a drag on growth with negative spillovers.
- Technical, vocational and professional education must be promoted and emphasized in order to trigger technological changes and technical efficiency.
- Developing a more efficient labour market information system for appropriate policies based on realistic data as guidance.
- Fostering economic openness and international interaction in such a way as to take advantage from technological change and its spillovers with enhanced trade constituting a significant macro determinant of growth.

In summing up, the long term perspective for solutions towards sustained economic and social development in countries like Pakistan very much hinges on pro-actively developing and effectively utilizing existing human resources by taking advantage of technological changes, technical efficiency and their spillovers including adequate integration into, and exposure to, international (global) markets.
NOTES

1. In exogenous growth theory, the steady-state growth rate is determined exogenously while in endogenous growth theory the rate of growth is determined by the (equilibrium) solution of the growth model itself; thus in endogenous growth theory technical progress is explicitly modeled, rather than being treated exogenously as “manna from heaven”.

2. Productivity growth in most of the developing countries is low as compared to developed economies due to their low base of human and physical capital.


4. AK model assumes a linear economy in the aggregate capital stock and an endogenous growth theory is one in which the rate of growth is determined by the (equilibrium) solution of the growth model itself.

5. Poor countries need only to adopt readily available technologies developed elsewhere in the world. Some countries, like Newly Industrialized (East Asian) Economies making full utilization of such factors have been quite successful in narrowing the efficiency and income gap.

6. Knowledge is a non-rival good as knowledge of one thing can simultaneously be used by several users without costing to others.

7. The impact of trade is measured by taking trade to GDP ratio. Trade includes exports, imports and foreign direct investment (FDI).

8. Several other empirical studies in the literature assume a 5% depreciation rate.

9. Trade (total exports plus imports and foreign direct investment) to GDP ratio is used as a measurement for the openness of the economy.

10. Growth rates of the explanatory variables like M2/GDP, HRD, Trade, Inflation, Population are used to measure TFP equation.

11. Political stability is measured for using dummy variables. Value of Dummy variable is assumed 1 for years in which there was change in the government are drastic change in policies like nationalization during 1970s and value 0 for the remaining years.

12. Relative share is unit free.
References

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State Bank of Pakistan, Annual Reports (Various Issues).


Abstract
Mergers, acquisitions, joint ventures and numerous forms of partnerships have necessitated the intercourse between people of diverse cultural background in the same work place. This has ultimately contributed to a considerable interest in the subject of cross-cultural learning. However, most studies in this area, though scanty, have addressed this subject from the organizational point of view. Thus, this study explores the area of cross-cultural learning from the perspective of the individual employee. The narratives of 7 Swedish managers are analytically explored to try to understand what individuals learn, if any, from a cross-cultural interaction in a work environment. The framework of analysis is based on the motivations for working on international assignments or projects (including expectations), how individuals cope with work in a different cultural environment (adjustment issues), and what influence, if any, this kind of experience has on the individual on completion of the assignment. It is observed that, by and large, there is no reciprocity with regard to learning in this nature of interaction. Most importantly, individuals simply revise and modify work practices, in view of prevailing circumstances, but not the thinking behind such practices. The basic framework of thought behind individual action, filtered through a set of cultural assumptions, remains unchanged.

Keywords: Cross-cultural learning, Interaction, Individual, Experience, Narrative, Knowledge.

1.0 Introduction
The twin concepts of Internationalization and globalization have contrived to encourage an increasing number of mergers, acquisitions, joint ventures and other forms of partnerships across national borders (Laurent, 1981). This trend has given rise to ways of working that ensure the coalescing of individuals from diverse backgrounds on the same project or assignment in a foreign environment. As the world gets “smaller”, more and more people are spending time living and working away from their home country, giving rise to greater face-to-face contact among people from different cultural backgrounds (Brislin, 1981). Such intercourse, therefore, serves as a kind of arena for, deliberate but sometimes unconscious, diffusion of significant and varied experiences among the interacting individuals. Consequently, there is a resurgence of
interest in the experiences of people who work in other cultures (Goodman, 1994; Ward and Kennedy, 1993). This study therefore sets out to explore such experiences.

1.1 Conception and Definition of Culture: A Persistent Dilemma
It is imperative that discussing the phenomenon of cross-cultural learning entails the proper understanding of the term culture. Nevertheless, it is worth noting that comprehension of the term culture has remained a long-standing dilemma; it is problematic in itself. This difficulty originates from the fact that, over the years, there has been no consensus on a comprehensive definition of culture. This is explicable in the sense that, the term culture is used in a wide range of social sciences, and therefore has different meanings in the different fields. Indeed, in the realm of management theory and practice, the concept of culture is an import from the area of ethnographic studies. Regardless of the fact that academicians and practitioners have increasingly acknowledged the importance of culture, a common understanding and agreement on the definition of the term culture (including variations of culture) has not yet been reached (Doherty and Groeschal, 2000). Similar sentiments have been expressed by Ajiferuke and Boddewyn (1970) when they suggest that culture is one of those items that defy a single all-purpose definition. They go further to argue that there are almost as many meanings of culture as people using the term. As though to sum up the dilemma, Hofstede (1983) maintains that there is no commonly accepted language to describe a complex thing such as culture. In the case of culture, such a scientific language does not exist, he further intimates. Be that as it may, we wish to contend, based on evidence from literature, that it is possible to identify a common theme in the various perspectives of culture that forms a constellation of issues that can be applied to characterize culture. Most of the contemporary definitions of culture claim descent from the earlier work of anthropologists Kroeber and Kluckhohn (1952) who list more than 250 different definitions. Sackmann (1991) reveals that the definitions as “discovered” by the two anthropologists include components such as ideas, concepts, ideologies, values, attitudes, goals, norms, learned behaviors, symbols, rites, rituals, customs, myths, habits, or artifacts such as tools and material representations. From a cross-cultural perspective therefore, we find it appropriate to view culture as a mental map, which guides us in our relations to our surroundings and to other people (Downs, 1971).

1.2. Learning in the Context of Cross-Cultural Interaction
Theoretically, the governing belief is that the learning process of individuals in a cross-cultural context requires the creative destruction of barriers to learning and the broadening of access to new sources of knowledge and experience (Starky, 1996). The ideal arena for access to new sources of experience can therefore be found in international assignments. Thus learning is viewed as the process of adjusting behavior in response to experience (Yeo, 2002). It is about making sense of issues and situations, of developing insight and understanding, and of seeing patterns in the environment (Cole, 1995; Sadler, 1994). From the vantage point of thinking and action, it should not escape our understanding that, one can change understanding resulting in changed thinking and talking but no noticeable change in routine behavior. Understanding the interplay of issues between the individual and the culture with which he/she is interacting is essential to the development of an interpretation of learning along the transitory stages the individual goes through in the process of interacting with the new culture. We therefore seek to explore learning by analyzing the interactional dynamics as experienced by individuals in a new environment.
1.3 Perspectives in Cross-Cultural Studies

A review of literature suggests that in essence, studies in cross-cultural learning represent a cognitive stance. We also observe that these studies provide little illumination into the playing out of broad cultural assumptions in particular cross-cultural work contexts. Cross-cultural learning is portrayed as a cognitive understanding of a relatively stable other culture. For example, the classic works of Hofstede (1980), Hall (1966), and Hall and Hall (1987) identify several hidden cultural dimensions that contribute to behavioral differences between cultures. However, it is evident that not every individual from a particular culture behaves similarly along these broad dimensions. Within any culture group exists a degree of individual heterogeneity with respect to cultural mindscape (Maruyama, 1994). In fact these intercultural variations should lead us to question what is meant by cultural differences. Nevertheless, such contestation lies outside the parameters of our present study. It should be observed that culture can be varied, contentious, and, in the making, unstable across time and place (Wagner, 1981). At the other end of the spectrum, authors like Prus (1997) espouse a critical stance on cross-cultural studies. This orientation gives primacy to generic social processes that highlight the interpretive features of association. They focus our attention on the activities involved in the “doing” or accomplishing of human group life. Culture is then something in-the-making that is experienced intersubjectively. Therefore, this view of culture situates culture not simply as a stable and homogenous structure but as a socially enacted, dynamic process involving the reproduction and revision of practices (Weisinger and Salipante, 2000). Indeed, the two authors call for new concepts of “cross-cultural knowing”, portraying cultural understanding as locally situated, dominantly behavioral, and embedded in the mundane and evolving social practices that are jointly negotiated by actors within specific contexts. In view of the above somewhat mutually polemical perspectives, we should approach this subject with a perspective that is integrative and takes cognizance of both the cognitive and behavioral aspects of cross-cultural learning. The details of this orientation shall be underscored in the theoretical framework.

1.4 Toward a Research Focus

Evidence in literature suggests that there is a proliferation in the adoption of international assignments as a corporate strategy to achieve co-ordination and control, creating international informal personal networks (Edström and Galbraith, 1977; Prahalad and Doz, 1981). Overtime, it has become of special interest to a parent company to identify and make use of “expatriates” who have proved themselves successful in handling relationships with head office, host-country relations and management of foreign subsidiaries (Selmer, 1998). The point of departure with previous research lies in the fact that, despite the growing importance of cross-cultural experience, anecdotal theorizing frequently characterizes studies on cross-cultural learning. Studies that have succeeded in documenting facts about the underlying issues in the experience of individuals in a cross-cultural context and the implications there from are particularly scant and hard to come by. We therefore wish to undertake an analytical exploration of individual experiences in this regard. Against this background, the focus of our curiosity is: What do individuals learn, if any, from working in a cross-cultural setting and what implications does this have on the management of cross-cultural interactions? In pursuance of a solution to the above problem, we broaden our scope by asking further questions. We believe that pursuance of the foregoing questions will offer a sound basis in framing the issues involved in analyzing the above problem:
Why do individuals work on international projects or assignments?

(Underlying motives, preconceptions, and expectations)

How do they cope with work in a different cultural environment?

What influence does this kind of experience have on the individual on completion of the assignment?

2.0 Literature Review

2.1 Why Individuals Work on International Assignments

Generally, people interested in international assignments want to travel and learn from other cultures. They think that international assignments represent an opportunity to have a cross-cultural and personal growth experience (Adler, 1986). Nonetheless, considerable research has shown that autonomy, responsibility, and job challenge are a major component of international assignments (Adler, 1981, 1986; Baker and Ivanovich, 1971; Torbiörn, 1982; Birdseye and Hill, 1995). Therefore, employees who expect to be more satisfied with the challenge, autonomy, responsibility, and opportunities to travel and learn from other cultures will be more interested in international assignments (Boeis and Rothstein, 2002). From a theoretical vantage point, however, an understanding of the motivation underlying the employees’ intention to accept such assignments is valuable. Intention is generally a good predictor of behavior. Specifically, there is some evidence that willingness to relocate is a good indicator of actual relocation decision. Fishbein and Ajzen’s (1975) theory of reasoned action provides the theoretical rationale for the use of an intention measure. According to their theory, attitudes will predict behavior through the influence of intentions. Thus, attitudes (and subjective norms) will predict intentions that will predict behavior. In this case willingness to relocate is the behavioral intention, which predicts the relocation decision (the behavior). In the same vein, Eby and Russel (1998) as well as Adler (1986) have suggested that employees’ general beliefs can be important in understanding their willingness to relocate. General beliefs concerning the instrumental values of domestic versus international assignments should affect their interest in an international assignment. Aryee et al. (1996) specify that the strength between career related variables and willingness to relocate would depend, in part, on the extent to which employees’ perceive expatriate assignments to be instrumental to their career. Thus, they suggest employees’ general beliefs may moderate the relations between career-related variables and employees’ willingness to relocate. However, regardless of their beliefs about international assignments, if employees are satisfied with the progression of their careers in the current location, they may not wish to go through the uncertainty associated with accepting international assignments. It is also suggested that, employees who are dissatisfied with their current work will be more likely take on an international assignment as an alternative. Boies and Rothstein (2002) postulate that dissatisfaction leads to thoughts of quitting, which leads to a search evaluation and behaviour (evaluation of alternatives). From this perspective, authors like Eby and Russel (1998), consider international assignments, to a certain extent, as a peculiar kind of turnover. Eby and Russel (1998) maintain the view that, since an international assignment represents a change in job characteristics such as co-workers, Supervisors, and location, it could be considered a “particular form of turnover.”
2.2 Pre-Departure Orientation

It is a norm, at least theoretically, for organizations to offer some kind of orientation to its employees posted for international assignments. This, it is assumed, will help the employee to grasp some important issues while working in the new environment. In literature (Odenwald, 1993; Black and Mendenhall, 1990; Zakaria, 2000), this kind of briefing is commonly referred to as cross-cultural training. For practical purposes therefore, we will use the term training in reference to the pre-departure briefing. Cross cultural training has long been advocated as a means of facilitating effective cross-cultural interaction (Bochner, 1982; Harris and Moran, 1979; Mendenhall and Oddou, 1986). Cross-cultural training may be defined as any procedure used to increase an individual's ability to cope with and work in a foreign environment (Tung, 1981). The importance of such training in preparing the individuals for intercultural work assignments has become increasingly apparent (Baker, 1984; Lee, 1983). A comprehensive review of literature by Black and Mendenhall (1990) found strong evidence for a positive relationship between cross-cultural training and adjustment. Zakaria (2000) argues that numerous benefits can be achieved by giving expatriates cross-cultural training prior to the departure for international assignments. The same author maintains that this kind of training can be seen as:

- A means for conscious switching from an automatic, home-culture mode
- to a culturally appropriate, adaptable, and acceptable one;
- An aid to improve coping with unexpected events or culture shock in a new culture;
- A means of reducing the uncertainties of interactions with foreign nationals, and;
- A means of enhancing expatriates’ coping ability by reducing stress and disorientation common with such relocations.

Underlining the complex nature of culture, however, the same author observes that, even as organizations try to equip the employees mentally, it is difficult to develop the appropriate mental frame of reference for dealing with different cultures worldwide. A frame of reference in this sense includes a basic awareness of cultural differences, which exist between the “home” culture and those with which people are doing, or would like to do business (Benders, 1996).

2.3 Cultural Immersion: How Individuals Fit In the Changed Work Environment

Working in a foreign culture entails, as a matter of necessity, interacting with an unfamiliar environment. Nevertheless, it is crucial for individuals to reconcile themselves with the dynamics of the new work environment. This process of trying to “fit-in” with the host culture is commonly referred to as adjustment. Torbiörn (1982) suggests that adjustment refers to the changes, which the individuals actively engender or passively accept in order to achieve or maintain satisfactory states within themselves. In the same vein, Church (1982) views cross-cultural adjustment as the degree of comfort, familiarity, and ease that the individual feels toward the new environment.

2.4 Models of Cross-Cultural Adjustment

The process of adjustment has been explained in many ways by different authors and over the years models have been developed to explain the process of adjustment in reaction to cultural immersion. Popular models in literature include “The U-curve of Cross-Cultural Adjustment”,

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which is based on the work of Lysgaard (1955), and the “Cross-Cultural Cycle” (Zakaria, 2000). A brief review of these models should aid in the understanding of the dominant conceptualization in literature. On the basis of this, we should be able to derive our own understanding of the notion of adjustment.

2.5. Repatriation and the International Experience-The Influence of Cross-cultural adjustment on the returning employee:

Repatriation is the last phase of transition in the cross-cultural experience. It can be viewed as cross-cultural re-entry. Adler (1986) describes repatriation as the transition from the foreign country back into one’s own country. It is interesting to note that few studies have been done on this subject by exploring the experience of the individual employee. Repatriation of employees is not something that happens easily or naturally. Depending on how the process is handled, the result could be beneficial or costly and dysfunctional to the effective functioning of both the returning employee and the organization (Adler, 1991; Kendall, 1986). Successful repatriation means that employees acquire career and personal payoffs from the overseas experience and that the organization enriches itself through the addition of the international competencies of its repatriated employees (Solomon, 1995). In this sense, the experiences and knowledge of the employee need to be applied in the best interest of the organization and an individual’s overall career (Fish and Wood, 1993). Indeed, repatriates expect to return to a meaningful position back home, where they can use their new skills and knowledge (Hauser, 1998). However, upon their return employees often face organizations that do not know what the person has done for the past several years or how to utilize the skills and knowledge gained overseas in the most effective way for the organization and for the ongoing career of the individual employee (Bender and Fish, 2000). In some cases the organizations do not even care about the utilization of the gained skills and knowledge. To compound the problem, some organizations often fail to recognize that the returning employees have learnt anything. In consonance with the above predicament of the returning employee, Allen and Alvarez (1998) argue that organizations too often fail to reward or recognize the new skills and knowledge acquired in overseas positions. In the absence of tasks where the knowledge gained can be utilized, organizations may be confronted with a situation where such employees choose to leave the organization. It should therefore be observed that prior to leaving for offshore assignments, employees expect to meet unfamiliar situations, and however, on return they expect that the prevailing situation should be the same as they left it. To a large extent, therefore, their return is always marked by disappointments. They neither come back to the situation they left nor to the world are they expecting. While overseas the employee has changed, the organization has changed and the country has changed.

3.0 Exploring the Narratives Analytically

Before embarking on the task earmarked above, it should be stated that, the analysis is based on the narration of seven (7) individuals from three (3) different companies also in different industries. One company is in the automotive industry and has operations in Europe, N. America, Asia, and South Africa. The second company is a world leader in supply of mechanized welding and cutting equipment with operations in Europe, N. America, Asia, and the Middle East. The third company deals in health care products, specializing in surgical and wound care products. This company has operations in Europe and N. America. These companies have solid experience and a fairly long history in international operations. The individuals are aged between 31 years and 60 years. Most of them have served in more than one location and on more than one
assignment for a period of tenure ranging from 2 years (for the shortest) to 8 years (for the longest). These individuals held managerial and leadership responsibilities in their respective assignments. Our interaction with the narrators lasted between 1 hour (for the shortest time) and 4 hours (for the longest time). All the narratives were tape recorded and later transcribed for analysis. We also noted down important issues in the process of the narration for purposes of comparison and ease of analysis. The analysis of the narratives is executed thematically on the basis of issues identified as cogent, insights developed in our interaction with the narrators and derived from the theoretical framework. To forestall the possibility of creating a repetitive impression on the reader, within the paragraphs, we intend to limit direct reference to those statements that are inclusive of the views of all the narrators. However, related narrations are quoted and indented. Further, Confidentiality considerations oblige us to craft acronyms in reference to the narratives, viz: BVA, AEA, BMS, BMK, AES, JVL, and MMA. The following terms are quantified thus: All = 7 Most = 5 Many = 4 Some = 3 Few = 1-2 It is also imperative to proclaim, from the outset, that the narrative approach is not a commonly used technique, especially so, in the area of management studies. We are therefore obliged to introduce the concept at this point. Narrative is a mode of knowing that captures in a special fashion the richness and nuances of meaning in human affairs which cannot be expressed in definitions, statements of fact, or abstract propositions. It can only be demonstrated or evoked through story (Carter, 1993). It is therefore a more viable method in attempting to explore learning in a cross-cultural environment. This report therefore can be viewed as a “narrative of narratives.”

3.1. Why Individuals Work on International Assignments - Organizational Motives for sending people abroad From studies, organizations focus heavily on strategic international human resource expatriation-based staffing for managing the combined control and coordination needs between subsidiary and parent operations (Taylor et al., 1996). A subset of this view is that organizations want to be sure that its goals are clearly communicated and effectively carried out. An important element of control is the recognition by organizations of the need to secure their brand image through ensuring that the standard of their products are maintained throughout their production plants across the world, and also preserve their culture:

- BVA: “Our Company had a clear concept to introduce on board there, that this is the way we want to run the business.”
- JVL: “The only thing is that we must ensure that our own culture is being taken care of...For marketing reasons, we must be assured that communication in the local organizations are made in such a way that represents our company’s values...We had once somewhere ... an advertisement with a naked woman on our product, and that was of course, forbidden.”
- AES: “From the technical production point of view, organizations want to make sure that the standard of their products are maintained throughout their production plants across the world. They always want people to trust their product. Another consideration is the issue of security or a form of control.”
- MMA: “The Company wanted a Swedish person in the subsidiary organization’s research and development division to ensure that the company processes and procedures were implemented.”
- BMK: “I was told to implement the organization’s culture in the overseas company and also learn about the culture over there...The biggest assignment was to implement our
processes because we are a process-oriented company. Then we implement a new computer system and the third was to implement our culture and lastly, our financial report...I think in a new market even though you work with local distributors or you set up a new factory..., it’s very important for a company to have somebody from the head office with broad experience to help the local company to start up activities.”

Furthermore, in most cases, organizations seek to transfuse knowledge between subsidiary and parent company hence, the deployment of experts on integration for instance, from the head office. All the narrators agree with these viewpoints (BVA, AEA, AES, BMK, BMS, MMA) and a few of them (AES) explained this reasoning in the necessity by organizations to make a transparent accounting report as many are listed on the Stock Markets of countries around the world:

- BVA: “We found some key players in the Canadian company that came to Sweden to experience what we try to transport to Canada.”
- BMK: “My organization needed to send somebody to Mexico to carry out integration in the new company, so I was sent there and worked for eighteen months.”
- BMS: “Then I told my boss at that time whether it was not better that I go to Germany (that was considered a big market at that time) so that I work and stay there for a couple of years and report back about the needs and so on.”
- MMA: “My assignment is to carry out integration between Sweden and US research and development.”
- AES: “Another motive… is the issue of security or a form of control.”

In a reversal scenario, organizations send employees abroad to be able to have knowledge in areas that are not available locally: JVL: “We send people on assignments abroad because they have knowledge in areas that we can’t find locally.” Some organizations are conscious about the need to have a global outlook and ultimately view that a mix of culture has a potential to facilitating organizational learning. As BMS puts it: “… not only do Swedes have to move out to other local organizations; people from other markets have to come here to Sweden too”. He rationalized this reasoning thus: “People should be mixed such that they could bring other cultures and knowledge in here and take with them the organization’s culture.” One dimension to organizational motives of sending personnel on overseas assignments that we have not found in any literature is the issue of sending “rebellious” personnel out on overseas assignments. There are bound to be rebellious elements in most organizations. Much as management tries to influence certain people to change their work habits or interpersonal relationships amongst co-workers, some people simply fail to adhere. Therefore, such people are labeled rebellious. Even though management would prefer to dispense with their services, labor laws or high position in the company may be an inhibitor to this preference. Therefore, the choice open to management is to cleverly send such people on overseas assignments. Only BVA mentioned this dimension to organization motive for sending people abroad and one can hardly fault this claim due to the position this narrator held in the organization: BVA: “Sometimes, people are sent out because they make too much trouble at home, so they say, get rid of them. If we place them out there, it is safe for us at home.”

3.2 Mix of Organizational & Individual Motives

In a few cases, both organization and employees can have the same motive. The organization may have a motive for expansion or acquisition of other lines of business. Likewise, the individual in the organization may also be interested in working in the country where the
organization wants to expand and also the type of functions to be carried out in the overseas company or subsidiary. This situation serves as a contributor to expatriation success:

- **AEA:** “The initiative was both mine and the organizations. I went there in 1981 and I was told that the company was proposing to set up a business and apparently as I did a good job, so they asked my availability. A few months later, I was called.”
- **MMA:** “It was a choice made by the company and myself.”

### 3.2.1 Benefits and Cost of repatriation

A few of the narrators agree with the view that the process of repatriation can be rewarding for both employer and the organization. According to this narrator, it all depends on how the process is handled: **BMK:** “I think there are pros and cons when you are sent out.” It is very important for organizations to prepare well in advance for the repatriation of expatriates. There has to be a good come back position for these employees. While ignoring the fact that fellow employees at the head office, especially those who have made their career position there, may see returning expatriates as a threat. If an expatriate returned to the head office and was not properly absorbed by way of a new and challenging position, then it is most likely that such employee will leave the company out of frustration. For some of the narrators, (BMK, BMS, AEA) their organizations did prepare for their coming back while for a few, their organizations did not take account of this (AES, BVA):

- **BMK:** “The Head Office made a smart comment; “we think it’s very good for you to come back to catch up, to know where we are heading…I have indicated the areas that I am interested in and that are seen as important to the company.”
- **BMS:** “One good thing is that we have been a positive developing company and therefore, there has been some room for some sort of expansion.”
- **AEA:** “Yes, the company prepared for my coming back in a practical way”
- **AES:** “No, the company did not. Since my going was at my instigation, so was the case when I came back, I had to use my initiatives to do a lot of things.”
- **BVA:** “When I returned from the, it was difficult here to find a position because I had been through all the positions within the company in Sweden.”

Notwithstanding the issue of comeback position, non-recognition of expatriation knowledge by organizations and even fellow workers can be a major source of frustration and can lead to the exit of expatriates. Quite often, organizations are not really interested in new ideas. These types of organizations see these expatriates as dreamers and not realistic. In the case of co-employees, they may derive pleasure in hearing tales about expatriation experiences, but they may not consider those experiences as anything to reckon with.

- **BVA:** “You could be seen as a dreamer or not realistic enough. You are a little bit suspicious and the knowledge that you bring in is not seen as good enough or not really needed.” Sometimes, the issue of a comeback position may be beyond the purview of the organization. An instance of this is when an organization is engaged in a merger or an outright acquisition. One of our narrators once had this experience:
- **BMK:** “So, I was offered a position that wasn’t according to my expectations and at the same time, there was a merger between my company and another company, which ended in a position that was initially offered to me. In that case, there was never a good come back position for me.” In the same vein, an employee can make repatriation beneficial for himself/herself. Since some organizations do not prepare for the repatriation of their
expatriates thus, they are left alone to find their feet in the scheme of things. A non-proactive expatriate will ultimately become frustrated while a proactive one would put his experience into good use and devise new working methods and also influence cultural practices in the organization, given the latitude. We observe that most of our narrators fall into the category of proactive expatriates as they have come out successfully. One striking dimension to the adjustment of expatriates on return to the head office is the role of mentor. According to one of the narrators, his mentor played a significant role in his adjustment back to work strategy:

• AEA: “I think success depends on the type of guidance and mentors that you have. I had a good mentor with a very clever personality. He is an Irishman and has a political mind…I got advice from my mentor… to keep my mouth shut for at least six months when I returned to the head office. In those six months, I had fitted back into the organization.”

3.2.2 Problems Inherent in Expatriation

It is widely recognized by many of the narrators (BVA, AES, AEA, JVL) that many expatriates feel reluctant to repatriate basically because a lot of them lose autonomy and certain privileges that were hitherto enjoyed by them in the course of their overseas appointments. Some of the privileges recognized are enhanced pay packages, use of domestic servants for household chores, company cars with drivers, to mention but a few:

• BVA: “Even in some countries where the salary package of an average worker is low, the package of expatriates is much more. For example, I know that, they have a driver, a cleaning lady and cook. If you have three people working for you, when you return to Sweden, you will have none.”

• AES: “The local Managing Directors are like kings. But when they return to the head office, they are cut down to size. Aside from this, they lose all privileges.”

• AEA: “…live comfortable life and enjoy high income, and all these things which are part of expatriation situation, that makes it tough to come back.”

• JVL: “In Sweden, you know we very seldom have people helping you at home ironing clothes or doing daily chores. You know that we can find this kind of service everywhere else with a small amount of money and we don’t have it in Sweden. So, when people come back, they expect to be able to live to that standard…”

One other important repatriation problem identified by the narrators is relationships with social and family situations. In the observation of the narrators, the society that they left would have changed, as there could have been new rules and regulations, soaring crime rate and even some members of the family and friends could have relocated. Of course, the in conducive weather (especially in Sweden) could be another reason. Also, the family could have been disoriented about homecoming, as the children who most often attend international school would have made new friends and even the husband or wife, new acquaintances. These issues have the immense potential of generating despondency in the individual:

• AEA: “A lot of things happen in the society if you have been away for five years…All these things make you isolated.” JVL: “Sometimes, its easier going than coming back because you think that you will arrive into a society that was exactly the same as your memories only, to discover that your society and culture had changed … since you left.”
• BVA: “…the children are used to international schools, they are used to having friends from different parts of the world and in some countries, they are treated differently depending on color, background etc. So they have easier lives.”

A fundamental issue that has bearing on repatriation difficulties is the innate tendencies of expatriates to always be on the move i.e. to move from one country to another. This category of people is restless and it is the opinion of one narrator that they have tendencies comparable to railway builders.

BVA: “When railway workers have finished building rail tracks, they want to go ahead and build new ones, as they are not always willing to stay back and do the maintenance.” Staying too long overseas has been viewed as another reason that people find it hard to relocate. Often, prolongation of stay abroad can be at the instance of the employee or the organization. The narrators opined that this situation could lead to expatriates having difficulties in coming back:

• BVA: “If you are away for too long, you lose contact with the realities of the home country.”
• JVL: “If you have people out there for more than six years, they will never come back.”
• BMS: “I read about these things, not from our company, that having been away for a long time, there could be problems with coming back.”

3.4 Training Vis-à-vis Cross-Cultural Adjustment

Training has been identified, at least theoretically, as a critical factor in aiding the process of cross-cultural interaction and adjustment. Nevertheless, impressions from the narratives suggest that negligible or no training at all is given to the employees before embarking on their foreign assignments. Indeed, none of the narrators suggested having received training at least in the sense portrayed in most literature. What organizations normally do is to give the expatriate employees a briefing regarding practical issues concerning the assignment and what is generally required in the performance of the duty. The organizations are constrained in this aspect due to the fact that, in most cases, there is general lack of in-depth knowledge about, but also little interest in, the nitty-gritty of cultural issues surrounding the assignment at hand. This impression is summed up thus:

• JVL: “We thought …it should be more of technical knowledge.”

We further observe that, to a great extent, based on the narratives, the necessity for training is always forestalled by the fact that many of the narrators took up the assignments at their own instigation. More so, some even encouraged their respective organizations to start up the assignments in which they finally played a major role. A typical reflection on this situation is:

• AES: “If you want something to happen, you’ve got to do something about it.”

Such employees therefore turn out to be the link between the organization and the host culture. This situation therefore forestalls the necessity for such employees to receive some kind of training since he/she is deemed knowledgeable enough about the situation by virtue of his/her interest in working on the assignment. The experiences of most of the employees also question the potency of training with regard to cultural interaction. The significance of this concern is underlined by the fact that, by and large, interaction with another culture has an emotional aspect to it. That the feeling people experience when they interact with another culture cannot be trained into a person:

• BVA: “It is difficult to be taught how to feel about another culture.”
Feelings are generated through direct interaction with the culture rather than hypothetical statements made about how it is to interact with the culture physically. From the experience of the narrators and in consonance with Fish and Wood (1994), what seems useful is the possibility of a reconnaissance trip prior to the actual appointment to enable the prospective expatriate to “get a feel” for the new environment. In which case the employee then has the opportunity to physically interact with the environment and experience the culture from within even before moving for the assignment.

3.5 The Question of Adjustment

One distinctive feature of the expatriation experience lies in the fact that success in the assignment requires adjustment to the new culture as well as to the new tasks. We found out from the narratives that many of the narrators perceived their adjustment as conforming to the various levels identified by Black et al. (1991): adjustment to work, to interacting with host nationals and to the general work environment.

4.0 Conclusion

In the final analysis, it should be stated that the subject of cross-cultural learning is exceedingly important in light of the expanding horizons of business today. Indeed, the experiences of the narrators underline very significant issues with regard to cross-cultural interactions in the work setting. Of all the array of issues that emerge from these experiences, it is interesting to point out what is of enormous importance in this study. Whereas there are individual and organizational motives and expectations for the expatriate assignment, the latter seem to supersede the former in exerting influence on the actual performance of the task. Thus, individual motives hinge heavily on organizational motives that ultimately determine individual dispensation towards learning. The extent to which one culture is different from the other has a direct bearing on the extent to which individuals from different cultures will understand each other. We observe that, the nearer the “distance” between cultures, the better the understanding and the reverse is true, at least, during the initial phase of cross-cultural interaction. Knowledge, not only, of the business language but also of the local language (where a distinction exists between the two) is very crucial in facilitating the process of cross-cultural adjustment. We hasten to add that, this fact is not sufficient in itself to ensure successful adjustment. It is apparent that, as far as the assignment is concerned, individuals learn a lot of new skills and techniques to improve their work. At a deeper level, however, we are short of indications that the interaction yields any substantial. Experiences that is beneficial for the employee at a personal level and useful outside the confines of work. We wish to infer that, from a learning perspective, the objectives of the assignment(s) and the rationale behind these objectives need to be re-examined if the individuals and the organization are to reap the full benefits from the assignment. Our observation is that significant emphasis is invested in the technical aspects of the assignment and its accomplishment and this seems to be what matters most. It is important to reiterate that tasks are accomplished within a social context and a network of individual relationships. Understanding these issues is as fundamental to the assignment as the technical aspects of the assignment. At the rhetorical level, the importance of cross-cultural learning seems to be at the forefront of organizational objectives, practically, however, efforts in this direction appear ad-hoc and haphazard at best.
References


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Evaluating the Effect of Educational Processes Automation on Performance

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Abstract
Development of ICT is an achievement of communication revolution that has led to fundamental changes in operation and productivity. This article surveys the organizational processes of University of Sistan and Baluchestan (USB) that is the second University in Iran regarding the size and number of fields and students. Considering this fact, partial improvement in business and administrative processes could lead to significant increase in productivity of the organization. In this research the processes have been evaluated considering four aspects of financial, customer, internal processes and learn and growth applying balance score card model (BSC). Prioritizing the indices revealed that using information technology in educational processes improved these four aspects. Finally, effective recommendations have been suggested to improve performance using modern technologies.

Keywords: Information Technology, Productivity, Administrative Automation, Balanced Score Card

Introduction:
Nowadays, the importance of information technology is considered as an important source of strategic and operational tool in organization which leads to promote the value added [1], efficiency, control improvement and inner processes productivity [3]. Today, every organization somehow is forced to use IT as a way to rehabilitation in production competency, increase in completion and flexibility [2]. As some of scientists believe that economic performance (GDP) in USA has been increased to 4% during 1995 till 2002 the reason of which, according to researchers, is mostly the investment on the products and services of information technology which has led to increase the productivity and economic growth ([4], [5], [6]). There have been some studies recently on the effect of IT on productivity increase that have focused only on one or two dimensions ([7], [8], [9],...
Brief descriptions of some conceptions used in this research have been presented in the following.

**Information Technology:**
In modern world, information technology has provided the possibility of efficiency and beneficence of information. IT application has led to a widespread evolution on administrative issues and information systems; as it has enabled electronic transfer of data, documents, attribution and various communications through computer and telecommunication [12]. There are many definitions for information technology. It can be defined as the software and hardware applications in computation and telecommunication that has provided automatic facilities of information application ([13], [14], [15]). More than being a hardware system and a set of patterns, IT is an intellectual and cultural system which can be called the culture of information production. Without creating the culture of information production, the IT system is not able to survive. Therefore, what is important in IT is informational thought. Creating an integrated administrative system requires the actions that begin with service delivery model creation and lead to system documentation and operation execution [16].

**Productivity:**
Totally, productivity is the relation between produced product by produce or service system and the automation that is applied for production [17]. Thus, productivity is defined as efficient use of resources (labor, capital, land, materials, energy and information) in producing products and services. It is also defined as the relation between work result and time of execution. Time is often a good index [18], because it is general and is beyond the human control. The less the time for an operation, the more productive is the system. In a study conducted by McKenzie international institution, they found that innovation is the most important factor for accelerated development of productivity. Some of these innovations have been formed based on information technology and some other based on traditional communications [19].

**Administrative Automation:**
Setting goals to achieve a greater productivity via administrative automation can be done well through making or breaking strategic decisions [20]. Administrative automation contains all formal and informal electronic systems that are related to establish information communication among people inside and outside the institution and vice versa. The main word which differentiates administrative automation from data processing, management information system and decision support system, is communication. Administrative automation is in both types of verbal and written form in order to facilitate all kinds of communication [21].

**Balanced Score Card:**
In 1990s, the balanced score card model (BSC), was first introduced as a modern method of performance evaluation and then as a tool for achieving the strategy by Robert Kaplan, that contains four aspects: financial, customer satisfaction, internal process and growth and learn ability ([23], [24]). As it is found of the name of balanced score card, it is defined as a set of factors which cause balance “between short-term and long-term
objectives, between financial and non-financial actions, between lagging and leading economic indicators and between internal and external performance perspectives” ([25], [26]). The important point is that to use this technique in any organization, business unit and project is unique and has its own way. People who evaluate information technology projects in organizations, must note that implementation of balanced score card for each project has individual characteristics. In the other words, according to the type of project and its implementation strategy, each dimension of balanced score card can be extended, increased, decreased or combined [27]. Before design and implementing balanced score card, it must be noted that management of balanced score card implementation, is taken to project manager (probably one or two levels below the top management level) so that the organization really respects him/her and the professional project team which is formed of different units such as finance, human resources, information technology and operation, strongly support him [28].

**Research Objective:**

In order to facilitate the educational processes in University of Sistan and Baluchestan, a system called Golestan [22] has been employed, which is based on a three layered structure and web and personal computer-based. The so-called three layers are database server, web server and users of the system. Such design causes data security and accessibility in all places. Web-based design enables doing all issues in all places. For instance, the student registration or scores entry by professors from anywhere or any desired location can be mentioned. It is obvious that such affair requires an appropriate security mechanism to identify users and their allowable operations, but of course, the necessary counsels have been provided in the system [22].

In this research, four dimensions of financial, customer, internal processes and learn and growth have been evaluated in one of Iranian universities, applying balance score card model (BSC). The BSC method prevents different thoughts through translating the perspective and strategy of organization to understandable terms and also helps the successful implementation of strategy by aligning the individual and organizational objectives [11].

The main question of this research is:

Whether IT application has led to productivity increase in educational affairs in USB?

**Research Hypotheses:**

1- From financial aspect, IT application has led to productivity increase in educational affairs in University of Sistan and Baluchestan.

2- From inner processes aspect, IT application has led to productivity increase in educational affairs in University of Sistan and Baluchestan.

3- From learning and growth aspect, IT application has led to productivity increase in educational affairs in University of Sistan and Baluchestan.

4- From customer aspect, IT application has led to productivity increase in educational affairs in University of Sistan and Baluchestan.
Statistical Population:
The statistical population of this research includes the educational employees of University of Sistan and Baluchestan who have more than six years of work experience. The reason is that Golestan system was formally started to be used in this university since 2004. According to formal statistics, 61 educational employees with over six years of experience working in various colleges among which, 57 people answered the questions. 38.6% of respondents were men and about 61.4% were women. The following diagram shows the work experience of respondents and represents that most of them have between 13-19 years of experience.

![Experience Working Diagram]

Questionnaire Design and Test:
The questionnaire of this research has been prepared through library studies and interviews with relevant experts and professors. It is of bilateral Likret type (5 scores from very few to very much) in which the right column assessed the indexes before applying Golestan system and the left column evaluated the same indexes after applying the system. To determine the reliability, the primary questionnaire was distributed among 10 expert and experienced staff of educational department in university and obscure and irrelevant questions were reviewed fundamentally. Then in the second phase, the final questionnaire, with new edition, was codified and distributed. The reliability of this questionnaire was measured through Cronbach’s Alfa Coefficient via SPSS software was 0.89 that seemed very well.

Hypothesis Test and Results:
Table 1 shows the effectiveness of applying Golestan system on performance improvement based on four aspects.
Table 1: Effectiveness of applying Golestan system on performance improvement

<table>
<thead>
<tr>
<th>Area</th>
<th>Before Applying Golestan System</th>
<th>After Applying Golestan System</th>
<th>Value</th>
<th>df</th>
<th>Sig</th>
</tr>
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<tbody>
<tr>
<td>Financial</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Population mean</td>
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<td>57</td>
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<tr>
<td>Standard Deviation</td>
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<td>0.739</td>
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<tr>
<td>Value</td>
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<td>56</td>
<td>0.001</td>
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<td>Internal processes</td>
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<tr>
<td>Population mean</td>
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<td>57</td>
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<tr>
<td>Standard Deviation</td>
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<td>0.566</td>
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<tr>
<td>Value</td>
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<tr>
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<td>Population mean</td>
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<tr>
<td>Customer</td>
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<tr>
<td>Before applying Golestan</td>
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<tr>
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<td>After applying Golestan</td>
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<td>System</td>
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Table (1) indicates it can be statistically found that implementation of Golestan educational system has been effective on performance improvement in four aspects and has been put in the same way of performance improvement.

Comparison of financial aspect indexes:

Table 2: Comparison of financial aspect indexes:

<table>
<thead>
<tr>
<th>Financial Aspect Indexes</th>
<th>Medium Before Implementation</th>
<th>Medium After Implementation</th>
<th>Medium Discrepancy</th>
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<td>1 - Rework Cost</td>
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<td>2 - Paper Work and Bureaucracy</td>
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<td>3 - Document Maintenance Cost</td>
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<td>4 - Supply and Transport Cost</td>
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</tr>
<tr>
<td>5 - Location Cost</td>
<td>2.19</td>
<td>4.04</td>
<td>1.85</td>
</tr>
<tr>
<td>6 - Information Exchange Cost</td>
<td>2.12</td>
<td>3.98</td>
<td>1.86</td>
</tr>
<tr>
<td>7 - Staffing Cost</td>
<td>2.18</td>
<td>3.82</td>
<td>1.64</td>
</tr>
<tr>
<td>8 - Work Time Cost</td>
<td>2.04</td>
<td>4.02</td>
<td>1.98</td>
</tr>
<tr>
<td>9 - Communication Cost</td>
<td>2.32</td>
<td>3.70</td>
<td>1.38</td>
</tr>
</tbody>
</table>

According to table (2), the 8th index is more different than others. Therefore, it can be resulted that Golestan system has had the most effect on this index that is time working cost from financial aspect. It was also observed that the least difference belonged to 9th index. Thus, Golestan system has had the least effect on this index which was communication costs. Finally it can be said that Golestan educational system has been effective on all indicators in this aspect.
Comparison of internal processes aspect:

Table 3: Comparison of internal processes aspect:

<table>
<thead>
<tr>
<th>Internal processes aspect</th>
<th>mean before implementation</th>
<th>mean after implementation</th>
<th>Mean disparity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-accurate control of educational processes</td>
<td>2.56</td>
<td>4.07</td>
<td>1.51</td>
</tr>
<tr>
<td>2-decrease in time of decision making for managers and experts</td>
<td>2.84</td>
<td>3.46</td>
<td>0.62</td>
</tr>
<tr>
<td>3-improvement of educational planning</td>
<td>2.70</td>
<td>3.76</td>
<td>1.06</td>
</tr>
<tr>
<td>4-facilitating the works done by the staff</td>
<td>2.63</td>
<td>3.93</td>
<td>1.30</td>
</tr>
<tr>
<td>5- improving the systems of recording, protecting and archiving the documents</td>
<td>2.74</td>
<td>3.77</td>
<td>1.03</td>
</tr>
<tr>
<td>6-improve in information keeping and security</td>
<td>2.93</td>
<td>3.96</td>
<td>1.03</td>
</tr>
<tr>
<td>7-speed increase in receipt and dispatch of information</td>
<td>2.28</td>
<td>4.23</td>
<td>1.95</td>
</tr>
<tr>
<td>8- possibility of communication among more people and information sources in organization</td>
<td>2.46</td>
<td>4.04</td>
<td>1.58</td>
</tr>
<tr>
<td>9-improvement of communication with top managers “no appointment reservation needed”</td>
<td>2.68</td>
<td>3.60</td>
<td>0.92</td>
</tr>
<tr>
<td>10-removal of organization information monopoly and ownership and general access to information “proportionate to the organizational level”</td>
<td>2.33</td>
<td>3.74</td>
<td>1.41</td>
</tr>
<tr>
<td>11-simplification of replying to referred issues</td>
<td>2.65</td>
<td>4.07</td>
<td>1.42</td>
</tr>
<tr>
<td>12-prevention of unnecessary encounters (non-administrative) in work time</td>
<td>2.51</td>
<td>3.63</td>
<td>1.12</td>
</tr>
<tr>
<td>13-possibility of easy communication with other organizations, nevertheless the far distance</td>
<td>2.53</td>
<td>3.74</td>
<td>1.21</td>
</tr>
<tr>
<td>14-elimination of excess management levels and speeding up the internal communications</td>
<td>2.46</td>
<td>3.63</td>
<td>1.17</td>
</tr>
<tr>
<td>15-elimination and reduction of bureaucracy and excessive work steps</td>
<td>2.75</td>
<td>3.56</td>
<td>0.81</td>
</tr>
<tr>
<td>16-decrease in work mistakes in educational issues</td>
<td>2.74</td>
<td>3.56</td>
<td>0.82</td>
</tr>
<tr>
<td>17-increase of lucidity in works</td>
<td>2.65</td>
<td>4.11</td>
<td>1.46</td>
</tr>
<tr>
<td>18-decrease in repetition of tasks</td>
<td>2.56</td>
<td>3.67</td>
<td>1.11</td>
</tr>
<tr>
<td>19-information classification and providing comprehensive reports</td>
<td>2.23</td>
<td>4.32</td>
<td>2.09</td>
</tr>
<tr>
<td>20-retrieval and fast access to documents</td>
<td>2.32</td>
<td>4.28</td>
<td>1.96</td>
</tr>
</tbody>
</table>
According to table (3), the medium disparity of 19th index is larger than other indexes. Hence, it can be resulted that implementing this system has had the most effect on this index based on the inner processes aspect. It was also seen that the least mean disparity belonged to 2nd index. Therefore, Golestan education system has had the least effect on this index namely decrease in time of decision making for managers and experts. Finally, it can be said that in this aspect, Golestan system has been effective on all indexes.

**Comparison of learning and grow indicators aspect:**

Table 4: Comparison of learning and grow indicators aspect:

<table>
<thead>
<tr>
<th>Learning and growth aspect</th>
<th>mean before implementation</th>
<th>mean after implementation</th>
<th>mean disparity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-increase in staff knowledge and skill level</td>
<td>2.74</td>
<td>3.82</td>
<td>1.08</td>
</tr>
<tr>
<td>2-reconstruction of old skills and creation of new skills</td>
<td>2.46</td>
<td>3.98</td>
<td>1.52</td>
</tr>
<tr>
<td>3-creation of empathy climate in organization (team work culture, …)</td>
<td>2.88</td>
<td>3.53</td>
<td>0.65</td>
</tr>
<tr>
<td>4-improvement of evaluation process of employees’ performance</td>
<td>2.61</td>
<td>3.79</td>
<td>1.18</td>
</tr>
<tr>
<td>5-increase in self control</td>
<td>2.53</td>
<td>3.89</td>
<td>1.36</td>
</tr>
<tr>
<td>6-increase in employee satisfaction with reworking decrease</td>
<td>2.51</td>
<td>4.39</td>
<td>1.88</td>
</tr>
<tr>
<td>7-improve in the control and monitoring the staff by managers</td>
<td>2.46</td>
<td>4.05</td>
<td>1.59</td>
</tr>
<tr>
<td>8-improvement in quality of decision making</td>
<td>2.61</td>
<td>4.05</td>
<td>1.44</td>
</tr>
<tr>
<td>9-improvement of employees’ competencies</td>
<td>2.74</td>
<td>4.11</td>
<td>1.37</td>
</tr>
<tr>
<td>10-increase in staff output</td>
<td>2.6</td>
<td>4</td>
<td>1.32</td>
</tr>
<tr>
<td>11-providing opportunities for staff development and promotion</td>
<td>2.46</td>
<td>3.49</td>
<td>1.03</td>
</tr>
</tbody>
</table>

According to the table (4), it is seen that the mean disparity of 6th index was higher than others. Thus, it can be concluded that using this system has had the most effect on the so-called index from growth and learning aspect. It was also observed that the lowest difference was related to the 3rd index. Hence, system has had the least effect on this index. Finally it can be said that Golestan system has been effective on all indicators regarding this aspect.

**Comparison of indicators for customer aspect:**

Table 5: Comparison of indicators for customer aspect:

<table>
<thead>
<tr>
<th>Customer perspective</th>
<th>mean before implementation</th>
<th>mean after implementation</th>
<th>mean disparity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1- increase in your satisfaction from relegated works</td>
<td>2.77</td>
<td>3.82</td>
<td>1.05</td>
</tr>
<tr>
<td>2-offering quick and logic services to the students</td>
<td>2.54</td>
<td>4.28</td>
<td>1.74</td>
</tr>
<tr>
<td>3-improvement of ability in responding the students</td>
<td>2.75</td>
<td>4.23</td>
<td>1.48</td>
</tr>
<tr>
<td>4-better understanding of student requirements (offering proper services)</td>
<td>2.68</td>
<td>4.05</td>
<td>1.37</td>
</tr>
</tbody>
</table>
According to table (5), it is seen that mean disparity of 7th index is more than other ones. Hence, it can be resulted that Golestan system has had the most effect on this index. It was also observed that the least difference was related to the first index. Thus, Golestan educational system has had the least effect on this one. Finally it can be said that based on this aspect, Golestan system has been effective on all indicators.

**Conclusion:**
The organizational processes of educational services in University of Sistan and Baluchestan are very much and complicated. Golestan educational automation software has been employed for almost 6 years in the university. In order to evaluate the productivity of this system, this survey research emphases to the hypothesis that IT application has led to increase in productivity in educational affairs. The study focuses on financial, customer, growth and learning and internal processes aspects. Analysis of the questionnaire indicated that the implementation of Golestan educational system has been effective on improving in performance of educational processes of this university based on so-called aspects. But it was shown that the least effect has been on internal process and the most effect has been on financial aspect.
References

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Cultural Development and Women Participation: A Review on Organizational Factors

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Abstract
Women’s equal and full participation is extremely important for progress in cultural development of society. However, despite this visible formal representation, women participation remained low. A review of existing studies on the subject suggests that organizational (structural) factors account for women’s low participation. The study population consisted of women experts in three southeast provinces of Iran including; university teachers, researchers, employees and students. The major obstacles identified including, Organizational atmosphere, Organizational structure and human resources Policies respectively on the basis of TOPSIS technique. It makes some suggestion at the end.

Keywords: Cultural development, Women participation, Organizational factors, Human resources Policies, Organizational structure, Organizational atmosphere, and Styles and Preferences of management.

1. Introduction
Participation means women’s presence in all stages of development, including: needs evaluation, identification of problems, planning, management, implementation and evaluation. It’s not easy to get equal participation in a patriarchal society, such a matter requires participation of women in particular projects that they are somewhat beneficiary (Saadi and Arab Mazar, 2005). The theory of participation is the most important and popular academic theories to reach sustainable development. No society can rely permanently and constantly on unique force; i.e. patriarchy. Ignoring part or half of the workforce of a county and dominance of a group over another is a lesion which is not compostable in long term (Ebrahimnejad et al, 2011: 182).

The review of literature is shown that, Women were not visible in the First Development Decade. No explicit role was envisaged for them. The underlying development rationale was that
of the household division of labor with men as producers (sometimes assisted by the women) while women functioned mainly as housewives and mothers (Kabeer, 1994). A more people-centered approach was adopted in the Second Development Decade given its emphasis on issues of equity and redistribution as well as the meeting of the basic needs of people (Fonjong, 2001: 223). Development had compounded the work burdens of women and that as a result women were marginalized from the development process resulted in prescriptions for integrating women into the development process. Consequently in spite of greater attention to the institutionalization of women’s issues through women’s bureau, very little improvements occurred in women’s socioeconomic status.

Women constitute 54 percent of the population of Southeast provinces of Iran including; Sistan & Balouchestan, Kerman and South Khorasan, women play a very crucial role in the development of society at all levels. Unfortunately they function from a subordinate position inherent in both traditional and province institutions. Several factors could be obstacles for women participation to progress in social cultural goals. Research showed that one of the main obstacle for participating women in society is the organizational factors (Wang and Dai, 2010., Lehman, 1980., Lehman, 1981., Bower, 1985 Henry Makura, A, 2000; Howell, 2006; Shojaei et al, 2011; Evetts, 2000). Organizational (structural) factors refer to all aspects related to the institution where an individual works and how these affect the performance of the individual. Some of these include policy, style of management, mission statements, doctrine, leadership, atmosphere, organizational structure and so forth. It seems regarding to specific and different atmosphere in southeast organizations of Iran, organizational factors that origin from organizational rules, regulations, man manager’s styles, beliefs, preferences and as a whole; their views or attitudes about women’s worker and manager, types of organizational structure and so on, that refers to internal environment of organizations could be one of the important obstacles confronted women in mentioned provinces.

This study aims to develop an integrative review of structural (organizational) obstacles to women’s participation for progress in cultural goals in southeast provinces of Iran. Towards this end, we constructed research model based on the literature review in women participation in cultural development in order to identify potential antecedents of women’s participation in cultural goals and investigate them via statistical tests.

2. Research design and Procedures


Fig. 1 illustrates a research model for women’s participation in cultural development, consisted of; human resources Policies, Organizational structure, Organizational atmosphere, and Styles and preferences of management as a structural factors. Each of constructs have been
measured based on the appropriate indices. The construct of Policies related to human resources includes; job requirements for cultural affairs and women’s under population in cultural institutions., Organizational structure including of; rules and regulations, policies and procedures and communicational obstacles. Organizational atmosphere includes of preferences of women manager or man manager for cultural affairs at the same conditions, selection of women manager or man manager by organizational decision makers, the acceptance rating of women managers by superior managers, peers and blue-collar workers, women’s membership in organizational cultural committees, Assigning the responsibility of executing cultural plans to the women, existing of masculine atmosphere in the top level cultural decision making, the reluctance of men to women’s attending in masculine meetings. finally, Styles and preferences of management construct including; women forgiveness, women’s caution and lower risk acceptance of women, and women’s appreciation to the blue-collar worker.

In attention to above reasons, we constructed research model with mentioned constructs.

Fig.1. Research model

In this study the following seventeen hypotheses will be addressed:

$H_1$, human resources Policies have a positive effect on women participation in progress of cultural goals.

$H_{1.1}$, human resources Policies have a positive effect on women participation in progress of cultural goals in Sistan & Balouchestan province.

$H_{1.2}$, human resources Policies have a positive effect on women participation in progress of cultural goals in South khorasan province.
H1.3. Human resources policies have a positive effect on women participation in progress of cultural goals in Kerman province.

H2. Organizational structure has a positive effect on women participation in progress of cultural goals.

H2.1. Organizational structure has a positive effect on women participation in progress of cultural goals in Sistan & Balouchestan province.

H2.2. Organizational structure has a positive effect on women participation in progress of cultural goals in South Khorasan province.

H2.3. Organizational structure has a positive effect on women participation in progress of cultural goals in Kerman province.

H3. Organizational atmosphere has a positive effect on women participation in progress of cultural goals.

H3.1. Organizational atmosphere has a positive effect on women participation in progress of cultural goals in Sistan & Balouchestan province.

H3.2. Organizational atmosphere has a positive effect on women participation in progress of cultural goals in South Khorasan province.

H3.3. Organizational atmosphere has a positive effect on women participation in progress of cultural goals in Kerman province.

H4. Styles and preferences of management have a positive effect on women participation in progress of cultural goals.

H4.1. Styles and preferences of management have a positive effect on women participation in progress of cultural goals in Sistan & Balouchestan province.

H4.2. Styles and preferences of management have a positive effect on women participation in progress of cultural goals in South Khorasan province.

H4.3. Styles and preferences of management have a positive effect on women participation in progress of cultural goals in Kerman province.

H5. Organizational factors have a positive effect on women participation in progress of cultural goals in Sistan & Balouchestan province.

H5.1. Organizational factors have a positive effect on women participation in progress of cultural goals in Sistan & Balouchestan province.

H5.2. Organizational factors have a positive effect on women participation in progress of cultural goals in South Khorasan province.

H5.3. Organizational factors have a positive effect on women participation in progress of cultural goals in Kerman province.

H5.4. Organizational factors have a positive effect on women participation in progress of cultural goals in Southeast region.

4. Research methodology

The data were collected using mail questionnaire survey. First, this study used a cluster sampling frame based on the three provinces in southeast geographical direction of Iran, including: Sistan and Baluchestan (S&B), Kerman, and South Khorasan as a cluster. Within each cluster 349 respondents are selected randomly. Therefore we selected 1047 women among three provinces. 2000 questionnaires is sent via electronic mail between women. Then, 1047 usable responses of 1198 completed questionnaires were analyzed using t-student test. We have done K-S test for

72 Kolmogrove- smirnov test
confirming normal distribution of research data before applying t-test as one of the parametric statistical technique. To verify the construction of the research model and measurement instruments, several professors were also interviewed to modify the research model and the construction of the questionnaire.

4.1. Instrument development and pre-test
In order to measure the study variables, we adapted the measurement instruments from previous research. We had the instruments reviewed by women related research professionals (faculty members in the Sistan & Balouchestan university, and university of Shahid bahonare Kerman) to test the face and content validity of the instruments’ scores. Minor adjustments in the wording of five items in the organizational structure and styles and preferences of management instruments were recommended and made.

We calculated cronbach alpha coefficients to test the reliability of the scores. All the scales had a cronbach alpha of above 0.7 which is an acceptable level to declare reliability of scale scores (Nunnally, 1978) and the total reliability was equal to 0.965 that is acceptable. Table.1 shows the cronbach’s alpha for the scales.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach alpha coefficient</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policies of human resources</td>
<td>0.901</td>
<td>Zahedi, 2004</td>
</tr>
<tr>
<td>Organizational structure</td>
<td>0.893</td>
<td>Zahedi, 2004; Howell, 2006; Kumar and Sreedhara, 2004</td>
</tr>
<tr>
<td>Organizational atmosphere</td>
<td>0.917</td>
<td>Zahedi, 2004</td>
</tr>
<tr>
<td>Styles and preferences of management</td>
<td>0.958</td>
<td>Zahedi, 2004; Jazani, 2002</td>
</tr>
</tbody>
</table>

4.2. Statistical analysis
This study used both of descriptive statistics and inductive statistics methods for data analyzing. Demographic profile of respondents are showed in table 3. we used the t-student test as one of the parametric statistics technique for averages comparison test. After recognizing obstacles to women participation in progress of social cultural goals, we use One Factor Inter Case Variance Analysis for study equality roles of recognized factors. Finally we use TOPSIS 73 (as one of the MCDM technique) for ranking of recognized obstacles. This study selected SPSS17 74 for hypotheses testing and Excel software for TOPSIS technique.

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73 Technique for Order-Preference by Similarity to Ideal Solution(TOPSIS)
74 Statistical Package for Social science(SPSS)
5. Findings and Discussions

5.1. Respondents’ profile
This section reports the analysis results. Regarding reliability, the survey had strong internal consistency with all multiple-item constructs achieving Cronbach’s alpha of 0.70 or higher. Moreover, regarding validity, previously validated measurements were used to ensure the validity of the measurements. Among 1047 usable respondents (profiled in Table 2), results show that Regarding age distribution, women ages between twenty-one and forty dominate among respondents (%64 in S&B; %63 in Kerman; %63 in south Khorasan). Moreover, regarding educational level, respondents who have technician or bachelors are dominant (%75 in S&B; %75 in Kerman; %76 in south Khorasan), married respondents outnumber unmarried and divorced women (%63 in S&B; %64 in Kerman; %57 in south Khorasan). Finally regarding employment status, governmental employed dominate among respondents vs. private employed and none-employed, (%61 in S&B; %56 in Kerman; %58 in south Khorasan). Therefore, we could conclude that married middle-aged women, with technician or bachelor degree, who employed in governmental sectors, were predominant among respondents in our study.

Table 2. Demographic profile of all respondents

<table>
<thead>
<tr>
<th>Variable</th>
<th>Count</th>
<th>Percentage</th>
<th>Count</th>
<th>Percentage</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In S&amp;B</td>
<td>In Kerman</td>
<td>In south</td>
<td>In south</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age &lt;20 years old</td>
<td>29</td>
<td>8</td>
<td>40</td>
<td>12</td>
<td>32</td>
<td>9</td>
</tr>
<tr>
<td>21-30 years old</td>
<td>108</td>
<td>31</td>
<td>123</td>
<td>35</td>
<td>118</td>
<td>34</td>
</tr>
<tr>
<td>31-40 years old</td>
<td>115</td>
<td>33</td>
<td>97</td>
<td>28</td>
<td>101</td>
<td>29</td>
</tr>
<tr>
<td>41-50 years old</td>
<td>91</td>
<td>26</td>
<td>81</td>
<td>23</td>
<td>93</td>
<td>27</td>
</tr>
<tr>
<td>&gt;50 years old</td>
<td>6</td>
<td>2</td>
<td>8</td>
<td>2</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High school</td>
<td>56</td>
<td>6</td>
<td>43</td>
<td>12</td>
<td>46</td>
<td>13</td>
</tr>
<tr>
<td>Graduate or below</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technician</td>
<td>118</td>
<td>34</td>
<td>91</td>
<td>26</td>
<td>83</td>
<td>24</td>
</tr>
<tr>
<td>Bachelor</td>
<td>143</td>
<td>41</td>
<td>171</td>
<td>49</td>
<td>182</td>
<td>52</td>
</tr>
<tr>
<td>Master or above</td>
<td>32</td>
<td>9</td>
<td>44</td>
<td>13</td>
<td>38</td>
<td>11</td>
</tr>
<tr>
<td>Marriage status</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Married</td>
<td>221</td>
<td>63</td>
<td>222</td>
<td>64</td>
<td>198</td>
<td>57</td>
</tr>
<tr>
<td>Single</td>
<td>102</td>
<td>29</td>
<td>96</td>
<td>27</td>
<td>113</td>
<td>32</td>
</tr>
<tr>
<td>Divorced</td>
<td>26</td>
<td>8</td>
<td>31</td>
<td>9</td>
<td>38</td>
<td>11</td>
</tr>
<tr>
<td>Employment status</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governmental employed</td>
<td>213</td>
<td>61</td>
<td>194</td>
<td>56</td>
<td>203</td>
<td>58</td>
</tr>
<tr>
<td>Private employed</td>
<td>59</td>
<td>17</td>
<td>96</td>
<td>27</td>
<td>81</td>
<td>23</td>
</tr>
<tr>
<td>None employed</td>
<td>77</td>
<td>22</td>
<td>59</td>
<td>17</td>
<td>65</td>
<td>19</td>
</tr>
</tbody>
</table>

5.2. Finding
SPSS reports t-student, degree of freedom (d.f) along with sig-level for all specified paths in the research model. According the results which indicates the significance of measured test, when sig is less than 0.05, H0 is rejected and H1 is confirmed with %95 of confidence interval, on the other hand, research hypothesis have been accepted. Therefore, according to the results, because of the sig0.05 for the hypotheses, as a result we could say that, structural factors including;
human resources Policies, Organizational structure and organizational atmosphere have a positive effect on women participation in cultural development in southeast provinces of Iran.

Now, whether the inhibitor role of recognized factors are equal? we address hypothesis6 in order to answer this question. The result of H₆ testing by one factor within subjects variance analysis is shown in Table3.

Table 3. Mauchly’s test of Sphericity

<table>
<thead>
<tr>
<th>Within subjects effects</th>
<th>Mauchly’s W</th>
<th>Approx Chi-Square</th>
<th>df</th>
<th>sig</th>
<th>Epsilon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Four constructs of Structural factors</td>
<td>0.008</td>
<td>275.781</td>
<td>22</td>
<td>0.000</td>
<td>0.629</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.472</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.071</td>
</tr>
</tbody>
</table>

Because of sig < 0.05, the inhibitor role of four constructs in women participation aren’t equal. So, we prioritize constructs of structural factor based on TOPSIS technique as one of the multi criteria decision making(MCDM). Table.4 shows the result.

Table 4. ranking of constructs by TOPSIS

<table>
<thead>
<tr>
<th>Constructs of contextual factor</th>
<th>Interval to positive ideal</th>
<th>Interval to negative ideal</th>
<th>cᵢ</th>
<th>rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>organizational atmosphere</td>
<td>0.000101342</td>
<td>0.000376648</td>
<td>0.78982302</td>
<td>1</td>
</tr>
<tr>
<td>organizational structure</td>
<td>0.00011599</td>
<td>0.000329896</td>
<td>0.739866556</td>
<td>2</td>
</tr>
<tr>
<td>Policies of human resources</td>
<td>0.000122187</td>
<td>0.000296856</td>
<td>0.708414211</td>
<td>3</td>
</tr>
<tr>
<td>Styles and preferences of management</td>
<td>0.000165949</td>
<td>0.000259512</td>
<td>0.609955347</td>
<td>4</td>
</tr>
</tbody>
</table>

6.Conclusions

It can be inferred that to improve the status of women’s career advancement in the organizations with emphasis on cultural goals, it is essential to reduce the influence of dominated atmosphere at all levels of organization on women through a holistic approach of organizations, authorities, research and development institutions and society as a whole. Enhancing women’s participation in development through an enabling environment for achieving gender equality and the advancement of women(Report of the Expert Group Meeting,2005) Specific interventions in this regard include provision of requisite knowledge, developing specific skills, building alliances, networking and mentoring at the individual level and gender sensitivity training, advocacy, institutional alliances and linkages, enhancement of the devolution management skills, and research and documentation at the institutional levels for women. An enabling organizational environment presents women and men with the same opportunities and freedom of choices while securing the conditions for their well-being. This study noted the need to address institutional (organizational) factors in the creation of an enabling environment for women's enhanced participation in development. These factors range from policies, laws, rules, regulations and
resource allocation procedures of organizations, to the practices and attitudes of policy makers, based on their interpretations of these laws and regulations, their own capacities and vested interests. The enabling environment also includes the policies and practices of non-governmental and civil society organizations and private sector actors such as businesses.

Human resources Policies should include sustainable incentives for deployment of women staff to different levels of organizations. In addition, donor policies on the creating opportunities for the development of sustainable human resource programs for women. Governments should ensure the adoption of gender equality legislation that supports promotion and protection measures for women in the field of work in different organizations. institutions should provide legal recognition to women employees in all industries, fair conditions of work, social protection, and fundamental rights at work, for example, the right to organize. the private sector and relevant regulatory bodies should establish temporary special measures to overcome persistent gender barriers, such as quotas for women in decision-making in publicly owned or private companies; or favorable treatment for women who are starting or managing businesses.
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Saadi. H, Arab Mazar A. Paper "role in accelerating the process of micro-credit in rural


Abstract
Empirical research to date on the relative effectiveness of Economic Value Added (EVA) and earnings per share (EPS) as measures of firm performance for stock valuation has been mixed. In this research, we examine their relative effectiveness in predicting future earnings and their role in enhancing the accuracy of analysts’ forecasts. Our results indicate that EVA contains information that is incremental to EPS in predicting future earnings. In addition, we find that despite this potential for EVA to add incremental value to analysts’ forecasts of future earnings, analysts do not use the information in reported EVA appropriately, but appear rather to overweigh it.

Keywords: Economic value added, Financial analysts’ forecasts, Earnings-per-share predictions

1. Introduction
In recent years, there has been increasing attention paid to new financial performance measures as substitutes for traditional accounting-based earning per share measures (Ittner and Larcker, 1998). One particular measure that has received substantial attention in the financial press and in the academic literature is Economic Value Added (EVA). It has been argued that many companies have adopted EVA as a measure of firm performance, as an analytical tool to make portfolio selection decisions, and as a management discipline (Teitelbaum, 1997).

A substantial proportion of academic research has focused on investigating the claim that EVA is a better measure of value than reported accounting earnings. Previous empirical research has shown mixed results relative to this claim. In this research, we examine the association between EVA and future earnings and subsequently its use by analysts’ in their forecasts of earnings per share.

The ability of EVA to predict earnings per share (EPS) is important for two reasons. First, despite the recent popularity of alternative firm performance measures, EPS remains a central focus in stock valuation. Indeed the Feltham-Ohlson framework for security valuation argues for the primacy of EPS as an input to valuation, and consequently, Bernard (1995) argues that empirical research on equity valuation should focus on the usefulness of earnings and non-earnings information in predicting future earnings rather than solely focusing on explaining stock
price changes. Second, investigating earnings predictions provides a bridge to allow us to examine how (if at all) EVA information is reflected in analysts’ published EPS forecasts. The study of analysts’ EPS forecasts is an integral part of the understanding of the capital markets’ valuation process. Although Ittner and Larcker (1998) argue that many analysts use EVA to evaluate and recommend firms, to our knowledge, ours is the first study to investigate the degree to which EVA is incorporated in analysts’ earnings forecasts.

We first discuss EVA and then describe and present results from empirical tests of two propositions that (1) EVA is useful in predicting one-year-ahead earnings, and (2) financial analysts fully incorporate one-year-ahead earnings-relevant information in EVA in their EPS forecasts. Finally, we summarize our findings and provide suggestions for further exploration in this area.

2. Background

Over the past ten years, Stern Stewart Company has been advocating the use of Economic Value Added (EVA) instead of earnings-based numbers to measure firm performance. They claim that the use of EVA has revitalized the financial performance of several U.S. companies such as Coca-Cola, CSX, SPX Corp, GE, and Chrysler (Tully, 1993; Walbert, 1994). Stern Stewart and Company argue that EVA drives stock prices (Stern Stewart advertisement in Harvard Business Review, November–December 1995, p. 20), creates wealth and explains changes in shareholder wealth better than any other performance measure (Stewart, 1994). Many companies have relied on this information and are using EVA as an internal and/or external performance measure. A 1996 survey performed by the Institute of Management Accountants (IMA, 1996) found that 35% of the respondents are currently using EVA and 45% expect to use EVA in the future. Given these claims, there have been numerous studies aimed at determining the extent to which EVA is superior to traditional accounting measures.

Results from empirical research regarding the claim that EVA is a more value-relevant measure than currently reported net income is mixed. For example, companies adopting EVA as an internal performance measure and as a basis for incentive compensation appear to exhibit significant investing, financing and operating improvements that have increased shareholder wealth (Kleiman, 1999; Wallace, 1997). In addition, Chen and Dodd (1997), using data based on ten-year averages, find a higher correlation between returns and EVA than returns and EPS. Lehn and Makhija (1997) also find that stock returns over a ten-year period are more highly correlated with average EVA than with several earnings based measures. However, several studies find evidence to the contrary. For example, Bao and Bao (1998) find a stronger association between percent change in price and price-deflated earnings changes than between percent change in price and price-deflated EVA changes. In addition, Chen and Dodd (1998), and Biddle, Bowen and Wallace (1997) find a higher association between returns and unexpected earnings than returns and unexpected EVA. Biddle et al. (1997) do, however, find that EVA is incremental to earnings in explaining market-adjusted returns.

These prior studies focus on EVA’s ability to measure shareholder value in a stock market setting. In this research, we examine the association between EVA and future earnings. Our investigation is motivated by the premise that EPS is still an information item of central interest in security valuation, and therefore, for a given measure to be effective as an input to valuation, it must have information about future EPS. More formally, the Feltham-Ohlson (e.g., Ohlson, 1995) framework develops a valuation framework wherein earnings are indeed primary
(Bernard, 1995). From that perspective, establishing the predictive usefulness of a given measure (such as EVA) is a necessary first step, and thus we begin our analyses by determining whether EVA is incrementally useful in predicting future EPS. We believe that we can gain important insight into EVA’s information content by taking a step back and looking at its ability to explain more primitive value determinants such as earnings. If our analyses reveal that EVA is incrementally useful as an earnings predictor, it follows that financial analysts’ who are motivated to make accurate predictions of future EPS would exploit the information in EVA in forming their forecasts. This would mean that in the cross-section, the average forecast error would not be systematically related to EVA. We, therefore, examine the association between EVA and analysts’ forecast errors in our study. If EVA and analysts’ forecast errors are correlated, then EVA can be used to explain analysts’ prediction errors and potentially improve upon the forecasts as earnings expectations.

Stern Stewart & Company (“Stern Stewart”) calculate EVA by first adjusting net income after taxes for what they view as “distortions” in these numbers due to accounting rules. From this adjusted profit amount they subtract the opportunity cost of both debt and equity capital. Therefore, EVA differs from accounting earnings in two ways: (1) EVA redefines GAAP income; and (2) EVA deducts the total cost of both debt and equity capital whereas accounting earnings deducts only the cost of debt capital (interest expense). In this study we primarily examine the first argued benefit—whether EVA measures firm performance better than GAAP earnings. Stern Stewart recommends up to 160 adjustments that firms can make to their accounting system to reduce GAAP distortions (Milbourn, 1997; see Stewart 1991, 113–117). For example, one adjustment made is to add back research and development costs to earnings since the expense can be seen as an investment that is expected to benefit the future. Other adjustments include the allowance for uncollectible accounts, LIFO reserve, and amortization of goodwill. Stern Stewart believes these adjustments enable earnings to more accurately reflect the firm’s profitability. Although they argue that these potential accounting adjustments remove the inherent distortions of GAAP accounting, they provide little evidence to support this claim. In focusing on the relative performance of EVA as a predictor of future EPS, the most relevant components of EVA are the accounting adjustments. We examine the association between EVA adjustments and future accounting earnings using Stern Stewart’s measure of EVA prior to the deduction of the opportunity cost of capital. For completeness, we also performed all our empirical tests using the final EVA measures obtained after deducting the cost of debt and equity capital and found that our results were robust to the use of aggregate EVA.

2.1. EVA as a predictor of future EPS

The first purpose of this study is to provide empirical evidence on the ability of EVA adjustments and earnings to explain and predict future earnings changes. We begin by examining the predictability of earnings using the following model:

\[ \Delta \text{EPS}_t = f(\text{EPS}_{t-1}, \Delta \text{EPS}_{t-1}, \text{EVA}_t, \Delta \text{EVA}_t) \]

Where \( \text{EPS} \) is earnings per share before extraordinary items and discontinued operations, and \( \text{EVA} \) is the \( \text{EVA} \) adjustment of \( \text{EPS} \), which is measured as the difference between \( \text{EVA} \) (prior to the deduction of the opportunity cost of capital) and \( \text{EPS} \). In words, earnings changes in period \( t \) are related to levels and changes of earnings in period \( t-1 \) as well as levels and changes of \( \text{EVA} \) accounting adjustments in period \( t-1 \). All components of \( \text{EVA} \) are defined by both changes and levels to capture predictions of earnings based on both random-walk and mean-reverting
models, consistent with the intuition in Ali and Zarowin (1992) for the returns-earnings relation. Prior research has indicated that funds-based earnings components have differing persistence with respect to future earnings (Sloan, 1996). Therefore, we decompose both the change and level of earnings into cash flows from operations and accruals, where cash flow from operations (CF) is defined as in prior research (see, for example, Ali, 1994). The accrual component of earnings (AC) equals earnings per share (defined as net income before extraordinary items and discontinued operations) less cash flow from operations per share.

Prior research has also shown that prior-year’s returns are useful in predicting earnings due to GAAP conservatism in reporting events that are known to market participants when they occur (Collins, Kothari and Rayburn, 1987; Beaver et al., 1980, 1987; Elgers and Murray, 1992). Therefore, we add prior-year’s size-adjusted return to the model. Size-adjusted return (SAR) is measured as the difference between the realized return on the firm’s common stock for the twelve months ended March 31 of year t and the mean return for all sample firms in the same size docile (where size is defined based on market value of equity at the start of the return accumulation period). We use size-adjusted returns as our metric to avoid estimation issues and bias introduced by market-model abnormal returns.

Combining all of the above and assuming a linear and additive functional form leads to the following empirical model:

$$\Delta\frac{EPS_t}{P_{t-1}} = \alpha_0 + \alpha_1\Delta CF_{t-1}/P_{t-1} + \alpha_2 CF_{t-1}/P_{t-1} + \alpha_3 \Delta AC_{t-1}/P_{t-1} + \alpha_4 AC_{t-1}/P_{t-1} + \alpha_5 \Delta EVA_{At-1}/P_{t-1} + \alpha_6 EVA_{At-1}/P_{t-1} + \alpha_7 SART_{t-1} + \varepsilon_t$$

Note that to mitigate the effects of scale (i.e., larger firm-years have larger values of both independent and dependent variables), all variables are deflated by price at the beginning of period $t-1 (P_{t-1})$. $CF_t$ and $AC_t$ are the cash flows from operations and accrual components of $EPS$, respectively, and other variables are defined above.

We expect the coefficient on change in accruals to be negative and significant due to the fact that accrual changes tend to reverse in future years because of the mechanics of accrual accounting. In contrast, we expect the coefficient on the change in cash flows to be positive, as cash flow changes are more permanent. The coefficient estimate on size-adjusted-return should be positive because it captures information available to market participants that is reflected in earnings in later periods. Assuming that the EVA adjustment removes GAAP distortions from EPS and allows for a more accurate and timely measure of firm performance, we expect the coefficients on the EVA adjustments to be positive.

The predictability of future earnings is dependent upon prior-year performance. Firms whose prior-year earnings change or returns are below the cross-sectional median in a given year have been shown to have more transitory earnings (Elgers and Lo, 1994). Therefore, we investigate the above regression after partitioning firms into two groups based on whether their previous year’s earnings change was positive or negative.

2.2. Analysts’ forecasts of EPS

If we find that EVA conveys additional information about future earnings beyond what is reflected in current earnings, cash flows and security returns the next logical step is to test if this incremental predictive content is reflected in analysts’ forecasts of earnings. If analysts’ do not fully incorporate the information in prior-year EVA changes or levels, then their forecast errors will be correlated with these EVA variables. Previous research has shown that analysts’ forecasts
contain predictable and systematic errors. Recent evidence indicates that financial analysts’ forecasts of earnings are biased (optimistic) and fail to incorporate fully the earnings-relevant information in prior-year earnings changes and prior-year security returns (e.g., Elgers and Lo, 1994; Ali et al., 1992). Elgers and Lo (1994) demonstrate that analysts’ forecasts are optimistic for firms with poor prior-year earnings or share price performance. This is attributed to a significant reversal tendency for earnings changes below the median, in which analysts predict significantly greater reversals than are exhibited by actual earnings. Ali et al. (1992) and Mendenhall (1991) find that analysts’ forecasts errors are positively serially correlated. In addition, their forecast errors depend upon the variability in earnings changes and the standard deviation of forecasts (Elliott et al., 1993).

To test whether analysts’ prediction errors are correlated with information in EVA, we must first control for these previously documented patterns. Therefore, we regress the forecast error on these previously documented inefficiencies in analysts’ forecasts after controlling for prior-year performance. We also decompose EPS changes and levels into their cash flow and accrual components for reasons described earlier. Lastly, we add EVA changes and levels. We control for prior-year performance by below estimating equation separately for firms with previous-year earnings increases and decreases.

\[
\frac{(EPS_t - FC_t)}{P_{t-1}} = \beta_0 + \beta_1 \Delta EVA_{t-1}/P_{t-1} + \beta_2 EVA_{t-1}/P_{t-1} + \beta_3 \left(\frac{EPS_{t-1} - FC_{t-1}}{P_{t-1}}\right) + \beta_4 SAR_{t-1} + \beta_5 \sigma_{(FC)} + \beta_6 \Delta CF_{t-1}/P_{t-1} + \beta_7 CF_{t-1}/P_{t-1} + \beta_8 \Delta AC_{t-1}/P_{t-1} + \beta_9 AC_{t-1}/P_{t-1} + \epsilon_t
\]

Where \(FC_t\) is the mean of all individual analysts’ forecasts made in March of year \(t\), \(\sigma_{(FC)}\) is the standard deviation of these forecasts, and other variables are defined above. If the forecast error in year \(t\) is positive, the standard deviation is kept positive; however if the forecast error is negative, the standard deviation is multiplied by \(-1.0\) (Elliott et al., 1993). The rest of the variables are measured as defined previously.

In this equation, an estimated \(\beta_0\) significantly less than zero indicates that analysts’ forecasts are optimistic, holding all other independent variables constant. The coefficients \(\beta_1\) and \(\beta_2\) indicate the role of EVA information in enhancing the accuracy of analysts’ forecasts. Estimates of \(\beta_1\) or \(\beta_2\) different from zero indicate that past realizations of EVA adjustments are associated with analysts’ prediction errors, consistent with the conjecture that analysts’ fail to fully incorporate the information in the EVA adjustments when making their EPS forecasts. An estimated \(\beta_3\) different form zero suggests that analysts’ forecasts do not fully incorporate information contained in past forecast errors, i.e., their forecasts of future earnings do not properly reflect the time-series properties of annual earnings. An estimated \(\beta_4\) different form zero indicates that analysts’ forecasts do not fully reflect past stock returns. \(\beta_5\) is expected to be positive in that larger variability of analysts’ forecasts for a given firm indicates greater dispersion of opinion and earnings that are likely harder to forecast, thus leading to larger forecast errors. Finally, estimates of \(\beta_6\), \(\beta_7\), \(\beta_8\), and \(\beta_9\) different from zero indicate that analysts’ forecasts do not fully incorporate information contained in past realizations of cash flows or the accrual components of EPS.

3. Sample selection

For the tests examining the predictability of earnings, we select firms that meet the following criteria:
1. Sufficient data are available from Compustat to calculate all required financial variables.

The above requirements resulted in a sample of 6,391 firm-years. Firm-years were deleted from this sample if either the absolute value of their price-scaled cash flow, accrual or EVA component changes were greater than 1.0 to avoid the excessive leverage of outliers on our (linear) estimation. In addition, all firm-years with negative EPS were deleted based on findings that loss firms have systematically different market responses to earnings than do profitable firms (e.g., Hayn, 1995), and because analysts’ incentives and forecast accuracy are likely to differ substantially for loss firms. Because of this deletion, our “good news” and “bad news” partitions consist of firms with only profitable earnings increases and decreases. Our final sample used to estimate equation (1) consists of 4,382 firm-years from 1991 to 2006, ranging from 232 to 362 firms per year.

To examine potential inefficiencies of analysts’ forecasts, the following additional requirements were added:

2. The I/B/E/S CD-ROM contains at least three forecasts of earnings made in March of year \( t \). The requirement of at least three forecasts is necessary to calculate a standard deviation of the forecasts.

Lastly, we eliminated firms with absolute price-scaled forecast errors greater than 1.0. In addition, to ensure analysts were familiar with EVA we used forecasts made starting in 1999. The above requirements limited our sample for the forecast error regression to 1,443 firm-years.

4. Results

Panel of Table 1 presents means of our analysis and control variables for the full sample, partitioned according to sign of earnings change in year \( t-1 \). The mean cash flow change for firm-years with earnings decreases in year \( t-1 \) (0.0165) is statistically indistinguishable from firm-years with positive earnings changes (0.0098). The difference in the sign of the earnings between these two sets of firms, therefore, seems to be driven by the accrual component as evidenced by the negative accrual change in \( t-1 \) (mean=−0.0636) for firms with negative prior earnings. The change in \( EVA \) adjustment in year \( t-1 \) is positive for both positive and negative prior earnings firms (mean=0.0082 (0.0006) for firms with earnings changes below (above) zero), indicating possibly that the computation of \( EVA \) cancels out some of the negative information in the accrual component for firms with negative earnings changes in year \( t-1 \).

Panel B of Table 1 presents correlations for the independent variables used in the earnings prediction tests. Based on the magnitude of these correlations, there is a potential for multi co linearity in several regression models. However, all of our inferences are based upon means and standard errors of annual coefficient estimates. Because we do not rely upon estimated OLS standard errors in our statistical tests, the potential multi co linearity is not of immediate concern. The most notable correlations are the positive correlation between \( EPS \) changes and \( EVA \) changes (0.7188), which we expect given that they are competing performance proxies, and the negative correlation between cash flow changes and accrual.
### Table 1. Means and correlations of analysis variables (4,382 firm-years)

<table>
<thead>
<tr>
<th>Panel A: Means</th>
<th>All firm-years $(n = 4382)$</th>
<th>Earnings change below zero in year $t - 1$ $(n = 1429)$</th>
<th>Earnings change above zero in year $t - 1$ $(n = 2953)$</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\Delta EPS_{t-1}/P_{t-1}$</td>
<td>0.0038</td>
<td>-0.0471</td>
<td>0.0285</td>
</tr>
<tr>
<td>$EPS_{t-1}/P_{t-1}$</td>
<td>0.0642</td>
<td>0.0405</td>
<td>0.0757</td>
</tr>
<tr>
<td>$\Delta EVA_{t-1}/P_{t-1}$</td>
<td>0.0069</td>
<td>-0.0389</td>
<td>0.0290</td>
</tr>
<tr>
<td>$EVA_{t-1}/P_{t-1}$</td>
<td>0.1028</td>
<td>0.0902</td>
<td>0.1089</td>
</tr>
<tr>
<td>$\Delta CF_{t-1}/P_{t-1}$</td>
<td>0.0120</td>
<td>0.0165</td>
<td>0.0098</td>
</tr>
<tr>
<td>$CF_{t-1}/P_{t-1}$</td>
<td>0.1206</td>
<td>0.1425</td>
<td>0.1100</td>
</tr>
<tr>
<td>$\Delta AC_{t-1}/P_{t-1}$</td>
<td>-0.0082</td>
<td>-0.0636</td>
<td>0.0186</td>
</tr>
<tr>
<td>$AC_{t-1}/P_{t-1}$</td>
<td>-0.0564</td>
<td>-0.1020</td>
<td>-0.0343</td>
</tr>
<tr>
<td>$\Delta EVA_{t-1}/P_{t-1}$</td>
<td>0.0031</td>
<td>0.0082</td>
<td>0.0006</td>
</tr>
<tr>
<td>$EVA_{t-1}/P_{t-1}$</td>
<td>0.0386</td>
<td>0.0497</td>
<td>0.0332</td>
</tr>
<tr>
<td>$SAR_{t-1}$</td>
<td>0.0636</td>
<td>-0.0317</td>
<td>0.1097</td>
</tr>
<tr>
<td>Total</td>
<td>998</td>
<td>908</td>
<td>90</td>
</tr>
</tbody>
</table>

### Panel B: Pearson correlations—all firms

<table>
<thead>
<tr>
<th>$\Delta EPS_{t-1}/P_{t-1}$</th>
<th>$\Delta EVA_{t-1}/P_{t-1}$</th>
<th>$EVA_{t-1}/P_{t-1}$</th>
<th>$\Delta CF_{t-1}/P_{t-1}$</th>
<th>$CF_{t-1}/P_{t-1}$</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\Delta EPS_{t-1}/P_{t-1}$</td>
<td>0.5344</td>
<td>0.7188</td>
<td>0.2805</td>
<td>-0.1170</td>
</tr>
<tr>
<td>$EPS_{t-1}/P_{t-1}$</td>
<td>0.3726</td>
<td>0.6914</td>
<td>-0.1045</td>
<td>0.0310</td>
</tr>
<tr>
<td>$\Delta EVA_{t-1}/P_{t-1}$</td>
<td>0.4387</td>
<td>-0.0781</td>
<td>-0.0306</td>
<td>0.2586</td>
</tr>
<tr>
<td>$EVA_{t-1}/P_{t-1}$</td>
<td>-0.0317</td>
<td>0.0497</td>
<td>0.0036</td>
<td></td>
</tr>
<tr>
<td>$\Delta CF_{t-1}/P_{t-1}$</td>
<td>0.5313</td>
<td>0.5344</td>
<td>0.7188</td>
<td>0.2805</td>
</tr>
</tbody>
</table>

### Correlations for firm-years with earnings change below zero in year $t - 1$

<table>
<thead>
<tr>
<th>$\Delta CF_{t-1}/P_{t-1}$</th>
<th>$\Delta AC_{t-1}/P_{t-1}$</th>
<th>$AC_{t-1}/P_{t-1}$</th>
<th>$\Delta EVA_{t-1}/P_{t-1}$</th>
<th>$EVA_{t-1}/P_{t-1}$</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\Delta CF_{t-1}/P_{t-1}$</td>
<td>0.5675</td>
<td>-0.8887</td>
<td>-0.5608</td>
<td>0.0149</td>
</tr>
<tr>
<td>$\Delta AC_{t-1}/P_{t-1}$</td>
<td>-0.6131</td>
<td>-0.8445</td>
<td>0.0075</td>
<td>0.3303</td>
</tr>
<tr>
<td>$AC_{t-1}/P_{t-1}$</td>
<td>0.7576</td>
<td>-0.0994</td>
<td>-0.0306</td>
<td>-0.1086</td>
</tr>
<tr>
<td>$\Delta EVA_{t-1}/P_{t-1}$</td>
<td>0.5161</td>
<td>0.5313</td>
<td>0.5344</td>
<td>0.7188</td>
</tr>
</tbody>
</table>

### Correlations for firm-years with earnings change above zero in year $t - 1$

<table>
<thead>
<tr>
<th>$\Delta CF_{t-1}/P_{t-1}$</th>
<th>$\Delta AC_{t-1}/P_{t-1}$</th>
<th>$AC_{t-1}/P_{t-1}$</th>
<th>$\Delta EVA_{t-1}/P_{t-1}$</th>
<th>$EVA_{t-1}/P_{t-1}$</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\Delta CF_{t-1}/P_{t-1}$</td>
<td>0.5039</td>
<td>-0.8734</td>
<td>-0.4960</td>
<td>0.0411</td>
</tr>
<tr>
<td>$\Delta AC_{t-1}/P_{t-1}$</td>
<td>-0.3455</td>
<td>-0.8894</td>
<td>-0.0151</td>
<td>0.2976</td>
</tr>
<tr>
<td>$AC_{t-1}/P_{t-1}$</td>
<td>0.3681</td>
<td>-0.1233</td>
<td>0.0132</td>
<td>-0.2460</td>
</tr>
<tr>
<td>$\Delta EVA_{t-1}/P_{t-1}$</td>
<td>0.5026</td>
<td>0.5313</td>
<td>0.5344</td>
<td>0.7188</td>
</tr>
</tbody>
</table>

\[ \Delta EPS_{t-1} = (EPS_{t-1} - EPS_{t-2}) \] where \( EPS_{t-1} \) is the reported accounting earnings per share before extraordinary items and discontinued operations for the year ended December 31, \( t - 1 \).

\[ \Delta EVA_{t-1} = (EVA_{t-1} - EVA_{t-2}) \] where \( EVA_{t-1} \) is reported \( EVA \) prior to the cost of capital deduction for year ended December 31, \( t - 1 \).

\[ \Delta CF_{t-1} = (CF_{t-1} - CF_{t-2}) \] where \( CF_{t-1} \) is the cash flow from operations component of earnings for the year ended December 31, \( t - 1 \).

\[ \Delta AC_{t-1} = (AC_{t-1} - AC_{t-2}) \] where \( AC_{t-1} \) is the accrual component of earnings for the year ended December 31, \( t - 1 \).

\[ \Delta EVA_{t-1} = (EVA_{t-1} - EVA_{t-2}) \] where \( EVA_{t-1} \) is the difference between reported \( EVA \) (prior to the cost of capital deduction) and \( EPS \) for year ended December 31, \( t - 1 \).

\( P_{t-1} \) is the common stock price on March 31 of year \( t - 1 \).
SAR_{t-1} is the size-adjusted return for the year ended March 31 of year t.

Changes (−0.8887 and −0.8734 for firms with earnings changes below and above zero, respectively), which is widely documented in prior research. In addition, changes in the EVA adjustment and accrual component are negatively correlated (−0.0994 and −0.1233 for firms with earnings changes below and above zero, respectively), more so for firms with positive prior-year earnings changes. This suggests that EVA adjustments may undo certain accruals thought by Stern Stewart to be value-irrelevant.

4.1. Earnings predictions

The results of estimating equation (1) are reported in Table 2. Panel A, indicates that the prior-year’s level of cash flows and accruals is useful in explaining future earnings changes for all firm-years, as evidenced by the significance of α_2 and α_4 in both partitions of the data. Consistent with previous research, firm-years with prior-year earnings changes below zero tend to have positive earnings changes in period t, as evidenced by α_1 and α_3 (t = −2.07, p = 0.058 and t = −1.93, p = 0.076, respectively) for negative earnings change firms. For positive earnings change firms, this is not so—α_1 and α_3 are indistinguishable from zero. Both cash flows and accruals are significant in explaining future earnings changes for the poor performing firms, indicating reversal tendencies in both components for these firms. In addition, prior-year returns (coefficient α_7) are more significant for good performing firms. This finding is consistent with Basu (1997) who argues that conservatism in GAAP causes poor performance to be more quickly reflected in earnings.

The variables of primary concern in this study, α_5 and α_6, indicate that EVA accounting adjustments are incrementally useful in explaining earnings changes beyond that of cash flow, accruals and prior-year security returns. For firm-years with earnings decreases, the level of EVAA is significant (t = 2.47), and for firm-years with earnings increases, the change is significant at a 10% level (t = 1.97, two-tailed p < 0.07), but not at the 5% level we use in our significance tests. One plausible explanation for the differential results across partitions is that the ability of EVAA (and other variables in the model as well) to explain future earnings changes stems largely from its ability to identify and capture the effects of transitory components of earnings, which are likely more prevalent in the earnings decrease firm-years, because of the more temporary nature of earnings declines. We next examine the usefulness of EVAA using out-of-sample predictions of earnings changes. To determine the incremental value of including EVA information in the prediction model, we compare two predictions of earnings, one using information contained in EVA and the other excluding EVA information. These results are reported in panel B of Table 2. For firm-years with earnings declines, it appears that the incremental information in EVA does not help in predicting earnings changes as both the mean squared error, \[ \frac{1}{n} \sum (\text{predicted} - \text{actual})^2 \] (hereafter MSE) and mean absolute error, \[ \frac{1}{n} \sum |\text{predicted} - \text{actual}| \] (hereafter MAE) are actually higher when EVA is included. That is, predictions using EVAA are worse than those without EVAA. However, for firms with positive prior-year earnings changes, adding EVA information to the model does result in smaller prediction errors. Both the MSE and MAE are smaller when the EVA information.
Table 2. Prediction of future earnings changes in prior-year firm performance partitions \(N = 4,382\), 1991–2006

### Panel A: Within-sample predictions

\[
\Delta \text{EPS}_t/P_{t-1} = \alpha_0 + \alpha_1 \Delta \text{CF}_{t-1}/P_{t-1} + \alpha_2 \Delta \text{CF}_{t-1}/P_{t-1} + \alpha_3 \Delta \text{AC}_{t-1}/P_{t-1} + \alpha_4 \Delta \text{EVA}_{t-1}/P_{t-1} + \alpha_5 S\text{AR}_{t-1} + \epsilon_t \tag{1}
\]

Firm-Years with earnings change below zero in year \(t - 1\) \((n = 1,429)\)

<table>
<thead>
<tr>
<th></th>
<th>(\alpha_0)</th>
<th>(\alpha_1)</th>
<th>(\alpha_2)</th>
<th>(\alpha_3)</th>
<th>(\alpha_4)</th>
<th>(\alpha_5)</th>
<th>(\alpha_7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intertemp. mean.</td>
<td>0.0482</td>
<td>-0.1490</td>
<td>-0.7544</td>
<td>-0.1505</td>
<td>-0.8156</td>
<td>0.0033</td>
<td>0.0837</td>
</tr>
<tr>
<td>Intertemp. (t)'s</td>
<td>10.99*</td>
<td>-2.07</td>
<td>-15.78*</td>
<td>-1.93</td>
<td>-14.75*</td>
<td>0.08</td>
<td>2.47*</td>
</tr>
<tr>
<td>Average (R^2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.78</td>
</tr>
</tbody>
</table>

Firm-Years with earnings change above zero in year \(t - 1\) \((n = 2,953)\)

<table>
<thead>
<tr>
<th></th>
<th>(\alpha_0)</th>
<th>(\alpha_1)</th>
<th>(\alpha_2)</th>
<th>(\alpha_3)</th>
<th>(\alpha_4)</th>
<th>(\alpha_5)</th>
<th>(\alpha_7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intertemp. mean.</td>
<td>0.0314</td>
<td>-0.0177</td>
<td>-0.4588</td>
<td>-0.0049</td>
<td>-0.5171</td>
<td>0.0394</td>
<td>0.0322</td>
</tr>
<tr>
<td>Intertemp. (t)'s</td>
<td>8.29*</td>
<td>-0.25</td>
<td>-6.94*</td>
<td>-0.07</td>
<td>-7.54*</td>
<td>1.97</td>
<td>1.53</td>
</tr>
<tr>
<td>Average (R^2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.41</td>
</tr>
</tbody>
</table>

### Panel B: Out-of-sample predictions

Firm-years with earnings change below zero in year \(t - 1\) \((n = 1,343)\)

<table>
<thead>
<tr>
<th></th>
<th>Exclusion of (EVA) Adjustment</th>
<th>Inclusion of (EVA) Adjustment (equation (1))</th>
</tr>
</thead>
<tbody>
<tr>
<td>(MSE) % 100</td>
<td>0.1900</td>
<td>0.1912</td>
</tr>
<tr>
<td>(MAE) % 100</td>
<td>3.03</td>
<td>3.06</td>
</tr>
</tbody>
</table>

Firm-Years with earnings change above zero in year \(t - 1\) \((n = 2,794)\)

<table>
<thead>
<tr>
<th></th>
<th>Exclusion of (EVA) Adjustment</th>
<th>Inclusion of (EVA) Adjustment (equation (1))</th>
</tr>
</thead>
<tbody>
<tr>
<td>(MSE) % 100</td>
<td>0.1514</td>
<td>0.1498 *</td>
</tr>
<tr>
<td>(MAE) % 100</td>
<td>2.29</td>
<td>2.27</td>
</tr>
</tbody>
</table>

### Description of regression variables:

\(P_{t-1}\) is the common stock price on March 31 of year \(t - 1\).

\(\Delta \text{EPS}_t = (\text{EPS}_t - \text{EPS}_{t-1})\) where \(\text{EPS}\) is the reported accounting earnings per share before extraordinary items and discontinued operations for the year ended December 31, \(t\).

\(S\text{AR}_{t-1}\) is the size-adjusted return for the year ended March 31 of year \(t\).

\(\Delta \text{CF}_{t-1} = (\text{CF}_{t-1} - \text{CF}_{t-2})\) where \(\text{CF}_{t-1}\) is the cash flow from operations component of earnings for the year ended December 31, \(t - 1\).

\(\Delta \text{AC}_{t-1} = (\text{AC}_{t-1} - \text{AC}_{t-2})\) where \(\text{AC}_{t-1}\) is the accrual component of earnings for the year ended December 31, \(t - 1\).

\(\Delta \text{EVA}_{t-1} = (\text{EVA}_{t-1} - \text{EVA}_{t-2})\) where \(\text{EVA}_{t-1}\) is the difference between reported \(EVA\) (prior to the cost of capital deduction) and \(\text{EPS}\) for year ended December 31, \(t - 1\).
The intertemporal mean is the average of the coefficients estimated in 16 annual cross-sectional regressions for the years 1991–2006.

The t-statistics are computed as the ratio of the means and standard errors of the 16 annual estimates of the regression coefficients. Probability values are two-tailed.

Significant at probability below 0.05.

Out of sample predictions are computed as the ratio of the intertemporal means and standard errors of 15 annual differences in calculated error metrics for the years 1992–2006. Significance is based on a two-tailed t-test at probability below 0.05.

Is included than when it is not. Only the difference in the MSE is statistically significant. These results support the argument that EVA is incrementally useful in predicting future earnings changes for firm-years with positive prior-year earnings changes.

4.2. Analysts’ forecasts of EPS

The results of regressing analysts’ forecast errors on components of EPS, the EVA adjustment, and the control variables included in equation (2) are reported in Table 3. Consistent

Table 3. Relation of analysts’ forecast errors and EVA adjustments in prior-year firm performance partitions

(n = 1,443, 1999–2006)

<table>
<thead>
<tr>
<th>Earnings change below zero in year t − 1 (n = 442)</th>
<th>( \beta_0 )</th>
<th>( \beta_1 )</th>
<th>( \beta_2 )</th>
<th>( \beta_3 )</th>
<th>( \beta_4 )</th>
<th>( \beta_5 )</th>
<th>( \beta_6 )</th>
<th>( \beta_7 )</th>
<th>( \beta_8 )</th>
<th>( \beta_9 )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intertemp. Mean</td>
<td>0.012</td>
<td>−0.014</td>
<td>0.105</td>
<td>0.575</td>
<td>−0.011</td>
<td>0.082</td>
<td>−0.181</td>
<td>−0.280</td>
<td>−0.175</td>
<td>−0.308</td>
</tr>
<tr>
<td>Intertemp. t</td>
<td>2.46*</td>
<td>−0.16</td>
<td>1.44</td>
<td>7.32t</td>
<td>−1.57</td>
<td>10.82t</td>
<td>−1.69</td>
<td>−3.28t</td>
<td>−1.55</td>
<td>−3.87t</td>
</tr>
<tr>
<td>Average ( R^2 )</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.67</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Earnings change above zero in year t − 1 (n = 1,001)</th>
<th>( \beta_0 )</th>
<th>( \beta_1 )</th>
<th>( \beta_2 )</th>
<th>( \beta_3 )</th>
<th>( \beta_4 )</th>
<th>( \beta_5 )</th>
<th>( \beta_6 )</th>
<th>( \beta_7 )</th>
<th>( \beta_8 )</th>
<th>( \beta_9 )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intertemp. mean</td>
<td>0.012</td>
<td>−0.011</td>
<td>−0.049</td>
<td>0.875</td>
<td>−0.012</td>
<td>0.073</td>
<td>−0.139</td>
<td>−0.312</td>
<td>−0.085</td>
<td>−0.423</td>
</tr>
<tr>
<td>Intertemp. t</td>
<td>4.13t</td>
<td>−0.394</td>
<td>−2.13t</td>
<td>26.94t</td>
<td>−2.78t</td>
<td>3.03t</td>
<td>−4.62t</td>
<td>−3.84t</td>
<td>−2.43t</td>
<td>−4.82t</td>
</tr>
<tr>
<td>Average ( R^2 )</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.65</td>
</tr>
</tbody>
</table>

Description of regression variables:

\( P_{t-1} \) is the common stock price on March 31 of year \( t-1 \).

\( SAR_{t-1} \) is the size-adjusted return for the year ended March 31 of year \( t \).

\( EPS_t \) is the reported accounting earnings per share before extraordinary items and discontinued operations for the year ended December 31, \( t \).

\( FC_t \) is the mean of all individual analysts’ forecasts of earnings made in March of year \( t \), for the year ended December 31, \( t \).

\( \sigma_{FC} \) is the standard deviation of the March forecasts’ for the year ended December 31, \( t \).

\( \Delta CF_{t-1} = (CF_{t-1} - CF_{t-2}) \) where \( CF_{t-1} \) is the cash flow from operations component of earnings for the year ended December 31, \( t-1 \).

\( \Delta AC_{t-1} = (AC_{t-1} - AC_{t-2}) \) where \( AC_{t-1} \) is the accrual component of earnings for the year ended December 31, \( t-1 \).

\( \Delta EVA_{t-1} = (EVA_{t-1} - EVA_{t-2}) \) where \( EVA_{t-1} \) is the difference between reported EVA (prior to the cost of capital adjustment) and EPS for year ended December 31, \( t-1 \).

The intertemporal mean is the average of the coefficients estimated in 8 annual cross-sectional regressions for the years 1999–2006.

The t-statistics are based on the means and variances of the 8 annual estimates of the regression coefficients. Probability values are based on a two-tailed t-test.

Significant at probability below 0.05.

With results discussed earlier documenting the usefulness of EVA adjustments in predicting future earnings for firms with positive prior-year earnings changes, significant results are also
observed here for this subsample of firms. The EVA adjustment (coefficient $\beta_2$, $t = -2.13$) is significantly associated with forecast errors for this set of firm-years. One interpretation of this result is that for this subsample, analysts’ forecasts may not fully reflect information about future earnings changes contained in EVA in their forecasts. The negative and significant coefficient on $\beta_2$ for the firm-years with prior-year earnings increases is consistent with analysts’ forecasts overweighing the importance of the EVA adjustment in the previous year. That is, forecasts are too high subsequent to a positive EVA adjustment and too low subsequent to a negative EVA adjustment. However, for firms with negative prior earnings changes, the coefficients on the EVA components ($\beta_1$ and $\beta_2$) are not significant. This result is consistent with the earlier insignificant results reported in Panel B of Table 2 that indicated that EVA was not useful in out-of-sample predictions of earnings for firms with negative prior-year earnings performance.

Consistent with prior research, forecast errors ($\beta_3$) are positively serially correlated and positively associated with the standard deviation of analysts’ forecasts ($\beta_5$), independent of prior-year performance. However, in contrast to our expectations, analysts’ forecast errors are significantly negatively associated with the previous-period’s returns ($\beta_4$) for firms with earnings changes above zero in the previous year and insignificant for firms with earnings changes below zero in the previous year. For firms with good prior year performance, analysts’ forecasts appear to overweight the impact of this information on the subsequent year’s earnings. In addition, for firms with earnings changes below zero in the previous year, only the level of cash flow and accrual components of earnings ($\beta_7$ and $\beta_9$) are significantly associated with the analysts’ forecast error. However, for firms with earnings changes above zero in the previous year, both the level and changes in accrual and cash flow components of earnings ($\beta_6$, $\beta_7$, $\beta_8$, and $\beta_9$) are associated with the analysts’ forecast error. Lastly, a positive intercept ($\beta_0$) indicates that analysts are on average too conservative, holding all other variables constant.

5. Conclusion

In this paper, we adopt a new approach to evaluating the relative performance of earnings and EVA as measures of firm performance. Specifically, we first examine the relationship between EVA accounting adjustments and future EPS changes and find that EVA adjustments have incremental information in explaining future earnings changes over that of cash flow and accrual components of earnings. Based on this finding, we make out-of-sample predictions of EPS and find that the model containing EVA information leads to more accurate EPS predictions for firm-years with prior-year earnings increases. We also find a significant association between analysts’ forecast errors and EVA for these firms.

One interpretation of this result is that analysts’ forecasts appear not to fully reflect information in reported EVA for firms with prior-year earnings increases. One explanation for these results may be that EVA was relatively new for the sample period (1989–1996) used in the analysis of analysts forecast errors in this study. Therefore analysts, specially in the earlier years, may not have been fully familiar with this new performance measure and convinced of its usefulness for predicting future firm performance. In this study we have restricted our analysis to one contextual factor, prior-year earnings performance. Future research may want to include other contextual factors, which may cause EVA adjustments to be more or less useful in earnings and cash flow predictions. Also, future research may expand upon why EVA adjustments appear to be useful by systematically testing the specific adjustments EVA makes to GAAP earnings.
Notes

1. EVA is a trademark of Stern, Stewart Management Services. It is the firm’s proprietary adaptation of residual income valuation approach.

2. One reason may be that realized EVA may not outperform earnings in representing investors’ expected future cash flows. Since stock prices are theoretically the discounted present value of future cash flows to investors, stock prices change (i.e., investors earn a return) if investors’ expectations of these future cash flows change. Net income may provide a better proxy for the market’s assessment of the present value of future cash flows.

3. The question remains controversial, as evidenced by the a pair of articles by Biddle et al. (1999) and O’Byrne (1999) appearing in the same journal and drawing opposite conclusions about the value-relevance of EVA.

4. Calculating a cost of capital, as done by Stern Stewart & Company, may cause measurement error in EVA (Carr, 1996). In addition, there are already earnings-based numbers that implicitly consider the cost of capital to the firm, such as return-on-investment and return-on-assets. Therefore, we focus on the adjustments that Stern Stewart & Company make to earnings.

5. Chen and Dodd (1997) find that residual income and EVA explained stock returns equally well, suggesting the accounting adjustments are not priced by the market.

6. It is plausible that these are precisely the kinds of accounting adjustments that would be made by financial analysts when they attempt to determine the components of earnings that are persistent and those that are transitory. Accordingly, limiting our attention to the accounting adjustments is consistent with the objective of our tests using analysts’ forecast errors.

7. The results of sensitivity tests including other EVA components (available on request from the authors) are consistent with the inferences we draw from our tabulated analyses.

8. The relation is modeled in changes form to mitigate potential correlated omitted variables bias, to the extent that any omitted variables are stable across time.

9. This allows more accurate predictions for firms with extreme (transitory) earnings that are not well described by a random-walk expectation model. The transitory portion of earnings does not persist in subsequent periods, inducing a negative serial correlation in earnings changes (e.g., Brooks and Buckmaster, 1976).

10. Moreover, a levels and changes specification is econometrically equivalent to disaggregating changes—i.e., relaxing the implicit constraint that the components of prior year earnings change have equal and opposite coefficients. Specifically, $\Delta Et = \delta 0 + \delta 1 \Delta Et-1 + \varepsilon 1t$ leads to $\Delta Et = \varphi 0 + \varphi 1 Et-1 + \varphi 2 Et-2 + \varepsilon 2t$ when the constraint on $\delta 1$ is relaxed. But this is econometrically equivalent to $\Delta Et = \gamma 0 + \gamma 1 Et-1 + \gamma 2 \Delta Et-1 + \varepsilon 3t$, a levels and changes specification, where $\varphi 1 = \gamma 1 + \gamma 2$ and $\varphi 2 = -\gamma 2$.

11. Through 1986, CF is equal to total funds from operations less current accruals. After 1986, CF is equal to the working capital from operations (the sum of income before extraordinary items, equity in net loss (earnings) of unconsolidated subsidiaries, extraordinary items and discontinued operations, depreciation and amortization, deferred income tax expense, gains and losses from sale or disposal of assets, and other funds from operations) less current accruals. Current accruals equal accounts receivable+inventory+other current assets−accounts
12. We also partitioned based on the cross-sectional median value of prior-year earnings changes and SAR, however, our results are qualitatively the same.

13. This is around the time EVA became popular (Finegan, 1989).

14. Due to the potential bias in pooled t-statistics caused by cross-sectional correlations in the error terms, we present ‘intertemporal’ t statistics, computed as the mean of the 16 annual coefficient estimates divided by the standard error of the 16 estimates. In addition, variance inflation factors indicate the presence of multicollinearity in the pooled estimation, which also biases the pooled standard errors. Intertemporal t statistics are not subject to this bias.

15. The first is based on using equation (1) and therefore contains information in EVA useful in predicting earnings changes. To form these predictions we use the average coefficients obtained in equation (1) for all prior years. Our second prediction allows us to determine the incremental value of including EVAC in equation (1). To form these predictions were-estimate equation (1) without $\alpha_5$ and $\alpha_6$ (the EVA variables) each year. We then use the average of all previous-years’ coefficient estimates to form earnings predictions based on information excluding EVA. Therefore, our results now start at year 1982.

16. Statistical tests of the MSE and MAE differences across models are done using the mean of 15 annual differences divided by the standard error of the mean.
References


An Investigation into the Philosophic Views of Secondary level School Teachers about Education in Pakistani contest

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Serwat Mobeen
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Dr. Safia Saceed
Education department Wah university Pakistan

ABSTRACT
Educational philosophy depends on general or formal philosophy to the extent that the problems of education are of a general philosophical character. We cannot criticize existing educational policies or suggest new ones without considering such general philosophic problems as (a) the nature of the good life, to which education should lead, (b) the nature of man himself, because it is man who is educated, (c) the nature of society, because education is a social process, and (d) the nature of ultimate reality, which all knowledge seeks to penetrate. Teaching behavior depends at least on partly on philosophical presuppositions about nature of reality, knowledge and values. Education is the eternal philosophy of superior adjustment of the physically and mentally developed, free, conscious, human being to God, as manifested in the intellectual, emotional, and volitional environment of man. The objective of the study was to compare the philosophic views of teachers about education. The proposed study seeks to investigate the philosophical views of secondary school teachers about education. All the secondary school teachers of government schools located in Pakistan constituted the population of the study. The sample of study was consisted of 500 hundred teachers (250 male and 250 female), which was randomly selected. For the purpose of data collection, a 20 - item five-point scale questionnaire (appendix A) was used. The questionnaire was developed by Wiseman, (2005). The researchers visited the schools to get necessary information from the teachers. The obtained data were scored, analyzed and interpreted by means of appropriate statistical techniques of analysis such as Chi-square and Contingency Coefficient. The result of the study indicated that the philosophic views of secondary school teachers were found to be highly in favour of existentialism and least in favour of realism. However male teachers were tend to be inclined towards existentialism whereas Female teachers inclined towards idealism. Experienced teachers preferred existential ideas about education whereas less experienced teachers favored pragmatic outlook towards education. Teachers were more or less consistent in their philosophic views about education. They were more consistent in their pragmatic views about education and least consistent in their existential views about education.

Key Words: Idealism, Realism, Pragmatism, Existentialism.

INTRODUCTION
Allah has created man, superior to all living and non-living things. Man is superior to all things due to his wisdom and consciousness. In Platonic terminology, education is the training of each individual to do for what his talents particularly suit in such a way as to benefit the whole social group. Philosophy is the love of wisdom. For thousands of years, philosophers have been
wrestling with many of the same questions: What is most real—the physical world or the realm
of mind and spirit? What is the basis of human knowledge? What is the nature of the just
society? These and other philosophical questions influence education. Educators must take
stances on such questions before they can determine what and how students should be taught.
Since educators do not agree on the answers to these questions, different philosophies of
education have emerged. Although there are similarities, there are also profound differences in
the way leading educators define the purpose of education, the role of the teacher, the nature of
curriculum and the method of instruction.

According to Allya the main fields of philosophy are (1) metaphysics, including
cosmology and ontology (2) epistemology; (3) axiology, including ethics and aesthetics.
Metaphysics is the area of philosophy that is concerned with questions about the nature of
reality. Latterly metaphysics means” beyond the physical”. It deals with questions like: What is
reality? What is existence? Is the universe rationally designed or ultimately meaningless?
Metaphysics is a search for order and wholeness, applied not to particular items or experiences,
but to all reality and to all existence. Metaphysics is the attempt to find coherence in the whole
realm of thought and experience. Metaphysics also involves questions concerning the nature of
humans. Is human nature physical or spiritual? Does a person make free choices to or do events
and conditions force one determined decisions? The question in metaphysics, especially those
about humanity and the universe, are extremely relevant to teachers and students of education
(Allya et al, 1996). Metaphysics is concerned with the nature of reality. As such it includes
cosmology, which deals with the universe as an orderly system, and ontology, which focuses on
the nature of being. Metaphysics seeks to answer such questions as: What is the self? Is
existence only a physical reality, or does existence transcend the physical world? How “real” are
trees, the sky, and so on? (William.F, 1981). Metaphysics examines the nature of ultimate reality.
In speculating about the nature of reality and existence, metaphysicians have not developed a
single agreed – upon conclusions. Idealists see reality in nonmaterial or spiritual terms. Realist
sees it as an objective order that exists independently of humankind. For pragmatists reality is a
result of human experiences with the social and physical environment. In educational
philosophy, metaphysics relates to the particular conception of reality reflected in the subjects,
experiences, and skills of the curriculum. Much school learning represents the efforts of
curriculum makers, teachers, and textbook writers to describe reality to students. (Allan.
C, 1980). Epistemology is a branch of philosophy that examines questions about how and what
we know. What knowledge is true and how does knowledge take place? The epistemologist
attempts to discover what is involved in the process of knowing. Is knowing a special sort of
mental act; is there a difference between knowledge and belief; can we know anything beyond
the objects with which our senses acquaint us? Does knowing make any difference to the object
that is known? Because epistemological questions deal with the essence of knowledge, they are
central to education. Teachers must be able to assess what is knowledge to determine if a
particular piece of information should be included in the curriculum. How we know is of
paramount importance to teachers because their beliefs about learning influence their classroom
methods. Should teachers train students in the scientific methods, deductive reasoning, or both?
Should students study logic and fallacies or follow intuition? Teachers’ knowledge of how
students learn influences how they will teach. (Allya et al, 1996). Epistemology, which deals
with knowledge and knowing, is closely related to methods of teaching and learning. Again,
different philosophies hold different epistemological conceptions. Idealists see knowing, or
cognition, as the recall of ideas that are latent in the mind. For them the Socratic dialogue is the
most appropriate teaching method. In the Socratic method the teacher stimulate the student’s consciousness by asking leading questions, which bring forth the ideas hidden in the learner’s mind. For realists knowledge begins with our sensations of objects. Through abstracting these sensory materials, we form concepts that correspond to the objects in the reality. A teacher who used the realist formula of sensation and abstraction would develop classroom activities that utilize sensory stimuli. Pragmatists contend that we create knowledge by interacting with our environment; hence problem solving is the appropriate method of teaching and learning (Allan, C et al, 1980). According to William F, (1981) Epistemology is concerned with the nature of human knowledge and its limits. This category of philosophy is concerned with theories of knowledge and seeks to answer such questions as: What role do our senses play in giving us knowledge? Are there higher forms of knowledge than what we experience? What are the methods of validating ideas? Ho do we learn? Epistemology is the branch of philosophy that inquires into the nature of knowledge and truth. The problems raised in this area are “What are the sources of knowledge?; and “How reliable are these sources ?” , “What can one known?” , “What is the nature of truth?” The sources of knowledge are (1) authority; (2) common sense; (3) intuition; (4) reason); (5) controlled experience. There are four major theories concerning the nature of truth; (1) coherence; (2) correspondence; (3) pragmatism; (4) skepticism (Callahan et al, 1986). Axiology seeks to specify what is of value. Axiology is divided into ethics and aesthetics. Ethics examines moral values and the rules of right conducts; aesthetics deals with values in beauty and art. Teachers, concerned with forming values in students, encourage certain proffered behavior. Parents, teachers, and society reward or punish behavior as it conforms to or deviates from their conceptions of what is right, good, and beautiful. Idealists and realists subscribe to the objective theory of value, which asserts that the good, true, and beautiful are universally valid in all places and at all times. Pragmatists hold that values are culturally or ethically relative and depend on group or personal preferences that vary with the situation, time, time, and place (Allan C et al, 1984).

Axiology is the study of values, both in regulating both in human conduct (ethics) and in determining beauty (aesthetics). Ethics seeks to answer questions about what is right and wrong, or good and bad, both personally and socially. For example, what is the nature of morality? Is it absolute, or does the situation define what is correct behavior? Is it ever right to take another’s life, as those in the “right to Die” movement believe? or the moral principles universal and timeless, regardless of the situation? Aesthetics addresses questions about the nature of beauty in art, drama, literature, and music. Is beauty a matter of personal taste, or are there principles that determine what is beautiful? Does beauty change from generation to generation, or is it timeless? Is classical music really “classics”? Is today’s music really beautiful, or is it merely noise ( as many older people seem to think)? Or are such questions a matter of individual judgment? (William.F.,1981). There is a philosophy behind every school system, based on the views and values of the educators, as well as the society that is sponsoring the education. The philosophy starts with the view of reality and definitions of truth and goodness. From this, the mission of the schools and the emphasis of the instruction are established. There are four basic philosophies of education, namely, Idealism, Realism, Pragmatism, and Existentialism. Idealism is the school of philosophy that holds that ideas or concepts are the essence of all that is worth knowing. The physical world we know through our senses is only a manifestation of the spiritual world. Idealists believe in the power of reasoning and they de-emphasize the identific method and sense perception, which they hold suspect. They search for universal or absolute truths that will remain constant throughout the centuries (Allya et al,1996). The philosophic
idealists claim that ultimate reality is spiritual in nature rather than physical, mental rather than material. It is only the mind that is real. Therefore all material things that seem to be real are reducible to mind or spirit. On the universal level, finite minds live in a purposeful world produced by an infinite mind. Idealist agree that man is a spiritual being, but they disagree as to exactly how he is related to the ultimate spiritual reality from which he springs (Kneller, 1971).

In idealism, the aim of education is to discover and develop each individual's abilities and full moral excellence in order to better serve society. The curricular emphasis is subject matter of mind: literature, history, philosophy, and religion. Teaching methods focus on handling ideas through lecture, discussion, and Socratic dialogue (a method of teaching that uses questioning to help students discover and clarify knowledge). Introspection, intuition, insight, and whole-part logic are used to bring to consciousness the forms or concepts which are latent in the mind. Character is developed through imitating examples and heroes (LeoNora, 1999). The idealist educator prefers to order the curriculum so that ideas in various subjects relate to each other. Conceptually oriented systems such as mathematics, logic, Language, and aesthetics are stressed in idealist-oriented schools. The highest level of knowledge recognizes the interrelationships among the various subjects and seeks to integrate them (Allan C et al., 1980). In the idealistic philosophy, teachers are given due dignity. Philosophers advocating this view have said that the person, who has reached the level of self-realization, is fit for the post of a teacher. Every teacher should possess higher values of life. He will influence his students by his personality. The duty of the teacher is not to impart knowledge but to instruct the students. Every student should keep himself engaged spontaneously to pursue the truth. The duty of the teacher will be to assist him in that persuasion (Froebel, 2008). A teacher is like a director or superintendent and he should help the pupils to teach themselves. In other words, auto education must be encouraged. Authoritarian position of the instructors is now over-ruled. The teacher should be fit both physically and mentally to combat the variegated problems of learners. A teacher, in order to be an ideal helper must be well informed and should make him attractive both in speech and dress. Words should encourage students to go ahead and face the problems of life boldly. A strong and stout teacher with mental and intellectual efficiency is now an ideal teacher for the adolescents. The ready hand of a teacher would help to energize adolescents to their proper growth and for the attainment of manhood or womanhood (Blogger, 2008). Realism, like idealism, stresses objective knowledge and values, but the realist view of metaphysics and epistemology is different. A basic definition describes the essential doctrines of realism as follows: (1) there is a world of real existence that human beings have not made or constructed, (2) this real existence can be known by the human mind, and (3) such knowledge is the only reliable guide to human conduct, individuals and social. (Allan C et al, 1984). Realism is a school of philosophy that holds that reality, knowledge, and values exist independent of the human mind. In other words realism rejects the idealist notion that only ideas are the ultimate reality. Realist place considerable importance on the role of the teacher in the educational process. The teacher should be a person who presents content in a systematic and organized way and should promote the idea that there are clearly defined criteria one can use in making judgments. Curriculum has reflected the impact of these realist thinkers through the appearance of standardized tests, serialized textbooks, and a specialized curriculum in which the disciplines are seen as separate areas of investigation (Allya et al., 1996). Education, the realists would say, is the study of the subject-matter disciplines into which knowledge has been sorted and classified. History, language, science, mathematics- these are organized bodies of knowledge. If we know them we will know something about the world in which we live. This knowledge is our best guide in conducting our
daily affairs. (Allan C et al, 1984). The basic purpose of education, in realist educational theory, is to provide the pupil with the essential knowledge required for survival in the natural world. Such knowledge will provide the skills necessary to achieve happy life (Callahan et al, 1986). Character is developed through thinking in the rules of conduct (Conen, 1999). The realist classroom is teacher – centered. Subjects are thought by a teacher who is impersonal and objective, and who knows that subject fully. The teacher organizes and presents content systematically within a discipline, demonstrating use of criteria in making decisions. He or she must utilize pupil interest by relating the material to the pupil’s experiences and making the subjects matter as concrete as possible. He or she maintains discipline by rewarding efforts and achievements, controlling the attention of the child and keeping the pupil active (Callahan et al, 1986).

This American Philosophy like idealism and realism is also rooted in Greek thought. In fact, the word Pragmatism comes from a Greek word meaning ‘work’. Therefore, as a philosophical system, pragmatism is concerned with finding processes and the solutions that attain agreeable and appropriated results. Pragmatism has been known by a variety of names from ‘Pragmatism’ to instrumentalism’, ‘functionalism’, and ‘experimentalism’. The Principal themes of pragmatism are the reality of change, the essentially social and biological nature of man, the relatively of values and the use of critical intelligence (Kneller, 1971). For pragmatists, only those things that are experienced or observed are real. They maintain that the world is neither dependent or nor independent of man’s idea of it. The universe is dynamic and evolving or becoming Reality amount to ‘interaction’ of the human being with his environment. It is the sum total of what we experience. Man and his environment are coordinate; they are equally responsible for what is real. They believe that is the essence of reality (Kneller, 1971).

Education is an experimental process: it is a method of dealing with solving problems that arise as people interact with their world. Dewey argued that human beings experience the greatest personal and social growth when they interact with the environment in an intelligent and reflective manner. The most intelligent way of solving problem is to use the scientific method (Alan L, 1975). An Educated person, in the pragmatic sense, knows how to take information from various sources and disciplines and use that knowledge in an instrumental manner. The more traditional philosophical perspectives represented by idealism, realism, are suspicious of the interdisciplinary approach in education because they believe that a student must first master organized subject matter before attempting to solve problems. The school is a society’s agency for selecting and simplifying the cultural elements that an individual needs to participate in social life. As a selective agency, it transmits part if the cultural heritage and seeks to reconstruct other aspects of the culture. The school’s threefold functions are simplifying, purifying, and balancing the cultural heritage (Allan C et al, 1984).

All learning is dependent on the context of place, time and circumstances (Conen,1999). Teachers ought not to try to pour the knowledge they have into the pupil, because such efforts are fruitless. What each pupil learns depends upon his own personal needs, interest and problems. In other words, the content of knowledge is not at an end on it self but a means to an end, thus a pupil who faced by a problem may be able to reconstruct his environment so as to solve this need. To help him, the teacher must provide experiences that will excite motivation, assist the pupils in collecting the information pertaining to problem and evaluate with the class (Callahan et al, 1986). This system of philosophy is the newest to appear upon the intellectual scene. The important existentialist thinkers repudiate the very label which classifies them as belonging to this or any other group of philosophers. It is a philosophy of extremeindividualism(Cohen,1999). Reality is a matter of individual existence and is subjective and lies within the individuals. The physical world has no inherent meaning outside of human
existence. Individual choice and individual standards rather than external standards are central (Conen, 1999). Existence precedes essence in individual development. One exists, and then one becomes, each human being exists in a world that is without purpose and the life is that found in the meaning. Each individual human being lives authentically, who freely chooses for him and he is personally responsible for his choice. Choices are not final. These can be remade over and over again. When a person is aware of his identity as an individual and realizes this contingent nature of that is not the reason for his own existence, he suffers sense of anguish, despair and loneliness (Callahan et al, 1986). Since Existentialist choice-making is always personal, a curriculum stressing the effective domain of learning attitudes, feelings and emotions – would be encouraged. The students are deeply involved in choosing the curriculum. Subjects such as music, art, drama, literature, and film, which involve emotions and aesthetics, and attempt to portray the human condition, are most appropriate. These are the very subjects that idealists and realists would call “soft” (Allan C et al, 1980). Subject such as mathematics and science are less important to the existentialist, but they are permitted, since the students must have a choice in determining subject matter. Elective courses are pursued. Since school is a place that encourages choice-making and expression of one’s attitudes and feelings, students have the option not to conform and to rebel against the norms of school or society. In traditionally oriented schools, the student allows others to make choices for him and escapes the reality that choices are his own responsibility. The truly Existentialist students make his choices and lives with the consequences. Even the level of education, the type of schooling, and the subject studied are the choice of the student, especially at the secondary and college levels. Teacher’s view, the individual as an entity with in a social content in which the learners must confront other’s views to clarify his or hers own. Real answers come from within the individual, not from the outside authority. Examining life through authentic thinking involves students in genuine learning experiences. Existentialists are opposed to thinking about students as objects to be measured, tracked or standardized. Such educators want the educational experience to focus on creating opportunities for self direction and self actualization. They start with the student rather than no curriculum content (Conen, 1999). Educational philosophy depends on general or formal philosophy to the extent that the problems of education are of a general philosophical character. Teaching behavior depends at least partly philosophical presuppositions about nature of reality, knowledge and values. Little research appears to have been conducted on the topic of educational philosophy in Pakistan. The purpose of the study was to investigate the philosophic views of secondary school teachers about education. The objectives of the study were as follows:

**RESEARCH QUESTION**
To compare the philosophic views of experienced and in experienced teachers about education:

**RESULTS AND DISCUSSION**
This study was aimed to investigate the philosophic views of secondary school teachers about education in WahCantt. The information collected through the questionnaire regarding philosophic thought of teachers about education, was analyzed to determine their inclination for specific western schools of thoughts and to explore these views from the perspectives of gender and experience.
Table 1: Divergence of observed frequencies of secondary teachers about their Philosophy of education from equal probability hypothesis

<table>
<thead>
<tr>
<th>Idealism</th>
<th>Realism</th>
<th>Pragmatism</th>
<th>Existentialism</th>
<th>Combination of philosophies</th>
<th>Total</th>
<th>Chi-square</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>113</td>
<td>81</td>
<td>103</td>
<td>140</td>
<td>63</td>
<td>500</td>
<td>20.6</td>
<td>&lt;.01</td>
</tr>
</tbody>
</table>

As the above table shows, there is highly significant divergence of observed frequency of secondary teachers about their philosophy of education from equal probability. The teachers tended to be most inclined towards existentialism and least inclined towards realism. The above frequencies are graphically represented in figure 1 below:

Figure 1: Observed frequencies of secondary teachers about their philosophy of education.

Table 2: Association between gender of secondary teachers and their frequencies on Philosophy of education

<table>
<thead>
<tr>
<th>Gender</th>
<th>Idealism</th>
<th>Realism</th>
<th>Pragmatism</th>
<th>Existentialism</th>
<th>Combination of philosophies</th>
<th>Total</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>53</td>
<td>39</td>
<td>50</td>
<td>83</td>
<td>25</td>
<td>250</td>
<td>0.15</td>
</tr>
<tr>
<td>Female</td>
<td>60</td>
<td>42</td>
<td>53</td>
<td>57</td>
<td>38</td>
<td>250</td>
<td></td>
</tr>
</tbody>
</table>

As the above table shows, the value of contingency coefficient is .15. This indicates that there is some of association between gender of secondary teachers and their philosophy of education. Male teachers were found to be more inclined towards existentialism and female teachers were more in favor of idealism. The above frequencies are graphically represented in figure 2 below:
CONCLUSIONS
Conclusions of the study were as follows:
1. The philosophic views of secondary school teachers were found to be highly in favour of existentialism and least in favour of realism.
2. The male teachers were tending to be inclined towards existentialism whereas female teachers inclined towards idealism.

RECOMMENDATIONS
1. In-service training curriculum should include subject of educational Philosophies on priority bases.
2. Perspective teachers should be made abreast with the classical educational Philosophies.
3. Perspective teachers should be made trained to bring educational Philosophies into practice.
4. The subject of philosophy be taught through dialogue and discussion instead of lecture method only. This approach will help the teachers to philosophize and develop their own clear and consistent philosophy of education.
Allan, C. and U. Daniel. 1984. An Introduction to the Foundation of Education

pp187.


Blogger, 2008. Posted in Articles, Teaching Principles of Education


LeoNora, M. Cohen, 1999. OSU - School of Education Section III – Philosophical Perspectives in Education Part 2, Four General or World Philosophies.

Abstract

Morality is a system of beliefs, values, and underlying judgments about the rightness or wrongness of acts. Morality has to do with a sense of right and wrong, and with what psychologists call the conscience. Research increasingly suggests that there are limitations to Kohlberg's theory of moral development. Gilligan, in particular, has observed that Kohlberg's theory considers abstract principled reasoning as the highest level of moral judgment, and penalizes those who focus on the interpersonal ramifications of a moral decision. Gilligan calls these orientations as justice and care orientations. She asserted that a woman's sense of moral development came from connections to other people, rather than separation from them. Her purpose was to find a second dimension for female moral reasoning by showing that previous studies were done predominately with males in mind.

The present study therefore sought to measure one orientation of care of the two orientations of Justice and care among university students by using MJS (Moral Justification Scale in Pakistan). The scale consists of six vignettes, of which two are justice oriented, two are care oriented, and two are mixed, incorporating both orientations. The collected data were scored, analyzed, and interpreted by using the statistical techniques of mean, standard deviation and t-test. The study results showed that female students were more care oriented than female students.

Keywords: Moral Orientation, Care Orientation, Moral Development, MJS (Moral Justification Scale), Vignettes, Dilemmas,

Introduction

Teaching reflects the values and social philosophy of the larger society. Teaching requires improvisation, spontaneity, style, pace, rhythm, and appropriateness to meet the challenges of the job. They must be able to help students to think for themselves, to act independently and collaborate with others, and render critical judgments.

Human development carries a wider and more comprehensive meaning. It implies the overall changes occurring in both the quantitative (increase in size, length, height and weight) as well as the qualitative (physical, mental, social, moral or any other) aspects. Human development is divided into three domains: (1) physical, (2) cognitive development, and (3) emotional and social development. These domains are not really distinct; they form an integrated whole.

Moral development is regarded as a matter of internalization: adopting societal standards for right actions as one’s own. Morality moves from society to individual, children acquire norms, or prescriptions for good conduct, widely held by members of their social group. The determinants
of morality can be found at both societal and individual levels. In all cultures, morality is promoted by an overarching social organization that specifies rules for good conduct. Moral individuals do not just do the right thing for the sake of social conformity or the expectations of authority figures. Instead, they have developed compassionate concerns and ideals of good conduct, which they follow in a wide variety of situations. (Berk, 2007)

Morality has roots in each major aspect of psychological makeup:

- **Morality has an emotional competent**

  Since powerful feelings cause us to empathize with another’s distress or feel guilty when we are the cause of that distress.

- **Morality has a cognitive component**

  Children’s developing social understanding permits them to make more profound judgments about actions they believe to be right or wrong.

- **Morality has behavioural component**

  Experiencing morally relevant thoughts and feelings only increases the likelihood, but does not guarantee that people will accord with them.

Traditionally, these three facets of morality have been studied separately: Biological and psychoanalytic theories focus on emotions, cognitive—developmental theory on moral thought, and social learning theory on moral behaviour. A growing body of research has revealed that all three facets are interrelated. Biological theories of human social behaviour suggested that many morally relevant behaviours and emotions have roots in our revolutionary history. Biological perspective reminds of morality’s adaptive value. Because the capacity to serve the self’s needs is present early, human, along with other highly social species, have evolved a brain-based moral substrate that counteracts self-centered motives and promotes concerns for others (de Wall, 1996) Current psychoanalytic theorists believe that superego children build from parental teaching consists not just of prohibitions, or “don’ts” but also of positive guidelines for behaviour, or “do’s”(Emde & Oppenheim, 1995). The social perspective does not regard morality as a special human activity with a unique course of development. Rather, moral behaviour is acquired just like any other set of responses: through reinforcement and modeling (Kochanska, 1999)

Cognitive—developmental theorists believe that neither identification with parents nor teaching, modeling, and reinforcement are the major means through which children become moral. The cognitive—developmental approach assumes that individuals, instead of internalizing existing rules and expectations, develop morally through construction—actively attending to and interrelating multiple perspectives on situations in which social conflicts arise and thereby deriving new moral understandings. In other words, children make moral judgments on the basis of concepts they construct about justice and fairness. These concepts become increasingly adequate with age, children experience them as having a rational basis and arrive at a deeper
understanding of morality—as something that must be true in the social world, just as conservation must be true in the physical world. (Gibbs, 2003)

Piaget’s early work on children’s moral judgments was the original inspiration for the cognitive–developmental perspective. To study children’s ideas about morality, Piaget relied on open-ended clinical interviews: He questioned 5 to 13 year old Swiss children about their understandings of rules in the game of marbles. In addition he gave children stories in which characters’ intentions to engage in right or wrong action and the consequences of their behaviour varied. From children’s responses, Piaget identifies two broad stages of moral understanding.

1. **Heteronomous Morality (About 5-10 years)**

   Heteronomous means under the authority of another. In this first stage children view rules as handed down by authorities. (God, parents, and teachers), as having a permanent existences, as unchangeable, and as requiring strict obedience.

2. **Autonomous Morality (About 10 years and older)**

   Cognitive development, gradual release from adult control, and peer interaction lead children to make the transition to the second stage, autonomous morality, in which they no longer view rules as fixed but see them as flexible, socially agreed-on principles that can be revised to suit the will of majority. (Berk, 2007).

Kohlberg extended the age range Piaget studied, including participants who were well into adolescence by administering the moral judgment interview to 10-, 13-, and 16-year-old boys. Then he followed the participants longitudinally, reinterviewing them at 3- to 4-year intervals over the next 20 years (Colby et al., 1983). Analyzing age–related changes in the boys’ moral judgments, Kohlberg generated his six-stage sequence. As with Piaget’s progression of development, Kohlberg’s first three stages characterize children as moving from a morality focused on outcomes to a morality based on ideal reciprocity. Inclusion of older adolescents yielded the fourth stage, in which young people expand their notion of ideal reciprocity to encompass societal rules and laws as vital for ensuring that people treat one another justly. On the basis of the moral judgment responses of small minorities of adolescents, Kohlberg extended his sequence further, positing the fifth and sixth stages. These stages have remained infrequent in subsequent research.

The stages are describes in the following manner (Berk, 2007):

1. **The Pre-conventional Level:** At this level morality is externally controlled. This level is further divided into progressive stages:

   - **Stage 1:** The punishment and obedience orientation. Children at this stage find it difficult to consider two points of view in a moral dilemma. As a result, they ignore people’ intentions and instead focused on fair of authority and avoidance of punishment as reasons for morally.
2. The Conventional Level: At this level, individuals continue to regard conformity to social rules as important, but not for reasons of self-interest. Rather, they believe that actively maintaining the current social system ensures positive human relationships and social order. This level consists of following stages:

- Stage 3: The “good boy-good girl” orientation. Individuals want to maintain the affection and approval of friends and relatives by being a “good person”—trustworthy, loyal, respectful, helpful, and nice.
- Stage 4: The social order maintaining orientation. The individual believes that laws cannot be disobeyed under any circumstances because they are vital for ensuring societal order and cooperative relations between individuals.

3. The Post-conventional Level: Individuals at this level move beyond unquestioning support for the rule and laws of their own society. They define morality in terms of abstract principles and values that apply to all situations and societies. This level consists of two stages:

- Stage 6: The Universal ethical principle orientation. Individuals typically mention such principles as equal consideration of the claims of all human beings and respect for the worth and dignity of each person.

Although there is much support for Kohlberg’s theory, it continues to face challenges. The most important of these concern Kohlberg’s conception of moral maturity and the appropriateness of his stages for characterizing the moral reasoning of young children.

A key controversy has to do with Kohlberg’s belief that moral maturity is not achieved until the postconventional level. Yet if people had to reach stages 5 and 6 to be considered truly morally mature, Gibbs (2003) argues that “postconventional morality” should not be viewed as the standard against which other levels are judged immature. Gibbs finds maturity in a revised understanding of stages 3 and 4. These stages are not “conventional,” or based on social conformity, as Kohlberg assumed. Instead, they require profound moral constructions—and understanding of ideal reciprocity as the basis of relationship between people (stage 3) and widely accepted moral standards, set forth in rules and laws (stage 4).

The influence of situational factors on moral reasoning indicates that like Piaget’s cognitive stages, Kohlberg’s moral stages are loosely organized. Rather than developing in a neat, stepwise fashion, people draw on a range of moral responses that vary with context. With age this range shifts upward as less mature moral reasoning is gradually replaced by more advanced moral thought (Fischer & Bidell, 1998).
Carol Gilligan is the best-known figure among those who have argued that Kohlberg’s theory—originally formulated on the basis of interviews with males—does not adequately represent the morality of girls and women. Gilligan believes that feminine morality emphasizes an “ethic of care” that is devalues in Kohlberg’s system. According to Gilligan, a concern for others is a different, not less valid, basis for moral judgment than a focus on impersonal rights (Berk, 2007).

Gilligan makes a powerful claim that research on moral development has been limited by too much attention to rights and justice (a “masculine” ideal) and too little attention to care and responsiveness (a “feminine ideal”). Some evidence shows that although the morality of males and females taps both orientations, females do tend to stress care, or empathic perspective taking, whereas males either stress justice or focus equally on justice and care (Jaffe & Hyde, 2000).

Moral reasoning theories indicate that justice and caring are not gender-specific moralities. Gilligan’s work has expanded the conception of the highly moral person. She opened new horizons for researchers to explore the world of moral development. A number of studies investigated moral reasoning. William, John and Lauren, 2008; Skoe 1994; Gilligan and Attanucci, 1988; Mary and Albert, 2000; Daniel Sprender, 2005; Miller and Fagley, 2004; Gibbs, 2003 have found gender differences, with males focusing on justice orientation and females focusing on care orientations. However, other studies have not found significant differences such as Keefer, Matthew and Olson, 2006; Soile Juujarvi, 2003; Nancy and Gwendolyn, 2003; Daniels, D'Andrea, and Hick, 1995; Roberta and Maclagan, 2007; Eisele, 1992; William and Friedman, 2003.

Beside this great deal of moral research but with mixed results, there is still need to investigate the different dimensions of moral development in Pakistan. Though educational research is on fast track now but less importance is being given to explore the world of moral reasoning. The present study will be a beneficial contribution to the field of moral education.

The objective of the study was:
1. To measure the care orientations among university students (Male and Female) by using the Moral Justification Scale.

It may be a reliable scale with the reasons that there hardly exists any type of valid instrument for identifying the moral orientations of the student and other people working in different sectors. Researchers may take help from the results of this study to further expand the purpose of the current study to make adolescents caring and justice in their moral judgments.

Procedure

Population

The population of the study consisted of the 1300 students (566 male and 734 female) of University of Wah.
Sample

The sample consisted 100 students comprising 50 male and 50 female university students.

Research Instruments

The Moral Justification Scale consisting of six dilemmas developed by Richard Baker and Samuel Roll,(Appendix A) was adapted to the Pakistani culture to measure the variables of care orientation. The MJS was a 10-point scale.

Design and Procedure

The study was a descriptive survey of university students’ moral reasoning in term of care orientation and justice orientation as postulated by Gilligan.

The study participants responded to six dilemmas, of the MJS.

RESULTS AND DISCUSSION

Table 1: Significance of the Difference between Mean scores of Male and Female students on care orientation

<table>
<thead>
<tr>
<th>Group</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>SE_\bar{x}</th>
<th>t-value</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>50</td>
<td>158.46</td>
<td>25.59</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>50</td>
<td>182.84</td>
<td>22.18</td>
<td>4.78</td>
<td>5.10</td>
<td>&lt;.01</td>
</tr>
</tbody>
</table>

\[ df = 98 \]

\[ t \text{ value at } .05 = 1.98 \]

\[ t \text{ value at } .01 = 2.63 \]

Entries in the above table indicate that the actual difference of 24.38 in the mean care orientation scores of male and female students was found to be significant when tested through t-value which was 5.10 and found significant at .05 level. It was also found significant at .01 level. The difference goes in favour of female students who were found to be more care oriented than male students. The null hypothesis No 1 was therefore rejected.
Fig 1: Frequency Distribution of Care Orientation Scores of Male Students

Mean = 159.4
N = 50

Fig 2: Frequency Distribution of Care Orientation Scores of Female Students

Mean = 183.4
N = 50
DISCUSSION
One hundred students were selected for the purpose of main study. The small sample was taken due to the feasibility of the researcher’s time and finance and to complete the task well in time, as each participant has to respond six dilemmas which was quiet time consuming on the part of the researcher and the participant. Each participant took almost two hours to read each story and to complete the task of rating the statements given at the end of each dilemma.

During the main study, students received dilemmas in classes for their participation. They were briefed on the dilemmas to help them to answer the statements given at the end of each dilemma. The students showed their interest in the dilemmas as these dilemmas seemed to be of their interest with a new story on morality in each. Not only did the students rate the moral statements but also they gave their comments on the dilemmas and suggested that what the protagonist should do in related situations.

Though students showed a great deal of interest in participation but some of them were feeling uneasy as they could not fully understand the story of dilemmas in English. So the researcher remained available to help them wherever they needed it.

Care orientation scores of male students ranged between 95 and 204 whereas those of female students were between 105 to 234, thus female students were clearly ahead of male students. As far as the amount of overlapping between these groups is concerned, 14 percent male students scored at or beyond the girls median score of 184.5 on care orientation, thus a sizeable portion of male students were more care oriented than the average female student. The mean care orientation score of the female students was 24.38 higher than the mean score of the male group. The standard deviation score of the male group appeared to be higher than the standard deviation score of the female group. Coefficient of variation indicated that female students were 75 percent as variable as male students in their care oriented moral judgments. It means that the views of female students on care orientation were less diverse than male students.

CONCLUSION
The average female student was found to be more care oriented in her moral judgements. Care perspective dominated in females.

RECOMMENDATIONS
The average female student was found to be more care oriented in her moral judgments. Care perspective dominated in females perhaps due to their socialization. To improve the care perspective in male youth, steps may be taken to bring reforms in curriculum at all levels. Contents in the syllabus may be revised which may evoke moral orientations in male adolescents who may be care oriented and may be taught to care others.

The existing education system in Pakistan is not fulfilling its responsibilities in moral training of the youth in the present context of terrorism. Not only is the revision desired in context of curriculum but also in teacher education. Simple lecturing is not helpful for students. Teachers therefore must be trained on such pattern so that they can realize their students to respect feelings of others. Teachers may model moral behaviour through personal examples and expose students to other models. This will lead to a better and secure future devoid of injustices, intolerance and terrorism.
References


The Productivity Effects of Privatization in Electric Power Distribution: A Case Study in a Regional Electricity Company in Iran

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Abstract
The privatization of governmental enterprises was embarked on in the late 70s in numerous countries worldwide (Great Britain in particular) as a solution to the dominant economical crisis and increase economy growth. After the centralized state economy ended in a fiasco in Eastern Europe, privatization soared up dramatically, most importantly due to the pressures enacted by the World Bank and the International Monetary Fund economic policies. These organizations have conditioned their financial aids to fundamental steps and measures towards facilitating privatization in these countries. Privatization in Iran started in 1989 as an economical balance policy and pursued nationwide. The privatization process started in the Regional Electricity Company Personnel in Zahedan city in 2003. In this study, the statistical population includes the Regional Electricity Company Personnel in Zahedan city (who have 7 years or more job experience in the company). In order to test the hypothesis, a sample with 184 peoples have been considered. The results of this research indicate that privatization in this company have remarkably increased the productivity.

Key words: The 44 Constitution, privatization, productivity, efficiency, effectiveness

Introduction
Privatization policy was enacted in the early 1980s as a part of a broad policy by a few industrial countries to adjust the economic structure. It, very soon, spread into other countries and economies including transiting economies; and now it is enacting in more than 110 countries. In the beginning of the 5-year economic, social, cultural and political plan in Iran, and after the imposed war, the privatization policy was raised as one of the basic factors of the economic policies and on the June 19th, 1991, the first legal permit passed on government meddling limitation in the economy. (Hosseini & Mehrara, 2001).

This research assesses the effects of the privatization on the electricity company’s subscribers in Zahedan which aims to increase the productivity, resources allocation and people involvement development in the different parts of the production and services. This paper also aims to achieve the ways in order to provide the subscribers with the services of a higher quality and productivity.

In the middle of the 1970s, improper application of a large number of governmental companies and organizations resulted in an international attempt e.g. using the private mechanism in public companies in the short term, midterm, and long term in order to achieve solutions to increase the governments' efficiency. Privatization is changing the dominant atmosphere on the different governmental parts while it keeps the main structure of activity at the same time. In this way, it
could be possible to evaluate the private sectors' mechanisms and motivations (Nassirzade, 1990: 63). The electricity power industry which is one of the fundamental and strategic industries and acts as a generator for the other industries can't be ignored. Since early in the 1970s, this industry has started changing in organizational structure and building independent and nongovernmental companies for electricity power distribution, electricity production management and some companies in administrative and contracting field, building and equipment field, consulting field, auditing field, computer and bill issuing field, network maintenance and repair field, and electric facilities. During four years ago, most of the mentioned companies have been given to the private sector through stock exchange and auction. In addition to the mentioned cases above, the Production, Transmission, and Distribution of Electricity Power Company in Iran has promoted its different administrative activities on the basis of plans done to achieve the goals of 44 constitution and providing a proper ground to form sound competitive market affairs and preserving the producers and consumers rights, and making the culture of the privatization and stimulating the private sector to join the electricity market (Weekly Peak Electric, 2007:3).

since 2003, the regional electricity company of Sistan and Baluchistan has given its subscribers' services to the private sector but the speed of performance was relatively slow. In 2005, along with the notification of the 44 Constitution, it was seriously followed and the electricity company decided to encourage the investors and grant the subscribers' services affairs to them and in this way it could increase the quality of services given to the subscribers accordingly. Nowadays you can find that all subscribers' services like electricity branch sale, counter reading and installation, bill distribution, account receiving, coding, revising and rebuilding have given to the private sector.

Literature review on privatization

Beesly and Little Child (1993) believe that if the minimum percentage of the governmental stocks is given to the private sector that would be possible to get the improvement in economic operation by increasing the role of market forces through privatization. Veljanovsky (1987) thinks that privatization is doing the economic activities by the private sector, or it is transferring the property ownership from government to the private sector. "The privatization is highlighting the role of market against the government's decisions as an economic agent." In fact, the meaning of privatization is something more than changing the ownership of manufacturing enterprises. The main thought in privatization is dominating the market mechanism on economic decisions by which the competitive circumstances can be created for the private sectors and in this way the enterprises' efficiency will be increased in comparison with the public enterprises sector (Behkish, 2001: 110). Privatization has recently moved towards the first front of the political and economical thought and become as an acceptable solution for increasing the production and achieving the economic growth in the less developed companies. In the 1980s, the population in the private sector has internationally increased and has broadly been reflected in many developed countries as giving services (Berg, 1987:23). A large number of countries have turned to privatization to get rid of giving services. Production of goods and services is transferred from public sector to the private one by privatization (Hanke, 1987: 110). Chuck Davis (2000) counts the following items as the goals of privatization:

1. Decreasing the size of government and public sectors

2. Creating the financial income for governmental sectors and getting rid of the financial pressure
3. Improving the economic efficiency

4. Raising the justice

5. Decreasing the governmental organization penetration

The general goals of privatization in Iran are:

1. Decreasing the government interference in economic activities and reducing the portion of the governmental management (decreasing the amount of government guardianship).

2. Cutting the government expenses (as the result of cutting subsidy)

3. Competition development and productivity improvement in the operation of economic enterprises.

So, the privatization of the governmental companies has always been as an alternative for increasing the productivity and efficiency, decreasing the bureaucracy, encouraging the managers for doing more efforts and taking more responsibilities, cutting the government meddling in economy, increasing competition and innovation and finally increasing the operation of organizations (Razaghi, 1997).

Although in the 1980s, the privatization policy was performed for increasing the efficiency, reinforcing the market mechanism, cutting the government penetration in economy, cutting the sustained loss by governmental companies, and improving the income distribution and product quality but it has been effected by some factors like the globalization of the financial methods of production and budget limitation, need to encourage investing, the emergence of new technology in some parts like telecommunication and energy; it is necessary to state that the mentioned factors don't have the same effect in different countries (Mahboodi, 2002; 45).

The effects of privatization depend on the various factors like the ways of using the income resources (Mackenzie, 1998; 365). Researches show that some of the positive effects of privatization are to increase the efficiency. Financial market development, decreasing the government size, the increase of production, and wealth and income distribution; but the result of researches does not show anything of the privatization effect on employment. It has also been revealed that the complete privatization is better than the partial privatization (Sheshinsky & Lopez, 2000: 25-26).

In this research, independent variable is “privatization" which is considered in 3 parts: production, transfer and distribution of electricity industry. We are going to evaluate the effects of privatization on the different parts of subscribers' services in the distribution field including "branch sale"," counter installation"," counter reading", "bill distribution", and "account receiving". "Productivity" is the dependant variable which is directly affected by the privatization. Considering the productivity is the sum of proficiency and efficiency, so it can be

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75 Complete privatization means that the ownership of an enterprise is completely given to the private sector by government.

76 Partial privatization means that just some parts of an enterprise are given to the private sector by the government.
said that increasing or decreasing the efficiency and proficiency would result in decreasing or increasing in the productivity. Figure 1 shows the literature review on the privatization.

This research is based on 1 main hypothesis and 7 subordinate hypotheses.

Primary hypothesis:
The privatization of ZREC has resulted in productivity in the subscribers’ services field.

Subordinate hypothesis:
1. Privatization of ZREC has resulted in “efficiency” in the “subscribers’ services” field.
2. Privatization of ZREC has resulted in “proficiency” in the “subscribers’ services” field.
3. Privatization of ZREC has resulted in productivity in the “branch sale” field.
4. Privatization of ZREC has resulted in productivity in the “counter installation” field.
5. Privatization of ZREC has resulted in productivity in the “counter reading” field.
6. Privatization of ZREC has resulted in productivity in the “bill distribution” field.
7. Privatization of ZREC has resulted in productivity in “account receiving” field.

Methodology:
From the goal and question entity and point of view, the research is a kind of functional research and from the research methodology point of view, it is a descriptive and survey research. To accumulate the required data, we use the library method and questionnaires. The questionnaires have been used to evaluate the people's attitude in the statistic sample toward the
privatization. Regarding this issue that privatization in the “subscribers’ services” field has seriously been followed since 2005, so the population has been selected from the employees (with more than 7 years job records) of ZREC.

In 2010 the employees are 386 in number that 352 people of them have more than 7 years job records. To examine the hypotheses of the research we need to have a sample of 185 people. Having been distributed the questionnaires, 184 of them were gathered and then used as the base of analysis. The sampling methodology is coincidental and chain. To evaluate the productivity of the subscribers' services field of ZREC we use 24 measures, 12 measures represent efficiency and 12 measures represent proficiency. Table 1 shows the measures separately in different aspects of subscribers' services field.

Table (1): Measures in different aspects of subscribers' services

<table>
<thead>
<tr>
<th>Subscribers' services aspects</th>
<th>Proficiency measures</th>
<th>Efficiency measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branch sale</td>
<td>Side costs of getting branch</td>
<td>Quality of services given to the subscribers during the transference</td>
</tr>
<tr>
<td></td>
<td>Branch getting facility</td>
<td>The responsibility extent of agents</td>
</tr>
<tr>
<td>Counter installation</td>
<td>Subscriber consent of the installation place</td>
<td>The quality of after-sale services being given to the subscribers</td>
</tr>
<tr>
<td></td>
<td>Counter installation monitoring and probable defect removal</td>
<td>Subscribers' knowledge of counter</td>
</tr>
<tr>
<td>Counter reading</td>
<td>Subscribers' consent of counter reading time</td>
<td>Informing quality</td>
</tr>
<tr>
<td></td>
<td>Relying on counter reading accuracy</td>
<td>Befitting behavior of counter reading officers</td>
</tr>
<tr>
<td></td>
<td>The effect of &quot;not being read&quot; warning</td>
<td>Subscribers' knowledge of the way of reading counter</td>
</tr>
<tr>
<td>Bill distribution</td>
<td>On time and regular bill delivery</td>
<td>Clearness of information and price written on the bill</td>
</tr>
<tr>
<td></td>
<td>Suitable bill design</td>
<td>Being made the ambiguities clear by the in charge officers</td>
</tr>
<tr>
<td>Account receiving</td>
<td>Bill payment deadline</td>
<td>Subscribers rewarding system</td>
</tr>
<tr>
<td></td>
<td>Subscribers' consent of the payment methods</td>
<td>On time account payment</td>
</tr>
<tr>
<td></td>
<td>bill</td>
<td></td>
</tr>
</tbody>
</table>

Data analysis

According to the Alfa Method by Kronbakh, the reliability of questionnaires is 89.3% which exceeds functional researches (70%); to analysis the data, we use both perceptive and descriptive statistic. Firstly, the data resulted by questionnaires are evaluated by demographic variables (e.g. sex, age, education level, and employment type) then the statistic hypothesis analyzed by using
Testing of the secondary hypotheses:
Hypothesis 1: the research states that the privatization causes a high proficiency in giving services to the subscribers of ZREC. The hypothesis is stated in two following forms:

### Statistic sample attributes

<table>
<thead>
<tr>
<th>Investigated Variables</th>
<th>Statistic Measures</th>
<th>Frequency</th>
<th>Frequency percentage</th>
<th>Accumulative frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sex</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>male</td>
<td>144</td>
<td>78.3</td>
<td>78.3</td>
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</tr>
<tr>
<td>female</td>
<td>40</td>
<td>21.7</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>total</td>
<td>184</td>
<td>100</td>
<td>----</td>
<td></td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;30</td>
<td>5</td>
<td>2.7</td>
<td>2.7</td>
<td></td>
</tr>
<tr>
<td>31-40</td>
<td>103</td>
<td>56</td>
<td>58.7</td>
<td></td>
</tr>
<tr>
<td>41-50</td>
<td>63</td>
<td>34.2</td>
<td>92.9</td>
<td></td>
</tr>
<tr>
<td>&gt;50</td>
<td>13</td>
<td>7.1</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>total</td>
<td>184</td>
<td>100</td>
<td>----</td>
<td></td>
</tr>
<tr>
<td><strong>Graduation status</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; diploma</td>
<td>9</td>
<td>4.9</td>
<td>4.9</td>
<td></td>
</tr>
<tr>
<td>diploma</td>
<td>32</td>
<td>17.4</td>
<td>22.3</td>
<td></td>
</tr>
<tr>
<td>Junior college diploma</td>
<td>32</td>
<td>17.4</td>
<td>39.7</td>
<td></td>
</tr>
<tr>
<td>B.A./B.S.</td>
<td>86</td>
<td>46.7</td>
<td>86.4</td>
<td></td>
</tr>
<tr>
<td>M.A/M.S</td>
<td>25</td>
<td>13.6</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>184</td>
<td>100</td>
<td>----</td>
<td></td>
</tr>
<tr>
<td><strong>Employment type</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Formal</td>
<td>82</td>
<td>44.6</td>
<td>44.6</td>
<td></td>
</tr>
<tr>
<td>Contractual</td>
<td>59</td>
<td>32.1</td>
<td>76.7</td>
<td></td>
</tr>
<tr>
<td>Promissory</td>
<td>21</td>
<td>11.4</td>
<td>88</td>
<td></td>
</tr>
<tr>
<td>Trial</td>
<td>7</td>
<td>3.8</td>
<td>91.8</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>15</td>
<td>8.2</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>184</td>
<td>100</td>
<td>----</td>
<td></td>
</tr>
</tbody>
</table>
$H_0$: The privatization has not resulted in a high proficiency in giving services to subscribers of ZREC.

$H_1$: The privatization has resulted in a high proficiency in giving services to the subscribers of ZREC.

Table (3): the evaluation of proficiency variable before and after privatization

<table>
<thead>
<tr>
<th>Privatization</th>
<th>Average of proficiency</th>
<th>Standard Deviation</th>
<th>Test statistic(t)</th>
<th>Freedom degree</th>
<th>Error limitation</th>
<th>Acceptable limitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before</td>
<td>35.99</td>
<td>6.65</td>
<td>-9.23</td>
<td>183</td>
<td>0.25</td>
<td>0.00</td>
</tr>
<tr>
<td>After</td>
<td>41.7</td>
<td>6.16</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to the given information in the table above, in the error limitation of 0.05, hypothesis $H_0$ is rejected and hypothesis $H_1$ is accepted. As a result, there is a meaningful difference between the proficiency of Electricity Company before privatization and proficiency after privatization. The effect of privatization on proficiency also tends to increase it.

Hypothesis 2: the research states that privatization has increased the efficiency of ZREC in the subscribers' services field.

To test this hypothesis we state it in the following forms:

$H_0$: The privatization has not increased the efficiency of ZREC in the subscribers' services field.

$H_1$: The privatization has increased the efficiency of ZREC in the subscribers' services field.

Table (4): the evaluation of proficiency variable before and after privatization

<table>
<thead>
<tr>
<th>Privatization</th>
<th>Average of proficiency</th>
<th>Standard Deviation</th>
<th>Test statistic(t)</th>
<th>Freedom degree</th>
<th>Error limitation</th>
<th>Acceptable limitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before</td>
<td>33.90</td>
<td>7.25</td>
<td>-9.98</td>
<td>183</td>
<td>0.05</td>
<td>0.00</td>
</tr>
<tr>
<td>After</td>
<td>40.33</td>
<td>6.94</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to the given information in the table above, in the error limitation of 0.05, hypothesis $H_0$ is rejected and hypothesis $H_1$ is accepted. As a result, there is a meaningful difference between the proficiency of Electricity Company before privatization and proficiency after privatization. The effect of privatization on proficiency also tends to increase it.

Hypothesis 3: the research states that privatization has increased the efficiency of ZREC in the "branch sale" field.

$H_0$: Privatization has not increased the efficiency of ZREC in the "branch sale" field.

$H_1$: Privatization has increased the efficiency of ZREC in the "branch sale" field.

Table (5): the evaluation of proficiency variable before and after privatization in the "branch sale" field

<table>
<thead>
<tr>
<th>Privatization</th>
<th>Average of proficiency</th>
<th>Standard Deviation</th>
<th>Test statistic(t)</th>
<th>Freedom degree</th>
<th>Error limitation</th>
<th>Acceptable limitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before</td>
<td>12.28</td>
<td>2.10</td>
<td>-2.57</td>
<td>183</td>
<td>0.05</td>
<td>0.01</td>
</tr>
<tr>
<td>After</td>
<td>12.90</td>
<td>2.50</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
According to the given information in the table above, in the error limitation of 0.05, hypothesis $H_0$ is rejected and hypothesis $H_1$ is accepted. As a result, Privatization has increased the efficiency of ZREC in the "branch sale" field.

Hypothesis 4: the research states that privatization has increased the efficiency of ZREC in the "counter installation" field.

$H_0$: Privatization has not increased the efficiency of ZREC in the "counter installation" field.

$H_1$: Privatization has increased the efficiency of ZREC in the "counter installation" field.

Table (6): the evaluation of proficiency variable before and after privatization in the "counter installation" field

<table>
<thead>
<tr>
<th>Privatization</th>
<th>Average of proficiency</th>
<th>Standard Deviation</th>
<th>Test statistic(t)</th>
<th>Freedom degree</th>
<th>Error limitation</th>
<th>Acceptable limitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before</td>
<td>11.79</td>
<td>2.75</td>
<td>-7.58</td>
<td>183</td>
<td>0.05</td>
<td>0.00</td>
</tr>
<tr>
<td>After</td>
<td>13.94</td>
<td>2.97</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to the given information in the table above, in the error limitation of 0.05, hypothesis $H_0$ is rejected and hypothesis $H_1$ is accepted. As a result, there is a meaningful difference between the proficiency of Electricity Company before privatization and proficiency after privatization. The effect of privatization on proficiency also tends to increase it.

Hypothesis 5: the research states that privatization has increased the efficiency of ZREC in the "counter reading" field.

$H_0$: Privatization has not increased the efficiency of ZREC in the "counter reading" field.

$H_1$: Privatization has increased the efficiency of ZREC in the "counter reading" field.

Table (7): the evaluation of proficiency variable before and after privatization in the "counter installation" field

<table>
<thead>
<tr>
<th>Privatization</th>
<th>Average of proficiency</th>
<th>Standard Deviation</th>
<th>Test statistic(t)</th>
<th>Freedom degree</th>
<th>Error limitation</th>
<th>Acceptable limitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before</td>
<td>17.24</td>
<td>3.86</td>
<td>-7.02</td>
<td>183</td>
<td>0.05</td>
<td>0.00</td>
</tr>
<tr>
<td>After</td>
<td>19.80</td>
<td>4.06</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to the given information in the table above, in the error limitation of 0.05, hypothesis $H_0$ is rejected and hypothesis $H_1$ is accepted. As a result, Privatization has increased the efficiency of ZREC in the "counter reading" field.

Hypothesis 6: the research states that privatization has increased the efficiency of ZREC in the "bill distribution" field.

$H_0$: Privatization has not increased the efficiency of ZREC in the "bill distribution" field.

$H_1$: Privatization has increased the efficiency of ZREC in the "bill distribution" field.

Table (8): the evaluation of proficiency variable before and after privatization in the "bill distribution" field

<table>
<thead>
<tr>
<th>Privatization</th>
<th>Average of proficiency</th>
<th>Standard Deviation</th>
<th>Test statistic(t)</th>
<th>Freedom degree</th>
<th>Error limitation</th>
<th>Acceptable limitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before</td>
<td>12.00</td>
<td>3.17</td>
<td>-8.12</td>
<td>183</td>
<td>0.05</td>
<td>0.00</td>
</tr>
<tr>
<td>After</td>
<td>14.30</td>
<td>2.98</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
According to the given information in the table above, in the error limitation of 0.05, hypothesis $H_0$ is rejected and hypothesis $H_1$ is accepted. As a result, Privatization has increased the efficiency of ZREC in the "bill distribution" field.

Hypothesis 7: the research states that privatization has increased the efficiency of ZREC in the "account receiving" field.

$H_0$: Privatization has not increased the efficiency of ZREC in the "account receiving" field.

$H_1$: Privatization has increased the efficiency of ZREC in the "account receiving" field.

Table (9): the evaluation of proficiency variable before and after privatization in the "account receiving" field.

<table>
<thead>
<tr>
<th>Privatization</th>
<th>Average of proficiency</th>
<th>Standard Deviation</th>
<th>Test statistic(t)</th>
<th>Freedom degree</th>
<th>Error limitation</th>
<th>Acceptable limitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before</td>
<td>16.59</td>
<td>4.33</td>
<td>-12.62</td>
<td>183</td>
<td>0.05</td>
<td>0.00</td>
</tr>
<tr>
<td>After</td>
<td>21.11</td>
<td>3.70</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to the given information in the table above, in the error limitation of 0.05, hypothesis $H_0$ is rejected and hypothesis $H_1$ is accepted. As a result, Privatization has increased the efficiency of ZREC in the "account receiving" field.

Testing the main hypothesis:
This hypothesis states that the privatization has caused an increase in productivity of ZREC in the subscribers' services field. To test this hypothesis we state it in the tow following forms:

$H_0$: Privatization has not caused any increases in the productivity of ZREC in the "subscribers' services" field.

$H_1$: Privatization has increased the efficiency of ZREC in the "subscribers' services" field.

Table (10): the evaluation of productivity variable before and after privatization in the "subscribers' services" field.

<table>
<thead>
<tr>
<th>Privatization</th>
<th>Average of proficiency</th>
<th>Standard Deviation</th>
<th>Test statistic(t)</th>
<th>Freedom degree</th>
<th>Error limitation</th>
<th>Acceptable limitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before</td>
<td>69.89</td>
<td>13.38</td>
<td>-10.11</td>
<td>183</td>
<td>0.05</td>
<td>0.00</td>
</tr>
<tr>
<td>After</td>
<td>82.08</td>
<td>12.29</td>
<td></td>
<td></td>
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</tbody>
</table>

The table shows that in the error limitation of 0.05, $H_0$ (the null hypothesis) is rejected in and $H_1$ (the alternative hypothesis) is accepted. As a result, the privatization has caused an increase in the productivity of ZREC in "subscribers' services" field.

Conclusion
It is necessary to remember that the question number 1 is marked inversely. It means that when we are entering the data resulted from the questionnaires in the "SPSS" we should enter the reversed data for question number 1( recode the question no.1). In this way, all questions will be put in the course of increasing efficiency and will be marked in this form: 1= little, 2= a little , 3= average , 4= much , 5= very much .

In the proficiency field,"the secondary costs of branch getting "with a mean of -0.342 and " the facility of taking electricity branch " with a mean of 0.142 have the least difference in the mean; it means that the privatization of ZREC has increased the secondary costs of taking branch and the subscribers have had to pay a lot for the wasted time and money because of the bureaucratic formalities. The measures of “subscriber’s consent of the methods of bill payment” with a mean
of 1.429 and "on time and regular bill delivery to the subscribers" with a mean of 0.869 have the biggest mean differences and it means that the privatization in ZREC has caused the highest increase in the subscribers' consent of the payment method and the best performance in "on time and regular delivery of bill payment".

**In the efficiency field**, the measures of "company advertisement effect on "the on time bill payment" with a mean of 1.043 and "the quality of services after sale" with a mean of 0.73 have the most difference in the mean and it means that the privatization in ZREC has resulted in the positive effect of advertisement on the "on time payment". The quality of the subscribers' services is also remarkable; but the measures of "responsibility of the officers who are in charge of giving branches to the subscribers" with a mean of 0.25 and "the clearness of the written information and prices on the bill" with a mean of 0.315 have the least differences in the mean; it means that the in charge officers are not so qualified to give the needed information to the subscribers; or the written information and prices on the bills are too vague to understand.

**In the "branch sale" field**, the measure of "the secondary costs of taking branch" with a mean of -0.342 has the lowest mean and it means that the mentioned cost has remarkably increased. regarding the inflation and time passing, a portion of this increase could be normal but may be the employees who filled out the questionnaires had considered to this issue; any way we have encountered a remarkable increase in the costs. The measure of "the facility of taking branch" with a mean of 0.142 shows that privatization does not have a good function in this field. You may consider that these two measures are related to each other and it means that the bureaucratic formalities have caused a difficulty in the "branch taking" field and an increase in the secondary costs. One of the ways to reduce the cost of taking branch and getting it faster is minimizing the subscribers' reference to the ZREC by using the updated technology and internet for selling the branches. Another solution for cutting the bureaucratic formalities is using the advanced systems, sound labour division and creating a proper culture for the subscribers and managers. The quality of subscribers' services has the best position with a mean of 0.571 in the "branch sale" field and so the privatization has resulted an improvement in serving to the subscribers along with the giving branches to them. This means that issuing bills, counter installation, monitoring, etc., are being done at a faster speed. To preserve and reinforce the situation, more budgets should be allocated to this project. According to the result of data analysis, the responsibility of the in charge officers is not positioned in a good rank(0.25) but it can be improved by entrusting more authority to them( it causes they feel that the company has trusted to them). Another solution is stimulating and rewarding them to create a kind responsibility in them and make it clear for them that the subscribers are part of the existence reasons of the company and they have no alternatives but being responsible to them.

**In the counter installation field**, the measure of "subscriber's consent of the installation place of counter" with a mean of 0.266 has the lowest mean difference and "the quality of the after sale services" with a mean of 0.730 has the biggest mean difference. So it can be said that the installation of counters by the private sector has a remarkable difference with the ideal circumstances; and it needs more control on some factors like reading possibility, testing, inspecting, height from the ground, probable mending, counter installation, considering about the weather situation e.g. light, warmth, humidity, wind, etc. by the ministry of power and electricity place through holding the training courses for the private sector and making an inspecting team to pretend the possible violations. The privatization has increased the measure of "the quality of giving services after sale" and the private sector in some parts like increasing or decreasing the power, transferring, changing the registry name of subscribers have acted well.
In the "counter reading" field, the measure of “the quality of giving information about the reading time and things that the subscribers need to do in case that the counter is not being read” with a difference in mean of 0.609 had the best function. By looking at the table above you can find out that before privatization the mean of this measure has been 2.570 that is so low but after privatization, it is 3.179 that shows a remarkable increase. You should remember that the advertisement has played a significant role. The subscribers are not satisfied by the time when the counter reading officer goes their home to read the counter. So, this measure has not a good status. Interview with the subscribers shows that the time of counter reading is not suitable and it is done in the afternoon when most of the people are taking a rest. The electricity company can have a good plan to resolve this problem. Any way the situation is much better than before privatization. The effect of “not being read” warning on the subscribers comparing with that before privatization is too much; so it shows an upward trend in this field.

Approximately all of the measures in the “bill distribution” field have relatively high means. “On time and regular delivery of bills to the subscribers” measure (0.869) done every other month has a rational regularity comparing with the period before the privatization. “The clearness of price and information written on the bill” showing the lowest mean difference of 0.315 comparing with the other means, states that the subscribers still do not have sufficient knowledge about some prices and information written on the electricity bill (e.g. subscription cost, taxes, the subscriber’s previous debt which is not already paid, and total debits, etc) and it may cause a difference their estimation of price and the real one. The private sector should be responsible about the clearness of the written information on the bill and be able to make clear the ambiguities created of this type. It can be done by exact calculation of price and printing enough explanations, required guidelines or referring them to the related units (departments) in the electricity company. “Befitting behavior of counter reading officer” measure does not have a remarkable difference between the means before and after the privatization. The measure of “being responsible of the counter reading officers about answering the subscribers’ questions” with a mean of 0.424 does not sound to be so perfect as well and it seems that there are some problems. So, the best solutions for the mentioned problem are stimulating the in charge employees of the counter and make it clear for them that answering the subscribers is the main task. Punishment, penalizing, and reprimand of the in charge employees seem to be suitable alternatives.

In the “account receiving field”, the measure of “the subscribers’ consent of the bill payment methods” has the best function. The difference between the means of this measure is 1.429. There is no need to mention that the “effect of advertisement” measure with a mean of 1.043 has had a good performance as well. Before the privatization, the payment method was paying the cost of the used electricity directly to the in charge officer at the door, when they gave the bill to the subscribers and the best way was payment through the banks. These ways needed to spend a lot of time and were costly. Nowadays, the costs of coming and going to banks have been reduced by using the privatization and accompanying the government with private sectors. These days various methods have been created to pay the bills, e.g. deducting form bank account and the most important method is paying the bills through the internet. These methods have some advantages like saving time and money, preventing the useless coming and going, decreasing the traffic and accidents, decreasing the use of fuel, and as a result reducing the air pollution.
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Abstract
Human Resources for Health (HRH) is seen as the cornerstone of health care delivery system. This study then reviewed it in Nigeria, that is, the trend from independence, various cadres of the health workforce, production, and distribution at various levels of government. It also discusses the challenges including overall impact on health systems with appropriate recommendations. The methodology include detail desk reviewed of local, national and international documents and in-depth interview of desk officers in charge of HRH at National and State levels, some staff of various Ministries of Health and Stakeholders. As at December 2009, there were 28,531 medical doctors in the country; translating into a ratio of 19.3 medical doctors for every 100,000 population. The registry books of the Nursing and Midwifery Council of Nigeria (NMCN) indicates 137,198 Nurses Nationwide, translating to 92.7 Nurses per 100,000 population and 93,743 midwives. The density of medical doctor’s across the 36 state and federal capital territory (FCT) shows clear distribution imbalances. For the Nurses and midwives, there is a wide inter-sate disparity. Seventy –five percent of the medical training schools are located in the southern part of the country. It is seen that HRH development in Nigeria will require several actors others than those in the health sector, working together towards common purpose. Recommendations include intensify of staff education and training; performance management and improved working conditions. A strategy for the development of human resource for health information systems needs to the developed at national and adapted at the state levels.

Key words: Health; Human Resource Management, Doctors, Nurses, Midwives, Nigeria

1 INTRODUCTION
The term Human Resources in Health (HRH) refers to ‘the stock of all individuals engaged in promoting, protecting or improving the health of populations’ (WHO 2006). Human Resources for Health can also be defined as “those who promote and preserve health as well as those who diagnose and treat diseases. Also included are health management and support workers, those who help to make the health system function but who do not provide health services directly” (WHO 2006). This term is used synonymously as ‘health workforce, health workers, health
professionals’ and although it ideally encompasses doctors, dentists, nurses, pharmacists, technologists, community /primary care workers.

African countries have a very low density health workforce, compounded by poor skill mix and inadequate investment (Chen L et al 2004). Yet trained healthcare staff continues to migrate from Africa to more developed countries. The World Health Organization (2004) has estimated that, to meet the ambitious targets of the millennium development goals, African health services will need to train and retain an extra one million health workers by 2010.

It is therefore appropriate to state that any country that tends to have a low level of human resources for health (HRH) would not be on tract in reaching the health MDGs. Insufficient HRH capacity is definitely one of the key barriers to scaling up health services in Nigeria. The impact of the HRH shortage is greater in the developing countries as compared to the developed countries. This scenario is currently worsened by the diseases such as HIV/AIDS, TB and Malaria that are exacting greatest toll in these same countries most especially Nigeria.

HRH is not all about numbers. It involves distribution, quality and productivity. In essence HRH is concerned with getting the right number of staff, in the right places, at the right time, doing the right job, with the right motivation, at the right cost.

This study reviewed HRH in Nigeria the trend from independent, various cadres, of health the workforce, production, distribution; it also discusses the challenges including overall impact on health systems with appropriate recommendations.

The methods include detail desk reviewed of local, national and international documents and in-depth interview of desk officers in charge of HRH at National and State levels, some staff of MOH and Stakeholders.

The trend in Development of Human Resources for Health in Nigeria from Independence through Basic Health Service Scheme (BHSS) and various National Development Plans

Human Resources for Health Prior to BHSS Training as ‘Local Health Visitor’ began in Nigeria as early as 1949 when girls with Middle II schooling who were Grade II midwives were trained for the new Rural Health Centers in Western Nigeria. This then evolved into the idea of ‘community nurse’, an auxiliary health visitor, receiving six months’ or a year’s training in a health auxiliary training school, based on Grade II Midwifery background (Schram, 1971). By 1958, with the assistance of the WHO, training facilities were expanded and the Ibadan Health Auxiliary Training School which by now had replaced the old school trained all categories—public health inspectors, community nurses, family visitors, leprosy inspectors, dispensary attendants, and health overseers, and organized refresher courses. Similar trainings were offered in the Medical Auxiliary Training School in Kaduna and School of Hygiene in Kano in Northern Nigeria, as well as the School of Hygiene in Aba and Oji River Rural Health Training School in the East. Various categories of health workers existed in different parts of Nigeria before the BHSS.

With the introduction of the BHSS in 1977, the need arose for streamlining the recruitment, training and utilization of these health workers.

Consequently the federal government through the Basic Health Services Scheme Implementation Agency (BHSSIA) of the Federal Ministry of Health decided to regroup them in 1977 (some after retraining) into four cadres of “core” polyvalent workers and these have remained the core primary health workers in Nigeria’s PHC system. See table 1

In 2009 MSS scheme was introduced
STOCK OF HEALTH WORKFORCE IN NIGERIA

It has been observed that apart from Egypt and South Africa, Nigeria has one of the largest stocks of human resources for health in Africa. Table 2; gives the analysis of different workforce in Nigeria from 2004-2007. The number of registered doctors is about 58,325; this translates into a ratio of 39.4 medical doctors for every 100,000 population. The “in good standing” counting approach features individuals who are still engaged in the provision of health care services broadly defined, and are unlikely to be deceased, emigrated, or retired, as is possible with the general historical registry books on the cadres. As at December 2009, there were 28,531 medical doctors in the country; translating into a ratio of 19.3 medical doctors for every 100,000 population. Even going by this conservative figure, Nigeria has a much higher comparative ratio of doctors than the sub-Saharan African’s average of 15 doctors and 72 nurses per 100,000 populations (WHO 2006).

An additional number of 467 foreign medical doctors had renewed their license with the medical and dental council of Nigeria (MDCN) in 2009 and were practicing in the country. It should also be noted that the dentists’ workforce was estimated at 1,239 Nigerians and 18 aliens.

As at December 2009, the registry books of the Nursing and Midwifery Council of Nigeria indicate that there were 137,198 nurses nationwide, translating into 92.7 nurses per 100,000 population; a much higher ratio than the sub-Saharan African’s average of 72 nurses per 100,000 population. The registry books report also a cumulative figure of 93,743 midwives.

2.1 Health worker density

Following the Joint Learning Initiative (JLI) report that demonstrated a positive correlation between the density of health workers and improvement in basic health indicators including infant, under-5 and maternal mortality; the World Health Organization (WHO) in 2006 suggested that a minimum of 2.3 health workers per 1000 people (counting only doctors, nurses and pharmacists) is required to attain adequate coverage of some essential health interventions and core MDG-related health services (WHO,2006). Table 3 indicates that even when considering the registry counts, the doctors, nurses and midwives workforce density is only 1.95 per 1,000 population and falls slightly short of the WHO recommended threshold of 2.28 per 1,000 population needed to ensure the adequate coverage of essential health services. There is even most likely a lesser workforce if counting only health workers in good standing.

The density of medical doctors across the 36 states and FCT presented in figure 1 show clear distributional imbalances. The density ranges from 1.1 doctors per 100,000 populations (Adamawa state) to 44.8 doctors per 100,000 populations (Kwara State). Seven of the 36 states that have fewer than 3 doctors per 100 000 inhabitants happen to be located in the north eastern (Adamawa 1.1; Bauchi 2.2; Yobe 1.3/100,000 population) and north western (Jigawa 1.2; Zamfara 1.7; Katsina 2.3; Kebbi 2.6/100,000 population). While the states that have more than 30 doctors per 100,000 are located in south western (Lagos State 33.4; Osun 40.1/100,000 population); and northern central (FCT 32.0; Kwara 44.8/100,000 population).

The nurses and midwives density to population was calculated based on professionals that are in good standing with the Nursing and Midwifery Council of Nigeria (NMCN). These ratios should be therefore treated with cautious since it is known that only few health workers renew their license due to the fact that states do not make it mandatory for practicing in their health facilities. The Figures 3,4 and 5 however provide an idea of the nursing and midwifery staffing pattern in all the 36 states and FCT.
There is a wide inter-state disparity ranging from 5.2 nurses and midwives per 100,000 population in Jigawa state (or 1 nurse for 19,230 people) to 59.1 nurses and midwives per 100,000 population (or 1 nurse for 1,692 people) in Enugu state. Many of the states having the lowest density of nurses and midwives are located in the North-Western geopolitical zone (Jigawa; 5.2/100,000; Zamfara 6.7/100,000; Kebbi 9.5; Kano 10.1/100,000 population) and in the North East (Bauchi 10.4/100,000 population). Highest density of nurses and midwives are rather reported in South Eastern (Enugu 59.1/100,000) South Western (Lagos 57.8/100,000) and South South (Akwa Ibom 55.8/100,000; Bayelsa 51.3 per 100,000 populations).

HEALTH WORKFORCE PRODUCTION AND DISTRIBUTION WITHIN THE COUNTRY

Nigeria has a relatively good number of health training institutions. In 2009, there were 27 accredited medical schools, 7 accredited dental schools, 89 approved schools of nursing, 76 approved schools of midwifery, 15 medical lab schools, 41 medical laboratory technicians/assistants schools, 8 schools of physiotherapists, 6 schools of radiography, 10 schools of pharmacy, 19 schools of pharmacy technology, 44 schools for health records officers, 14 schools of community health officers, 50 schools of community health extension worker, 4 schools of dental technology, 4 schools of dental therapists, 5 schools of dental health technician, 5 schools of dental surgery assistant, 1 school of dental nurse, and 3 schools of optometrists. However there is a poor distribution of these training institutions with majority (75%) of them being located in the southern parts of the country (see figure 2 below). Even though each state of the federation has at least one nursing and midwifery schools, figures below indicate distributional imbalances of nursing and midwifery schools. Majority of the schools are concentrated in the southern parts of the country with some states hosting up to 6 schools (Imo state, Osun) or 5 schools (Anambra state, Oyo state).

Box 1: Poor Health Status despite large stock of human resources

Fertility Rate in Nigeria remained at high level over the last 17 years from 5.9 births per woman in 1991 to 5.7 births in 2008
IMR is 75 deaths per 1,000 live births, while the U5MR is 157 per 1,000 live births. The NMR is 40 per 1,000 births.
MMR is 545 maternal deaths per 100,000 live births.
Stunted 41% (short for their age), 14 percent are wasted (thin for their height), and 23 percent are underweight.
In 1991, the average life expectancy was 53.8 years for women and 52.6 years for men (UNFPA, 2005). The 2007 estimate had fallen to 50 for women and 48 for men (WHO, 2009) population.

Source: Political Economy of the health sector in Nigeria
**Imbalanced distribution**

As shown in Figure 6, the distribution of health workers by level of care reveals that CHOs and CHEWs are the predominant category of staff at the primary care level. Only 19% of doctors are found at this level. The corresponding figures for other categories of health workers are: nurses and midwives 31%, lab staff 42% and pharmacy staff 38%.

This indicates that the staffing pattern in the public sector is skewed in favour of secondary and tertiary care. This can be explained partly due to the complexity of services at this level and also the urban location of most of these services – urban location being a strong pull factor for health workers.

On the average an urban resident has access nearly twice or three times more health worker compared to a rural resident. The only exception is the category of community health officers (CHO) and Community extension workers (CHEW), who are more numerous in rural areas.

Finally, another type of imbalance that is usually overlooked is **gender imbalance** see figures 8&9, *a case study of Katisna and Yobe States*. This has been seen where certain categories of staff are disproportional males or female – Available data shows that 20% physicians and dentists across the country are women.

**Migration**

This is fuelled by certain conditions (push factors) that encourage health professionals to leave the country - such as low pay, poor career prospects, lack of opportunity for professional advancement, adverse social and political conditions. Added to these are equally attractive conditions (pull factors) that entice these professional to go to industrialised countries – these include promises of better remuneration, better work environment, and better prospect for career development.

Migration of health staff out of the country is an important issue. Highly qualified nurses and Specialist doctors have been mainly involved in migration to other countries. Research into migration of health workers is ongoing with funding and technical support from partners. In the year 2005, two thousand six hundred nurses migrated to UK, 2050 migrated to USA. Other countries of importance to migration are Ireland, Australia, and Canada. Some nurses have migrated to other parts of Africa. Data from nursing and Midwifery council shows that they received a request from 3194 nurses in 2008 for seeking employment outside Nigeria. See Table4

A large number of medical doctors have migrated to UK, USA, Ireland, Denmark, Australia. The trend of migration is more towards USA, UK, then other parts of Europe. Data from American Medical Association revealed that in 2003, 2855 Nigerian Doctors were registered with the American Medical Association out of which 44% of were specialist in internal medicine. It is difficult to have a total number of actual migrants, however using proxy data like requests for certificate of good standing, it appears that 2,985 Nigerian doctors migrated in the year 2006 and 2,341 migrated in 2005. In 2007 the number of doctors migrated increased to 3,567. See Table 5

**4. HRH RESEARCH AND HRIS**

Currently there are very few HRH- specific research programmes. There is very little fund available for such research. Efforts are on way to process funds to carry out research on human resources for health. Some of the research issues include the migration of health workers, motivation of health workers and so on. Similarly HRIS is fragmented, often there exists discrepancy in the number from register and that obtained from professional regulatory bodies.
5. CONCLUSION

From the foregoing it can be seen that human resource development in Nigeria required several actors other than those in the health sector, working together towards a common purpose. But most importantly, it requires the cooperation between Federal and State Ministries of health and other health care providers, universities, other educational institutions, and professional associations.

In addition, the new landscape of health care provision require more from health professionals other than acquiring new skills or working in multi-disciplinary teams. It also demands new attitudes, finding creative ways whereby health professionals can engage in effective partnerships with both patients and organizations that purchase health care on their behalf.

Finally, human resource development executes these functions in a coherent manner. It requires a good understanding of the numerous and complex issues as identified above. It also requires the capacity to incorporate coordination mechanisms in the policy-making process. This is essential in order to avoid nullifying the benefits of one policy by the negative effects of another.

However, in order to undertake this human resource development function properly and effectively a national strategy for the development of human resources for health needs to be developed and adapted at the State and LGA levels. This should be linked to a comprehensive National health strategic development plan (NHSDP) with well defined targets. As much as possible the plan should encompass those of the states and local government areas.

6. RECOMMENDATIONS: Strategies for Addressing HRH Challenges

The following is an outline of some ideas for strategies to help tackle HRH challenges in Nigeria on the basis of the findings of this review.

1. Shortage of Health Manpower; This can be dealt with by increasing the availability of staff. Some strategies that can be used include:
   
i. It should be reminded that the numbers of health workers matters a lot. States having less than the sub-Saharan average of 15 doctors per 100,000 populations (24 out of the 36 states or the 2/3) should develop a recruitment plan to address the critical shortages of doctors hampering service delivery in their respective states.
   
   ii. Given the critical role played by nurses and midwives in the provision of health care to people, states facing acute shortages of these cadres should invest in expanding gradually its workforce to reach at least the sub-Saharan average density of 75 nurses for 100,000 populations or 1 nurse for every 1,333 people.
   
   iii. Raising the productivity levels of existing staff. This can be achieved by reducing absenteeism, introducing incentives to better motivate staff, reviewing how tasks are divided and organized and using more efficient technology.
   
   iv. Reviewing employment regulations. This would involve incorporating elements such as raising retirement age, introducing flexible employment (contracts, part-time), and mechanisms for re-entry for people who left the sector temporarily.
   
   v. Creation of new cadres. The Nursing and Midwifery Council of Nigeria should approve the training of community midwives to meet the demand for trained assistance at birth. Another cadre worth considering are surgical technicians to assist doctors in operating theatres in order to increase access to emergency obstetric care.
vi. Increasing the production of new staff. All newly established medical schools and other health professionals training institutions needs to be properly monitored to ensure quality and avoid surplus.

2. Geographical Imbalances. This can be addressed through a variety of measures. They include:
   i. Specific recruitment for rural areas with incentives such as training, special financial package or rapid promotion.
   ii. Decentralization of hiring – by delegating the function to district health authorities or hospitals
   iii. A period of rural service other than national youth service as a condition for private practice.

3. Education and Training;
   I. Efforts should be invested by the less endowed states to expand their in-service training capacity to the level of the southern states that produce enough midwives for their deployment in rural facilities to address the pressing MCH needs.

II. After graduation continuing medical education should become mandatory as a condition for the renewal of practice license. Finally, accreditation of training institutions should be seen as mechanism to sustain continuing improvement rather than a process of periodic evaluation. FMOH collaborates with some local universities concerning the in-service training of health manpower in the following areas: Health Planning & Management (Universities of Benin, Ilorin and Maiduguri), Health Information Management (Ilorin), and Health Economics (Abia State University). Plans are under way to commence training programmes in Health Financing at the University of Calabar and Ahmadu Bello University, and Women in Health at the Obafemi Awolowo University, Ile Ife. This effort should be sustained.

III. Human Resource Research and Human Resource Health Information Systems; Many health regulatory agencies could not report on skill mix parameters; they will need to improve their database in order to report on these crucial indicators susceptible to guide decision making.
References


10. The registry books of the Medical and Dental council of Nigeria December, 2009

11. The registry books of the Nursing and Midwifery Council of Nigeria, December, 2009

12. Registry book of the National University Commission Nigeria, December, 2009

Annexure

Table 1: **CATEGORIES I-IV WERE ELIGIBLE FOR RETRAINING HUMAN RESOURCES FOR HEALTH PRIOR TO BHSS**

<table>
<thead>
<tr>
<th>S/N</th>
<th>Community Health Aides</th>
<th>Community Health Assistants</th>
<th>Health Supervisors</th>
<th>Community Health Officers</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Field Health worker</td>
<td>Rural Health Assistant</td>
<td>Community Health Assistants</td>
<td>Public Health Nurse</td>
</tr>
<tr>
<td>2</td>
<td>Field Health Assistant</td>
<td>Dispensary Assistant</td>
<td>Rural Health Inspector</td>
<td>Nursing Sister/Superintendent</td>
</tr>
<tr>
<td>3</td>
<td>Family Health Workers</td>
<td>Dispensary Health Assistant</td>
<td>Assistant Rural Health Superintendents</td>
<td>Midwifery/Community Midwifery Sister Supervisor I</td>
</tr>
<tr>
<td>4</td>
<td>Health Attendants</td>
<td>Clinical Assistant</td>
<td>Community Midwives</td>
<td>Higher Rural Health Superintendent</td>
</tr>
<tr>
<td>5</td>
<td>Ward Orderlies</td>
<td>Nursing Assistant</td>
<td>Nurse Midwives</td>
<td>Higher P. H. Superintendent</td>
</tr>
<tr>
<td>6</td>
<td>Leprosy Attendant</td>
<td>Health Assistant</td>
<td></td>
<td>Public Health Superintendent</td>
</tr>
<tr>
<td>7</td>
<td>Clinic Attendant</td>
<td>Health Visitor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Tb. Visitor</td>
<td>Assistant Leprosy Inspector</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Port Health Attendant</td>
<td>Leprosy Attendant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Mosquito Scouts</td>
<td>Rural Health Assistant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Rat Catchers</td>
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<tr>
<td>13</td>
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</table>

Table 2: Number of Health Workers in Nigeria 2004 to 2007

<table>
<thead>
<tr>
<th>Staff Type</th>
<th>2004</th>
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<tbody>
<tr>
<td></td>
<td>Number of Staff</td>
<td>Number of staff per 100000 pop</td>
<td>Number of Staff</td>
<td>Number of staff per 100000 pop</td>
</tr>
<tr>
<td>Doctors</td>
<td>35000</td>
<td>28</td>
<td>39210</td>
<td>3.0</td>
</tr>
<tr>
<td>Reg. Nurses (combined)</td>
<td>210000</td>
<td>170</td>
<td>124629</td>
<td>10.0</td>
</tr>
<tr>
<td>Reg. Midwives</td>
<td>-</td>
<td>-</td>
<td>88796</td>
<td>6.8</td>
</tr>
<tr>
<td>Dentists</td>
<td>2500</td>
<td>2</td>
<td>21123</td>
<td>2</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>6350</td>
<td>5</td>
<td>12072</td>
<td>1</td>
</tr>
<tr>
<td>Lab. Technician</td>
<td>690</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>CHOs</td>
<td>115800</td>
<td>91</td>
<td>19268</td>
<td>-</td>
</tr>
</tbody>
</table>

Rounded figure; sources WHO 2006, FMoH Dept of HRH, Medical and Dental council of Nigeria, NMRC of Nigeria, CHO registration board

Table 3; Health work force threshold per 1,000 population needed to ensure the adequate coverage of essential health services

<table>
<thead>
<tr>
<th>Cadres</th>
<th>WHO Threshold Estimates</th>
<th>National Average Registry books</th>
<th>In good Standing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doctors</td>
<td>0.55</td>
<td>0.39</td>
<td>0.19</td>
</tr>
<tr>
<td>Nurses &amp; Midwives</td>
<td>1.73</td>
<td>1.56</td>
<td>N/A</td>
</tr>
<tr>
<td>Total</td>
<td>2.28</td>
<td>1.95</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Source: Author’s Computation 2011 from registrar books of NMCN and MDCN
Table 4: Nurses Seeking Employment outside Nigeria from 2004-2006

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>2500</td>
<td>2600</td>
<td>750</td>
<td>94</td>
</tr>
<tr>
<td>USA</td>
<td>2100</td>
<td>2050</td>
<td>650</td>
<td>1233</td>
</tr>
<tr>
<td>Ireland</td>
<td>750</td>
<td>855</td>
<td>450</td>
<td>510</td>
</tr>
<tr>
<td>Australia</td>
<td>55</td>
<td>60</td>
<td>75</td>
<td>-</td>
</tr>
<tr>
<td>Canada</td>
<td>50</td>
<td>60</td>
<td>12</td>
<td>130</td>
</tr>
<tr>
<td>British Colombia</td>
<td>10</td>
<td>11</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>New Zealand</td>
<td>20</td>
<td>21</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>South Africa</td>
<td>15</td>
<td>16</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>Ghana</td>
<td>8</td>
<td>10</td>
<td>7</td>
<td>-</td>
</tr>
<tr>
<td>Botswana</td>
<td>4</td>
<td>5</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>Africa Boards</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>87</td>
</tr>
<tr>
<td>Other Boards</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1140</td>
</tr>
<tr>
<td>Prince Wale Island</td>
<td>5</td>
<td>7</td>
<td>9</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5517</strong></td>
<td><strong>5695</strong></td>
<td><strong>1977</strong></td>
<td><strong>3194</strong></td>
</tr>
</tbody>
</table>

* African Boards (An addition of figures for Ghana, Botswana, South Africa, and other African countries. This new classification was started by the Nursing Council from the 2006 data generation year)  
** Other Boards (An addition of figures for Australia, New Zealand, British Columbia, and Prince Wale Islands.)
Table 5: Nigerian Doctors who requested for certificate of good standing and their Destinations countries for the years 2005-2007

<table>
<thead>
<tr>
<th>Country</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>979</td>
<td>1236</td>
<td>1,236</td>
</tr>
<tr>
<td>USA</td>
<td>122</td>
<td>189</td>
<td>189</td>
</tr>
<tr>
<td>Ireland</td>
<td>714</td>
<td>851</td>
<td>851</td>
</tr>
<tr>
<td>Denmark</td>
<td>9</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Israel</td>
<td>-</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>South Africa</td>
<td>-</td>
<td>-</td>
<td>538</td>
</tr>
<tr>
<td>West Indies</td>
<td>304</td>
<td>384</td>
<td>384</td>
</tr>
<tr>
<td>Canada</td>
<td>136</td>
<td>176</td>
<td>176</td>
</tr>
<tr>
<td>UAE</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Singapore</td>
<td>6</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Australia</td>
<td>49</td>
<td>86</td>
<td>86</td>
</tr>
<tr>
<td>Germany</td>
<td>7</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Poland</td>
<td>1</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Italy</td>
<td>2</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Netherland</td>
<td>5</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Others Country</td>
<td>-</td>
<td>-</td>
<td>34</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2341</td>
<td>2985</td>
<td>3,567</td>
</tr>
</tbody>
</table>

*Source: Medical and Dental Council of Nigeria, 2008*
Figure 1: Medical doctors’ density per 100,000 populations across states and FCT (Source Medical and Dental Council of Nigeria 2010)
Figure 2 Source; National University Commission 2009
Figure 3: Density of In good standing Nurses and Midwives across the 36 states and FCT
Figure 4: Distribution of Nursing Schools across the states of the Federation
Figure 5: Distribution of Midwifery school across the states of the Federation
Figure 6: Distribution of public sector health workers in Nigeria by level of care 2005
Source: Assessment of HRH in Nigeria

Figure 7: Rural /Urban Health Worker distribution per 100 000 populations in the public sector in Nigeria, 2005
Source: Assessment of HRH in Nigeria

Figure 8: Sources HRH audit 2008 PRRIN project

Katsina Health Workforce: Gender Composition 2008

Figure 9: Sources HRH audit 2008 PRRIN project

Gender Composition of Health Cadres

Yobe

Katsina

JCHEW

SCHEW

Nurse

Male

Female
Determinants of Board Effectiveness: Logit Model

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SZABIST, Islamabad,

Dr Attiya Javid
PIDE, Quaid-e-Azam University Campus, Islamabad.

This research is on the basis of self finance.

Abstract
This study examines the relationship between financial variables and corporate governance particularly the board of director’s effectiveness in Pakistani listed companies. Logit analysis is used to investigate that the whether board of directors is influenced by financial variables: firm Size, Profit, Turnover, D/E, ROE, Sector (financial or non-financial), and type of firm (local or international). This empirical analysis for board effectiveness, composition and size is done on the cross-section of the 50 firms for the year 2009 to examine how the cross firm differences in the type of firm, the sector to which firm belongs, the size, profitability, capital structure of the firm influence this crucial corporate governance component board composition and effectiveness in Pakistan. Most of the results of the study reveal that financial variables are less likely to influence the board effectiveness. The performance (ROE and Turnover) of the firms have significant association with large board size. Moreover, firms with high performance in terms of ROE conduct more board meetings.

Keywords: Determinants; Board Effectiveness; Logit Model

1. Introduction

Good Corporate Governance enhances the performance potential of an organization and increase organizations’ chances to attract outside capital, this in turn results in a stable and progressing economic development. Role of good corporate governance is even more important in emerging markets where many public policy objectives are achieved through corporate governance. Like; it helps in reducing transaction and capital cost and move towards development of capital market; it helps in overcoming financial crises and support to strengthen property rights. Corporate Governance gives importance to relationship among all stakeholders for producing better results. Stakeholders include major shareholders, management of the company, its Board of Directors and other shareholders etc. Corporate Governance is an important area for research in corporate sector and it is more even important after its publication by Securities & Exchange Commission of Pakistan as code of conduct under banner of Corporate Governance Code 2002 for the companies which are listed on Stock Exchange.

SECP introduced code of Corporate Governance in early 2002, it is main step towards corporate governance reforms in country. Many recommendations included in
this code are aligned with good practices followed internationally. There are two main area of enforcement one; Reforms of BODs to make the board responsible and answerable to all shareholders and second; ensuring better disclosure for the companies with internal & external audits in improved manner. Guidance regarding risk management, internal controls and board is not available and code’s limited provision on independence of directors remains voluntary.

Various studies based on corporate governance find that countries having weakest investor protection have less developed debt and equity markets than those having strongest investor protection (La Porta, et al. (1997), Demirguc-Kunt and Maksimovic (1998), Javid and Iqbal (2010) for Pakistan). These studies come to one important implication that external control mechanisms are vital to keep a balance between interest of managers and those of shareholders, but the question arises what happens in the absence of these mechanisms as in case of Pakistan. According to Javid and Iqbal (2010) and La Porta et al., (1998), minority shareholders do not participate heavily in those financial markets where their rights are not well protected; however, researchers provide concentrated ownership a key factor. The reason behind is monitoring of management generally by large shareholders.

The main focus of this study is to find out the relationship between corporate governance and financial variables particularly the board of directors’ effectiveness on Pakistani listed companies for 2009. In Pakistan, where ownership tends to be centrally concentrated, agency issues or problems can be settled/solved by way of using Boards to watch and keep an eye on top-level management, ensuring legally protected rights of minority investors and an active market to exercise corporate control over it. In developed countries, corporate governance rely more upon investors outside and capital markets. However, contrary to that in Pakistan corporate sector efficiency is achieved through more reliance of corporate governance on financial institution and on inside investors with large investments. In this particular situation, relatively smaller outside investors are exposed to the risk as chances are increased that the wealth flow to large shareholders.

1.1 Problem Statement

Impact of firm size, Performance measures (ROE), Capital Structure, Profit, Sector and Type of Industry on Board Effectiveness in KSE listed companies.

1.2 Objective of the Study

The main objective of the study is how board composition (board size, independent directors, and no. of BOD meetings) audit independence is influenced by sector to which the firm belongs (financial or non-financial), type of industry to which firm belongs (local or international) and capital structure (D/E) after controlling for size and profitability of the firm.

- To measure the board of directors effectiveness and composition of Pakistani firms.
• To explore empirically which financial factors (size, profit, capital structure, ROE) more strongly influence board composition characteristics.
• To examine the relationship between firm’s financial variables and overall corporate governance compliance.

1.3 Significance of the study

The current study has twofold significance. At one end it will educate the investors and management practitioners about the existence of Corporate Governance practices in Pakistani companies regarding Boards. On the other end, SECP is going to revise corporate governance code so this study would highlight the importance of board in revision. This study addresses some of the underline factors that promote efficient boards and examine some of the strengths, weaknesses, and economic implications related to board composition.

1.4 Organization of the Study

Rest of the study is organized as follows. Section two provides literature of corporate governance. The methodology and data is discussed in section three. The empirical results are discussed in section four and last section concludes the study.

2. Literature Review

Corporate governance has attained the attention of practitioners as well as academic researchers (Bebchuk and Cohen 2004). The need to improve corporate governance practices for effective financial reporting process has been highlighted in the literature (Levitt 1998, 1999, 2000). In Sarbanes-Oxley Act 2002, efficacy of the audit committees has been emphasized and responsibility to ensure the authenticity of financial reports is on management and board of directors. Audit committee and Board of Directors have been focal point for the accounting profession and earlier research. For example corporate governance was defined by Public Oversight Board as "those oversight activities undertaken by the board of directors and audit committee to ensure the integrity of the financial reporting process". A narrowed view of Corporate Governance, however, made its scope limited to monitoring of activities only and this may undervalue the role of Corporate Governance and thus the potential remain unused. Relationship among various actors and mechanisms within Corporate Governance arena is an important thing to consider. E.g. To achieve a quality full financial reporting and effective governance crucial factors on the scene are interaction among the internal auditors, audit committee, external auditor, the management and the board (Sarbanes-Oxley Act 2002). Management considerably influenced these parties; as revealed from an interview based study with experienced auditors (Cohen, et al.2002).

La Porta, et al. (1997) studied forty nine developing and developed countries and found that the countries having weakest investor protection have less developed debt and equity markets than those having strongest investor protection. These findings have significant insinuation for corporate governance study in economies outside U.S and other advanced economies. External control mechanisms, for example, are vital to keep a balance between interest of managers and those of shareholders, but the question arises
what happens in the absence of these mechanisms? La porta et al. (1998) concluded evidence that shareholders with minor and branched out investments are not likely to take part actively and on big scale in financial markets of countries where their rights are not protected due to concentrated ownership. For this, there is a simple explanation, dominant shareholder with large investments/shareholding are more active to observe the management at the cost of disadvantageous diversification. This claim is supported by Empirical evidence; in countries dominated by French Civil Law, ownership tends to be concentrated as compared to Common Law countries. Bhagat & Black (2002) studied the firm performance affected by independent Directors. They found that companies with low profit are more tend to increase independent directors on the board, without even having concrete evidence whether or not this strategy works for them. For this common belief that performance can be improved through independent board, no statistical support or data was available. In this particular study, data for 934 firms was used for the period 1985-1995. Denis and Sarin (1999) also considered a long period from 1983-1992 on boards and they used data from 583 during the above mentioned period of study. They found from the study that ownership and changes in board have strong relationship with corporate events such as turnover of top executive and stock performance in a period, whereas, the same have weak relationship with threats to corporate control. Impact of size of board on firm’s performance is another important factor that has been area of interest for the research. Yermack (1996) studied a sample of 452 large firm in United States for the period 1984 to 1991 and found that size of board have negative relation with firm value. His study suggested that small size boards are more likely to dismiss CEO for poor performance and they set compensation of CEO in relation with firm performance.

Cheema, et al. (2003) suggested that In Pakistan, if the Corporate Governance system come in line with the goal of increasing external equity through capital markets, then foreign Direct Investment can be attracted and Pakistan increase saving through capital. Mainly, corporate structure, here in Pakistan, is characterized as family concentrated management, related directorships. Then there are pyramid structures and there are cross-shareholdings. The main objective of the reform is to protect minority shareholders that may reduce profit-maximizing incentives for families. Optimizing both the objectives, i.e. protection of minority shareholders and keeping the profit maximization incentive intact for family controlling hands is the challenge for policy makers. Progressive companies have to take initiative and contribute towards efforts for Corporate Governance Reforms. Rais and Saeed (2005) analyzed corporate Governance Code 2002 under Regulatory Impact Assessment (RIA) framework and its application and enforcement to comprehend the dynamics of public decision-making and consider the usefulness of the regulations of SECP in the area of corporate governance. The study showed that although the listed companies are making themselves prepared to adopt the code, yet there are reservations about the draft and enforcement of code and there too are some constraints. Ghani, et al. (2002) studied the impact of business groups on corporate governance in Pakistan for non-financial firms for 1998-2002. Evidence of the study showed that business groups are viewed by the investors as a mechanism to walk off with wealth of minority shareholders. On the other side, results of comparative financial performs showed that, In Pakistan- business groups are proficient economic arrangements substituting the missing or uneconomical/inefficient outside markets and institutions.
Ashraf and Ghani (2005) found in their study that rights protection, legal inefficiencies, and fragile enforcement mechanisms are the key factors in clearing up the state of accounting in Pakistan.

Corporate governance refers to how companies should be run, directed, and controlled (Gompers et al., 2003). The corporate governance is concerned with the relationship between the internal governance mechanism of corporations and society’s idea of the scope of corporate responsibility (Deakin & Hughes, 1997). The board size has been a well known significant antecedent of corporate governance effectiveness in theoretical studies (Lipton & Lorsch, 1992; Jensen, 1993). Jensen (1986) found that with high leverage ratios have a larger board size. On the other hand, in Berger et al. (1997), debt level is lower when there is a larger board size. The limited board size will also limit the no. of independent directors available to serve on the audit committee and reported evidence that the audit committee independence increases with the board size (Beasley & Salterio, 2001; Klein, 2002). Experimental research has concluded that size of Board and number of meetings of Boards of Directors may have relation with performance and results of a firm (Eisenberg et al., 1998).

3. Methodology

To test the hypothesis that the role of the board of directors is crucial, when the shareholders are not well protected because of less developed financial markets. (La Porta, et al., (1997); Javid & Iqbal (2010)). The board composition and dynamics is modeled following Hermalin and Weisbach (1998). Logit analysis is used in a multivariate setting to investigate that the whether board of directors is influenced by financial variables: firm size, profit, D/E, ROE, turnover and sector (financial or non-financial), type of firm (local or international). The logit model is used in this study to test the determinants of board effectiveness.

The multivariable logistic response function is given by

\[ E(Y_i) = \frac{e^{\beta_i X_i}}{1 + e^{\beta_i X_i}} \]

The log-likelihood function is given by (Neter et al., 1996)

\[ L(\beta) = \sum_{i=1}^{n} Y_i (\beta_i X_i) - \ln(1 + e^{\beta X_i}) \]

The maximum Likelihood estimation technique is used. The model becomes:

\[ Y_i = \beta_i X_i + \varepsilon_i \]

Where \( \beta_i \) is vector of coefficients and \( X_i \) consist of set of explanatory variables and \( \varepsilon_i \) is random error term.

Compositions of Boards brings in autonomy of boards, ensure structure and results in effectiveness. To measure autonomy many indicators of boards’ independence can be used like independent and outside directors on board, making two different slots
of CEO and Chairman to keep them apart, a CFO looking financial affairs. Autonomy enhances board’s capability and increases its ability to make right judgments and execute them properly. It assesses executive directors critically and by having on board non-executive members, influential control of management over boards reduces considerably. Also, more the number of outside directors on the board, higher the company performance will be. A smaller board, due to factor of social cohesion potential, can easily be taken under control and is manageable for CEO (Shaw, 1981). In case of large Board of Directors, CEO requires more time and has to put more efforts to get consensus of Board on different matters and decisions. Thus, a larger board enjoys more independence as CEO’s influence become weak and his dominance over the board is more difficult to achieve. Larger boards have some evidences in their favour. Chaganli, Mahajam and Sharma (1983) studied relationship between size of a board and chances of bankruptcy of the firm. They found that non-financial firms inclined to have large size of board than the board size of financial firms. Larger boards enjoy more autonomy and independence and that is why larger boards are related with higher performance. The dependent variable consists of following:

Board Size (DBS) =1 if member in board is greater than 6
               =0 otherwise

Independent Directors (DIND) = 1 If there are independent directors
                             = 0 otherwise

No. of BOD meetings (BOGM) = 1 If there are meeting more than 4
                            = 0 otherwise

Audit Independence (DAUDIT) =1 if audit committee is independent
                           = 0 otherwise

The set of explanatory variable includes
Sector (Sec) = 1 if the firm is financial firm (bank or other)
              = 0 otherwise (energy, textile, chemical, food and miscellaneous)

Size = log (total asset)
ROE = Net return/Total equity
D/E = Total debt/ Total equity
Turnover = No of shares traded
Profit = log (net earnings)
TYPE = 1 if firm is international
       0 otherwise

Therefore, the model becomes:

\[ Board_i = \beta_0 + \beta_1 SIZE_i + \beta_2 TO_i + \beta_3 Profit + \beta_4 TYPE_i + \beta_5 SEC_i + \beta_6 ROE_i + \beta_7 D/E + \epsilon_i \]
4. Results and Discussion

This empirical analysis for board effectiveness, composition and size is done on the cross-section of the 50 firms for the year 2009 for examine how the cross firm differences in the type of firm, the sector to which firm belongs, the size, profitability, capital structure of the firm influence this crucial corporate governance component board composition and effectiveness in Pakistan. Most of the results of the study reveal that financial variables are less likely to influence the board effectiveness.

First, the study examines the board size and six numbers of board members are taken as benchmark following the empirical literature on this area (Goodstein et al; 1994). The board size is the characteristic of corporate that measures the board’s ability to monitor. The results reported on Table 1 indicate that financial firms are more likely to choose large boards. The performance (ROE), D/E and Turnover have a significant association with large board size. Therefore, the firms having high ROE, D/E and Turnover are more likely to have reasonably large boards. The findings regarding board size are mixed, for example, Goodstein et al (1994) argued that smaller board from four to six might be more effective because they make timely strategic decisions, while large board are capable of monitoring decisions of the top management. Yarmack (1996) found smaller boards are more efficient. Whereas, other financial variables including Profit, size and Type of Industry do not matter in determining the Board size for this sample.

The result of Table 2 reveals that the firms which are financial and international with high performance (ROE, Turnover) has more probability to include more independent directors in their boards. The numbers of independent directors are more, firms are less likely to rely on debt because the outside directors keep an eye on the managers and debt reliance is reduced. The same result is found by Wen et al (2002) and opposite results is found by Jensen (1986), Berger et al (1997) that the firms with more outside directors have high level of debt.

Board meetings are important because boards do on the behalf of the company and there is process of board acting collectively. Mode of acting collectively is by passing resolution on board meetings. More meeting means more chances of considering different decisions by the boards and quickly reaching to final results. Board meetings are less likely to depend on financial characteristics of firms, however the firms which are financial and international and have high performance in terms of ROE has more probability of holding more meetings as shown by results of Table 3. The findings regarding BOD meetings are consistent with the study of Gonzalez and Garay (2003).

As regards the extent of independent audit committee the results of Table 4 indicate that the performance (ROE, Turnover), debt to equity ratio is positively associated with it. The Local and non-financial firms have more probability of having independent audit committee. These results are similar to the larger board size because larger board assures independent committee for audit. Jensen (1986) and Berger et al (1997) find the same result.
5. Conclusion

Good corporate governance contributes to sustainable economic development by enhancing the performance of companies and increasing their access to outside capital and reducing vulnerability of the financial crises, reinforcing property rights; reducing transaction cost and cost of capital and leading to capital market development. In Pakistan, where ownership tends to be centrally concentrated, agency issues or problems can be settled/solved by way of using Boards to watch and keep an eye on top-level management, ensuring legally protected rights of minority investors and an active market to exercise corporate control over it. In developed countries, corporate governance rely more upon investors outside and capital markets. However, contrary to that in Pakistan corporate sector efficiency is achieved through more reliance of corporate governance on financial institution and on inside investors with large investments. In this particular situation, relatively smaller outside investors are exposed to the risk as chances are increased that the wealth flow to large shareholders.

This study indicates that financial firms are more likely to choose large boards. The firms having high ROE, D/E and Turnover are more likely to have reasonably large boards. Moreover, the international and financial firms whose profitability is high have more independent directors that reduce debt reliance of their firms. Financial and international firms with high performance in terms of ROE conduct more board meetings. The local and financial firms in relation to financial and international firms mostly rely on independent audit committees that are positively related to performance. At the same time, larger board size assures to have more independent committee for audit.

5.1 Limitations and Recommendations

In this study different Boards characteristics like Inside Directors, Board Ownership, DCEO Duality, managerial ownership and Corporate Governance Compliance have not employed due to non-availability of data for full sample set. Future research can be conducted by considering all these variables. The current study has been conducted on small sample size i.e. 50 for 2009. The future research can be carried out on a more informative sample.

5.2 Policy Implications

Above findings have important implications for researchers, policy makers and corporate Boards: Efforts to improve Corporate Governance should focus on reasonable large board because it assures independent committee for audit. Boards should also consider the extent of independent audit committee since it is positively related to performance (ROE, Volume), and Capital Structure.
References


### Tables

#### Table 1. Relationship between Board Independence and Financial Variables
Dependent variable Dummy = 1 if the size of the board is larger than 6, 0 otherwise

<table>
<thead>
<tr>
<th></th>
<th>Beta</th>
<th>Sig.</th>
<th>Exp(B)</th>
</tr>
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<tbody>
<tr>
<td>ROE</td>
<td>0.111</td>
<td>2.065</td>
<td>1.877</td>
</tr>
<tr>
<td>Sector (1)</td>
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<td>2.276</td>
<td>1.343</td>
</tr>
<tr>
<td>SIZE</td>
<td>-0.215</td>
<td>.243</td>
<td>.806</td>
</tr>
<tr>
<td>D/E</td>
<td>.93*</td>
<td>2.168</td>
<td>1.097</td>
</tr>
<tr>
<td>Turnover</td>
<td>.01</td>
<td>3.520</td>
<td>1.000</td>
</tr>
<tr>
<td>Profit</td>
<td>.63</td>
<td>1.190</td>
<td>1.065</td>
</tr>
<tr>
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<td>1.97</td>
<td>1.322</td>
</tr>
<tr>
<td>Constant</td>
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<td>McFadden R²</td>
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<td>0.34</td>
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#### Table 2. Relationship between Board Independence and Financial Variables
Dependent variable Dummy = 1 if board has independent directors, 0 otherwise

<table>
<thead>
<tr>
<th></th>
<th>Beta</th>
<th>Sig.</th>
<th>Exp(B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>0.131*</td>
<td>2.15</td>
<td>1.937</td>
</tr>
<tr>
<td>Sector (1)</td>
<td>1.07*</td>
<td>2.276</td>
<td>1.343</td>
</tr>
<tr>
<td>SIZE</td>
<td>-0.215</td>
<td>.243</td>
<td>.806</td>
</tr>
<tr>
<td>D/E</td>
<td>-0.61*</td>
<td>-2.101</td>
<td>1.009</td>
</tr>
<tr>
<td>Turnover</td>
<td>.01</td>
<td>3.520</td>
<td>1.000</td>
</tr>
<tr>
<td>Profit</td>
<td>.63</td>
<td>1.190</td>
<td>1.065</td>
</tr>
<tr>
<td>Type ind(1)</td>
<td>.63*</td>
<td>2.34</td>
<td>1.535</td>
</tr>
<tr>
<td>Constant</td>
<td>2.512</td>
<td>.105</td>
<td>6.057</td>
</tr>
<tr>
<td>McFadden R²</td>
<td></td>
<td></td>
<td>0.38</td>
</tr>
</tbody>
</table>
### Table 3. Relationship between Board Meeting and Financial Variables

Dependent variable if the firm BOD meetings are greater than 4, 0 otherwise

<table>
<thead>
<tr>
<th></th>
<th>Beta</th>
<th>Sig.</th>
<th>Exp(B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>.018</td>
<td>2.808</td>
<td>1.018</td>
</tr>
<tr>
<td>Sector (1)</td>
<td>1.919</td>
<td>2.058</td>
<td>6.813</td>
</tr>
<tr>
<td>SIZE</td>
<td>-.090</td>
<td>.629</td>
<td>.914</td>
</tr>
<tr>
<td>D/E</td>
<td>-.038</td>
<td>.477</td>
<td>.963</td>
</tr>
<tr>
<td>Turnover</td>
<td>.60</td>
<td>1.96</td>
<td>1.000</td>
</tr>
<tr>
<td>Profit</td>
<td>-.095</td>
<td>.063</td>
<td>.909</td>
</tr>
<tr>
<td>Typeind(1)</td>
<td>.703</td>
<td>2.346</td>
<td>2.020</td>
</tr>
<tr>
<td>Constant</td>
<td>.853</td>
<td>.758</td>
<td>2.347</td>
</tr>
</tbody>
</table>

McFadden R² 0.32

### Table 4. Relationship between Audit Independence and Financial Variables

Dependent variable Dummy = 1 if audit is Independent, 0 otherwise

<table>
<thead>
<tr>
<th></th>
<th>Beta</th>
<th>Sig.</th>
<th>Exp(B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>.051*</td>
<td>2.487</td>
<td>1.052</td>
</tr>
<tr>
<td>Sector (1)</td>
<td>.061**</td>
<td>1.951</td>
<td>1.063</td>
</tr>
<tr>
<td>SIZE</td>
<td>-.009</td>
<td>.960</td>
<td>.991</td>
</tr>
<tr>
<td>D/E</td>
<td>.031*</td>
<td>2.611</td>
<td>1.031</td>
</tr>
<tr>
<td>Turnover</td>
<td>.020*</td>
<td>2.589</td>
<td>1.000</td>
</tr>
<tr>
<td>Profit</td>
<td>-.085</td>
<td>.083</td>
<td>.919</td>
</tr>
<tr>
<td>Typeind(1)</td>
<td>.528**</td>
<td>1.97</td>
<td>1.696</td>
</tr>
<tr>
<td>Constant</td>
<td>-.092</td>
<td>1.974</td>
<td>.912</td>
</tr>
</tbody>
</table>

McFadden R² 0.35
Impact of Stress on Job Performance of Employees Working in Banking Sector of Pakistan

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Abstract
Over the past few decades stress is emerging as an increasing organizational issue, especially the banking personnel’s are under great deal of stress due to lots of stress factors such as role ambiguity, work overload, lack of feedback, role conflict, keeping up with rapid technological changes in dynamic corporate environment. This study examines the impact of stress on job performance of employees working in banking sector of Pakistan. The data were collected from 112 bankers including managers, customer service officers (CSOs) and business development officers (BDOs) of well reputed conventional as well as Islamic banks of Punjab. The collected data through questionnaire forms then analyzed using SPSS 16. A significant and negative correlation of stress was found with job performance. The results suggests that financial institutions should employ effective stress management practices such as division of work and supportive workplace culture to increase satisfaction and overall job performance of bankers.

Keywords: Stress, Job Performance, Banking Sector, Pakistan

Introduction
Stress is a universal phenomena experienced by employees around the globe. It has become major problem for employers particularly in developing nations where the employers don’t realize the impact of stress on employees’ job performance which ultimately results in critical managerial dilemmas. High rates of mergers, acquisitions, increasing economic interdependence among different nations due to globalization, technological development, and restructuring have changed the organizational work over the last few decades have resulted in time pressure, excessive work demand, role conflicts, ergonomic insufficiencies and problematic customer relationship are causes of stress (Pincherle, 1972).

Stress has been defined in different ways over the years. (Selye, 1974) first introduced the idea of stress in to the social sciences. It is something about an organizational role that produces adverse consequences for the employees (Kahn, Wolfe, Quinn, Snoek, & Rosenthal, 1964). Originally, it was conceived as pressure from the workplace environment, then as strain within the individual. It is the psychological and physical

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state that results when the resources of the individual are not sufficient to cope with the demands and pressures of the situation (Robbins, 1996). Thus, stress is more likely in some situations than others and in some individuals than others. However, stress is not always negative or harmful and indeed, the absence of stress is death. Moreover stress can’t be eliminated as it serves as a driving force if kept at a certain level, so it needs to be managed in order to perform well on the job.

In Pakistan every year nearly 10000 students graduate as business professionals who strive for their career in the banking sector which is one of the largest economic backbone of the country, but it is observed that for past few years there are some serious changeovers in career orientations which made the banking as one of the most stressful professions and pointed out the necessity of considering and investigating occupational stress, since performance declines under stressful situations. Therefore, stress at workplace has become a major concern to the financial institutions of today. Several authors attributed the lack of progress in the area of stress research in organizations to the fact that stress seemed to be related to such a large number of conditions which prevented a systematic focus. Much of the research on job stress has been conducted in developed countries. Relatively little research has been carried out elsewhere in the world. The current research study contributes theoretically and empirically to the literature on job stress by examining the impact of workplace stress on job performance of employees working in banking sector of Pakistan.

**Literature Review**

Over the past few decades stress is emerging as an increasing organizational issue in both organizational research and practice. A mainstream group of employees articulated that their employers did not care for its employees and sometimes employees don’t like to work with their organizations indicating high levels of stress among them. Misfit with employers in the capacity of no part in decision making was reported main source of job stress as well no control over workplace environment, personality characteristics, lack of relaxation along with ambiguous organizational rules affect employees’ job performance (Anderson, 2003; French, & Caplan, 1972; Pincherle, 1972). Better managed human resources are more cooperative and productive and serve as assets for an organization and when their stress is ignored by the organization, the results are increased absenteeism and cost; low productivity and motivation and usually legal financial damages (Jamal, 1984). Stress is a universal experience in the life of each and every employee, even executives and managers. It has been estimated that every year about 100 million workdays are being lost due to job stress and nearly 50% to 75% diseases are caused by stress. Caplan (1994) stated that job stress results in high portion of absenteeism and loss of employment. The ratio of stress affectees’ in financial institutions are increasing day by day on alarming rate which effects both the employee performance and goal achievement. Caplan and Jones (1975) examined that job is a prominent source of stress in bankers’ life but reduced workload, improve management and supervision, supportive workplace culture, better pay, benefits, and vacation times can reduce the stress among them.

Job stress is considered as a part of both social and concrete sciences by the organizational researchers all around the globe. However, Stress is a universal experience in the life of each and every employee, even high level executives and managers. This research study discloses the impact of job stress on bankers regardless of any
discrimination of male and female employees, kind of financial institutions and
department. Stress is basically is a mental strain from the internal or external stimulus
that refrains an individual to respond towards its environment in a normal manner. These
stress levels can be internal or external for the bankers, from their personal lives or
professional lives (Brook, 1973). Further researched that banking sector has to face
usually large amount of stress. Stress among bankers is high as the banking profession is
suffering from increased stress, but most of the attention has been focused on young
bankers and their excessive hours of work (Caplan, 1994). Bankers in the field of sales
usually have to face a lot hurdles and one the most evident factor which originates and
impacts directly their personal and professional lives is job stress. Low job satisfaction
associated with contemplation of giving up work due to job stress, bankers especially
business development officers (BDOs) are more likely to have lower job satisfaction
scores if they feel unable to remain competent in their field of work (Rose, 2003).
Stress exists in every organization either big or small and it has significant effects over
the employees job performance (Anderson, 2003), especially the banking personnel’s are
under great deal of stress due to lots of stress factors such as role ambiguity (French, &
Caplan, 1972; Kahn, Wolfe, Quinn, Snoek, & Rosenthal, 1964; Beehr, 1976), work
overload (Franch, & Caplan, 1972; Caplan, & Jones, 1975), lack of feedback (Adams,
1980), perceived job insecurity Stamper, & Johlke, 2003), role conflict (Beehr, Jex,
Stacy, & Murray, 2000; Margolis, Kroes, & Quinn, 1974; Caplan and Jones, 1975; Kahn,
Wolfe, Quinn, Snoek, & Rosenthal, 1964), keeping up with rapid technological changes
in dynamic corporate environment (Anderson, Coffey, & Byerly, 2002). Apart from
above discussed job stressors, there are also some real life events which create stress
among bankers when they are on jobs such as family conflicts (Anderson, Coffey, &
Byerly, 2002) more specifically divorce and bereavements (McCubbin, & Figley, 1983;
Adams, 1980).
According to Rose (2003), bankers have tendency towards high level of job stress
regarding the time constraints as working for longer hours reduces their urge for
performing better. Moreover proper management support helps in reducing or increases
stress among bankers apparent organizational assistance, management support work as a
cushion which acts positively in decreasing job related stress among bankers (Stamper, &
Johlke, 2003). One of the major reasons of job stress identified by (Beehr, Jex, Stacy, &
Murray, 2000; Stamper & Johlke ,2003) is that if the organization does not appreciates its
employees for their hard work or contribution toward the organization, it creates stress
and mostly creates intention to leave. Ivancevich and Donnelly (1975) studied the
association between anxiety stress with satisfaction and performance of employees that
lower anxiety stress improves employees’ performance which he studied in different
managerial level of an organization. Beehr, Jex, and Murray (2000) found a
negative relationship between occupational stress and the performance of employees of
an organization. Jamal (1984) also examined a negative association between job stress
and job performance of bankers. They argued that stress on job can be stated as the
outcome of an individual due to the workplace environment from which he feels
unsecured.
The importance of job stress is highlighted nowadays by the financial institutions to
manage and reduce stress through practical guidelines in private sector but not
significantly in public sector Positive correlation of flexing working hours, division of
work, supportive organizational climate and monetary incentives has been shown by the previous literature with job performance (Beehr, 1976; Beehr, Jex, Stacy, & Murray, 2000; Franch and Caplan, 1972; Caplan, & Jones, 1975; Ivancevich, & Donnelly, 1975; Jamal, 1984) as all these factors are related with satisfaction of employees, however every time the case is not same, non-monetary incentives such as career advancement, prestige as well as public recognition can also enhance employees’ job performance because low morale, high turnover, and interdepartmental struggle were baselines of many cases (Anderson, 2003; McCubbin, & Figley, 1983).

Research Methodology

Questionnaire based survey method used for this one-shot research study. The survey was conducted on banking sector of Pakistan where highly qualified bankers including managers, customer services officers (CSOs) and business development officers (BDOs) were the sample of the study. Job stress scale was adopted from the short form of Depression, Anxiety and Stress Scales (DASS) developed by Lovibond and Lovibond (1995). DASS included 21-items, 7 items for the measurement of depression, anxiety and stress each, whereas we used only 7-items stress scale in order to measure the job stress experienced by the bankers. On the other hand, job performance was measured by using 5-item self developed appraisal form based on the previous research on the topic (Brown, 1996; Borman, & Motowidlo, 1997), the scale was pilot tested and Alpha values was found to be 0.81. All the scales were of five point likert type. The questionnaire form also included a demographic section to collect the basic information from the bankers regarding their, gender, age, work experience as well as type and nature of bank they are working in. For the study, data were collected from 112 bankers across Punjab and subsequently analyzed through Microsoft Excel and SPSS 16. The theoretical framework of the study is as follows:

![Figure I: Research Model of the Study]

Hypothesis of the study
Numerous studies are available in the existing literature on “The Impact of Stress on Job Performance” (Beehr, Jex, Stacy, & Murray, 2000; Ivancevich, & Donnelly, 1975; Jamal, 1984). On the basis of such literature the following hypothesis was proposed by us:

“There is significant and negative relationship between stress and job performance”

Data Analysis and Interpretations
Table I below provides the demographical distribution of the respondents with regard to various categories.
Table I: Demographics (Categorical)

<table>
<thead>
<tr>
<th>Demographics</th>
<th>Category</th>
<th>No. of respondents</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of Bank</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>19</td>
<td></td>
<td>16.9</td>
</tr>
<tr>
<td>Private</td>
<td>93</td>
<td></td>
<td>83.1</td>
</tr>
<tr>
<td>Total</td>
<td>112</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td><strong>Nature of Bank</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conventional</td>
<td>101</td>
<td></td>
<td>90.2</td>
</tr>
<tr>
<td>Islamic</td>
<td>11</td>
<td></td>
<td>9.8</td>
</tr>
<tr>
<td>Total</td>
<td>112</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td><strong>Level of job</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manager Grade</td>
<td>66</td>
<td></td>
<td>58.9</td>
</tr>
<tr>
<td>Non manager grade</td>
<td>46</td>
<td></td>
<td>41.1</td>
</tr>
<tr>
<td>Total</td>
<td>112</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>90</td>
<td></td>
<td>80.3</td>
</tr>
<tr>
<td>Female</td>
<td>22</td>
<td></td>
<td>19.7</td>
</tr>
<tr>
<td>Total</td>
<td>112</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td><strong>Qualification</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Graduation</td>
<td>36</td>
<td></td>
<td>32.1</td>
</tr>
<tr>
<td>Post Graduation</td>
<td>62</td>
<td></td>
<td>55.4</td>
</tr>
<tr>
<td>Others</td>
<td>14</td>
<td></td>
<td>12.5</td>
</tr>
<tr>
<td>Total</td>
<td>112</td>
<td></td>
<td>100</td>
</tr>
</tbody>
</table>

As shown by the table I, out of a total of 112 subjects, 83.1% of the subjects were belonged to private banks and only 16.9% were from public banks; 90.2% were working in conventional banks and just 9.8% were serving in Islamic banks; 58.9% were belonged to manager cadre and remaining 41.1% were non-manager cadre bankers. Further, majority of the subjects were male i.e. 80.3% while only 19.7% were female. Subjects were also inquired about their qualifications and 55.4% of them were post graduates, 32.1% were graduates, while remaining 12.5% did some professional certifications like C.A, ACCA, and CFA etc.

Moreover respondents were aged between 20 years of age to 58 years having job experience ranging from 1 year to 27 years in the banking sector of Pakistan.
Table II: Summary statistics of dependent and independent variables used in this research study.

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Stress</td>
<td>3.74</td>
<td>0.651</td>
</tr>
<tr>
<td>Job Performance</td>
<td>3.56</td>
<td>0.531</td>
</tr>
</tbody>
</table>

Table II describes the summary statistics about the dependent and independent variables used in this research study. Job stress being the independent variable whereas job performance as dependent variable. The mean score of job stress is 3.74 along with the standard deviation of 0.651 which indicates that personnel’s in the banking sector experience stress in their respective jobs but at moderate level. On the other hand, mean value of job performance is 3.56 with standard deviation score of 0.53 indicating that bankers in the industry are average performers.

Table III: Correlation

<table>
<thead>
<tr>
<th></th>
<th>Job Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Stress</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>-.180**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.003</td>
</tr>
</tbody>
</table>

** sig at level 0.01

Table III shows the correlations analysis of the dependent variable i.e. Job stress with independent variable i.e. job performance. All the variables can be considered significant at 1% level of significance. Coefficient sign of the correlation between job stress and job performance is negative (r= -.180, p<0.01) as expected. Thus we accept hypothesis of the study that there is significant and negative relationship between stress and job performance. Our findings support the studies conducted by (Beehr, Jex, Stacy, & Murray, 2000; Ivancevich, & Donnelly, 1975; Jamal, 1984) who also found significant negative association between stress and job performance.

Discussions/Conclusions/Limitations/Future Recommendations

The purpose of this study was to find out the association between job stress and job performance of employees working in banking sector of Pakistan. According to the
hypothesis of the study, job stress is significantly and negatively associated with job performance of employee that stressful job circumstances effect bankers’ job performance negatively (Ivancevich, & Donnelly, 1975; Jamal, 1984; Beehr, Jex, Stacy, & Murray, 2000) that lower the job stress it enhances the job performance and the same indicated by the findings of this research study. In Pakistan banking jobs seem to be too hectic as heavy workloads, time constraints, role conflicts and role ambiguity create stress among bankers which resultantly decreases their level of job performance. One basic cause of stress in banking sector of Pakistan is non-stop 9am to 5pm banking which means there may be no lunch breaks and it is not enough, even in small local banks of Pakistan it is evident that they also facilitate their big customers after the banking hours i.e. after 5pm. So bankers have to work longer hours as compared to other related jobs which is also a major reason of concern.

No doubt stress is necessary for keeping the employees motivated and enhancing their subsequent job performance but up to a certain level (Ivancevich, & Donnelly, 1975). When stress occurs beyond a certain limit it reduces the employees’ job performance (Rose, 2003). So one of the strategies of financial institutions of 21st century must be employment of effective stress management practices such as division of work, time management and supportive workplace culture to increase satisfaction and overall job performance of bankers.

The current research study was conducted as one-shot study and hence may be affected by some recency affects. Moreover this study was conducted in only one sector i.e. banking sector and only with highly qualified graduate and postgraduate bankers such as managers, customer service officers (CSOs) and business development officers (BDOs), in order to generalize the results of current research study, this study should be replicated in other sectors irrespective of the level of job and qualifications of the respondents in future.
References


Effectiveness of Foreign Aid in the Light of Millennium Development Goal on the Health Sector: A case study of Pakistan

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Abstract
Most of the developing countries are becoming more aid dependent with the passage of time. This bleak reality provokes debate on aid effectiveness. This paper analyzes the effectiveness of aid on the health sector of Pakistan over the period 1973-2008. The study focuses on the health sector in the light of Millennium Development Goal; reducing child mortality. We estimate an econometric model to test the short and long run relationship between foreign aid and infant mortality rate in the health sector. In this context, different tests i.e. Augmented Dickey Fuller test, Johansen Likelihood Ratio test and Vector Error Correction Method are used. The results indicate that there is short run and long run relationship between foreign aid and infant mortality rate. The results show that one percent increase in foreign aid will decrease the infant mortality rate by 0.4 percent. This study suggests that an increase aid in this sector will result in better health conditions.

Key Words: Infant Mortality rate, Millennium Development Goal, Foreign Aid

JEL Classification: F35, I10, O12, O19

I. INTRODUCTION
Most of the developing countries are dependent on foreign aid to expand the productive capacity of their economies due to the lack of internal resources. In this context, the World Bank has provided a large amount of aid for projects in health, nutrition and population. It has observed that World Bank has allocated average annual commitments of 2.9 billion dollars in fiscal year 2009. This amount is a threefold increase over the previous year’s commitments.

This paper used Official Development Assistance (ODA) that is a subcategory of foreign aid and account for all official aid in different sectors. According to the World Bank, ODA comprises flows that meet the Development Assistance Committee’s (DAC) definition of ODA and are made to countries on the DAC list of aid recipients. This study contributes to the discussion on the effectiveness of foreign aid by focusing on the fourth MDG i.e. reducing child mortality. In this context, policies like National Plan of Action like “Health For All” (HFA) has been initiated to achieve these goals.

Although most of the developing economies has increased their spending in the health sector because the role of human capital is vital in the development of a nation but in Pakistan, inspite 8 per GDP growth rate in 1991-92, only 0.2 percent of GDP was spent on this sector. Even the other countries in the region like Bangladesh, Sri Lanka...
and Nepal spent more than 4 percent on this sector, which was higher than the spending on health in Pakistan.

Therefore, it seems that the health care system of Pakistan is inadequate and inefficient. The poor conditions in the health sector may be recognized by a number of factors like high population growth rate, inadequate allocation of resources in the health sector and poverty etc. While examining the effectiveness of foreign aid in the health sector of Pakistan, the following question arises; Does foreign aid affect infant mortality rate in Pakistan?

This paper comprises five parts. Section II reviews the literature. Section III explains the description of data and the specification of the model to be estimated. The results regarding the long run and short run relationship among variables are discussed in section IV. Section V concludes the findings of the study and policy implications emerging from the study.

II. REVIEW OF LITERATURE

Importance of aid in the health sector may be justified, as it can be helpful to increase investment in this sector of the recipient countries. In developing countries, the infrastructure is poor and it is required to enhance the budget of the government for providing resources for building hospitals, hire and train staff, free medicines etc. while reviewing literature, we find that income has significant effect on health status while the ratio to GDP of public spending on health and the share of public outlay in total health care spending has no significant effect on the variables in the health. The following studies discussed the aid effectiveness on different variables related with health sector.

Filmer and Pritchett (1997) run the cross-country regression using UNICEF data. They analyzed the relationship between child mortality and some social indicators like GDP per capita, income inequality and female education etc. They found that these indicators explained more than 90 percent of variation in child mortality. They found that public expenditure on health has very little effect on child mortality.

Gupta et al (1999) used cross sectional data for fifty developing countries. They concluded that expenditure allocation in health and education sectors has improved the attainment in these sectors. They suggested that the size and efficiency of allocation matter in social sectors and they found that this has strong effect in education sector as compare to the health sector.

Baldacci et al (2004) found a positive and significant impact of government spending on social indicators especially in the health and education sectors. According to the results, there was an immediate effect of health spending on health indicators. The study found significant role of policy interventions. They concluded that improving governance and budget deficit were also helpful for the countries to achieve Millennium Development Goals.

Thiele et al (2006) analyzed whether the donor countries has allocated aid in the line of MDGs or not. They used sectoral disaggregated aid data and discussed its impact on different variables reflecting these sectors in the recipient countries. Their results revealed that there was a considerable gap between desire of donor and actual aid allocation. It led to the conclusion that large amount of aid would not had the desired effects unless the targeting of aid is improved. They concluded that without allocating the aid in the right direction, it would be difficult to achieve the targets of MDGs.

Wolf (2007) examined the effectiveness of aid on education, health and water & sanitation. The study also included some social sectors like freedom of press and decentralization. Although the study has found a positive significant relation between health aid and its outcomes, however, it concluded that aid has mixed impact so it could not be the only solution for improved social indicators to achieve the goals set by MDGs.
Mishra and Newhouse (2007) estimated the relationship between aid for health and infant mortality rate. They performed a cross-country analysis using 118 countries. They used time series data between 1973 and 2004 and found that the relationship between these two variables was statistically significant. They concluded that by doubling per capita health aid was associated with a 2 percent decrease in infant mortality rate. Moreover, the results showed that the effect of health aid was relatively small and it was not sufficient to achieve the targets envisioned by the MDGs.

After reviewing the studies on the effectiveness of aid on the health sector, we conclude that multiple factors are responsible for infant mortality rate in Pakistan. This study will contribute in an important way that it will capture the short run and the long run behaviour of foreign aid in this sector.

III. THE EMPIRICAL MODEL AND DATA

The literature presented in section II shows that many factors are responsible for the status of health sector. The main factors that are identified for health sector are GDP per capita, foreign aid for health, adult literacy rate and health expenditure. For the purpose of selection of variables, this study followed Wolf (2007) and Mishra & David (2009). One of the important variable, maternity & child health care centers has also included in the study because it has significant role in this sector in the economy of Pakistan.

The study covers the period from 1973 to 2008. The choice of the period is based on the availability of data. Data for social indicators has been taken from various issues of Pakistan Economic Survey and World Development Indicators and the data on foreign aid for health and education sectors are taken form OECD’s Creditor Reporting System (CRS) that contains information on the sectoral allocation of aid. This study used the amount of aid commitments at current prices in million US Dollar. Although the data based on disbursement should be preferred but information on disbursement by sector is available only from 1990 onward so due to unavailability of data, aid commitment is used in this study.

The Model

In regression equation representing the health sector, infant mortality rate is our dependant variable. It is used to assess the progress in health sector towards achieving the goal of reduction in infant mortality rate. The functional form of the model is written as follows:

\[
IMR = f\left( {GDP, FAH, PSH, ALR, MCH} \right)
\]

Or

\[
Z_t = f\left( {W_{1t}, W_{2t}, W_{3t}, W_{4t}, W_{5t}} \right)
\]

And the econometric model is presented as:

\[
Z_t = \beta_0 + \beta_1 W_{1t} + \beta_2 W_{12} + \beta_3 W_{13} + \beta_4 W_{14} + \beta_5 W_{15} + e_{2t}
\]

Where:
- \( Z_t \) \( \Rightarrow \) IMR = Infant Mortality Rate
- \( W_{1t} \) \( \Rightarrow \) GDPpc = Gross Domestic Product per capita
- \( W_{2t} \) \( \Rightarrow \) FAH = Foreign Aid for Health
- \( W_{3t} \) \( \Rightarrow \) PSH = Public Spending on Health
- \( W_{4t} \) \( \Rightarrow \) ALR = Adult Literacy Rate
- \( W_{5t} \) \( \Rightarrow \) MCH = Maternity and Child Health centers
- \( e_{2t} \) \( \Rightarrow \) Error Term
- \( t \) \( \Rightarrow \) 1, 2, 3, ..........
Econometric Methodology

For the estimation purposes, three steps methodology has been employed i.e. checking the stationarity of the data, estimating the long run function and estimating the parsimonious error correction model along with the stability and other diagnostic tests. First, we have applied Augmented Dickey Fuller (1979, 1981) tests to each of the variables and determine the stationarity property in their level as well as in their differences and all the variables found to be integrated of the same order. In order to find the long run relationship among variables, Maximum Eigenvalue test and Trace Statistic are used. Finally, parsimonious Vector Error Correction Model (VECM) is used to determine the short run relationship between these variables.

IV. EMPIRICAL RESULTS

In the previous section, we have developed an econometric model that gives us the determinants of health sector in Pakistan. In this section, the estimation of the model and empirical results of the study are presented. The model is estimated by using annual time series data for the period 1973 to 2008. It provides a framework to clarify mainly the effectiveness of foreign aid on infant mortality rate in the economy of Pakistan that is the objective of the study. The estimated function asserts the long run as well as short run relationship between these variables.

Testing of Unit Root

We employed Augmented Dickey Fuller (ADF) Unit Root Test to check the stationarity of the variables. The results are presented in the following table. The results show that null hypothesis of unit root is accepted for all variables in the level form. However, it is rejected for all variables in the first differenced form. Our test results show that all variables are I(1). These results are discussed in table 1. The results of ADF allow us to move to the co-integration method to estimate the long run relationship that is presented in the next section.

The Long-run Function: A Co-integration Analysis

As the objectives of the study is to analyze the long run relationship between variables of health sector in Pakistan, so we estimate the cointegrating relationship between infant mortality rate and its determinants. Before we run cointegration test we need to specify the lag structure. For this purpose, we employed Akaike Information Criterion (AIC) and Schwarz Bayesian Criterion (SBC), as suggested by Enders (1995) and Davidson (1998) to investigate the optimal lag length. It is important because an appropriate lag structure may over parameterize and it can reduce the power of cointegration test. The appropriate lag length of the VAR is two. To find the long run relationship, Johansen cointegration procedure is used. The results from the Johansen cointegrated test (both Trace test and Max Eigen value test) are presented in tables 2 and 3. All the variables included for the test have the same order of integration.

The empirical results in tables 2 and 3 show that there exists a long run relationship between infant mortality rate and its determinants. Significance of the variables confirms their validity in the model. The results of estimated function are presented in the following equation.

\[ Z_t = 136.3684 - 0.021588W_{it} - 0.004255W_{2t} - 0.0000664W_{3t} - 0.859730W_{4t} - 0.000525W_{5t} \]

[T-Value] \[16.865\] \[2.377\] \[3.495\] \[20.523\] \[0.8104\]

The estimated equation indicates that infant mortality is determined by the GDP per capita, foreign aid for health, public spending on health, adult literacy rate and the numbers of maternity & child health care centers. The estimated model shows that the
impacts of all the independent variables are statistically significant except MCH in the long run. The estimated co-efficient of the GDP per capita \((W_{1t})\) is 0.02159 \((t = 16.865)\) that is also negative and significant. This result shows that due to increase in GDP per capita, the purchasing power of the people will increase and they would be able to receive the health facilities and consequently the infant mortality rate will decrease. The cointegration analysis indicates that the estimated coefficient of foreign aid for health \((W_{2t})\) is 0.004255 \((t = 2.377)\) that is negative and significant. It shows that with one million dollar increase in foreign aid, the infant mortality rate will decrease by 0.004 units. In the long run, foreign aid in this sector can anticipate the decrease in infant mortality and therefore increase the health status of the economy. The analysis also shows that there is negative and significant long run relationship between public spending on health and infant mortality rate. The estimated coefficient of public spending \((W_{3t})\) is 0.0000664 \((t = 3.494)\), which is significant. It indicates that public spending also plays an important role in determining the infant mortality rate in Pakistan. Increase in public spending implies that infant mortality rate will reduce in the long run. The estimated coefficient of adult literacy \((W_{4t})\) is 0.859 \((t = 20.523)\), which shows negative relation between literacy rate and infant mortality rate and is highly significant. It implies that the importance of adult literacy in determining the infant mortality rate in Pakistan. Increase in adult literacy reduces the infant mortality that increases the health status of the people. The analysis indicates that there is negative long run relationship between infant mortality rate and the number of maternity & child care centers (MCH). The estimated coefficient of MCH \((W_{5t})\) is 0.000525 \((t = 0.807)\) that is insignificant indicating that MCH has no significant role in determining the infant mortality rate in Pakistan. It is due to deficiency in data because there is decreasing trend in data from 1992-93 when there was exclusion of family welfare centers from MCH structure in NWFP.

The Short-Run Dynamic Model for Health Sector

To determine the short run relationship between variables, we used VECM followed by Hendry’s approach known as “general to specific.” we include different lags of explanatory variables from top to low and first lag of Error Correction Term (ECT). The following Error Correction Model (ECM) is established using the two lags structure as suggested by AIC and SBC.

\[
\Delta Z_t = \beta_0 + \beta_1 \Delta Z_{t-1} + \beta_2 \Delta Z_{t-2} + \beta_3 \Delta W_{1t} + \beta_4 \Delta W_{1t-1} + \beta_5 \Delta W_{1t-2} + \beta_6 \Delta W_{2t} + \beta_7 \Delta W_{2t-1} + \beta_8 \Delta W_{2t-2} + \beta_9 \Delta W_{3t} + \beta_{10} \Delta W_{3t-1} + \beta_{11} \Delta W_{3t-2} + \beta_{12} \Delta W_{4t} + \beta_{13} \Delta W_{4t-1} + \beta_{14} \Delta W_{4t-2} + \beta_{15} \Delta W_{5t} + \beta_{16} \Delta W_{5t-1} + \beta_{17} \Delta W_{5t-2} + \lambda_2 ECT_{t-1} + e_{2t}
\]

After estimating the above model, we gradually eliminate the insignificant variables using the general to specific approach in order to get a parsimonious model. The results of the preferred model are presented in the following table.

The results in the following table show that the estimated value of Error Correction Term (ECT) is (-0.36) with \((t = -2.008)\) which is significant with theoretically correct sign. It indicates that 36 percent of the di-equilibrium in the determination of infant mortality rate is corrected immediately i.e. in the next year. It suggests a high speed of convergence to equilibrium if there appears di-equilibrium in the system.

In the estimated dynamic error correction model, the coefficients of lagged changes in infant mortality rate \((\Delta Z_{t-1} and \Delta Z_{t-2})\) are negative and significant at 4% and 17% successively which show that the changes in successive previous periods in infant mortality negatively affect on short-term changes in infant mortality. It may reflect
that the phenomena of infant mortality cannot be treated as the result of present period decision only.

The coefficients of foreign aid with two period lags ($\Delta W_{2t-1}$ and $\Delta W_{2t-2}$) are significant with negative sign, which show that change in foreign aid for health in the previous periods has negative effect on, the current changes in infant mortality rate. However, the effect of foreign aid for health in the current period has no significant effect on Infant Mortality. The results of the analysis suggested that the impact of changes of foreign aid on the determination of infant mortality works through transmission lags.

Another finding of the analysis is that the previous period’s changes in public spending on health ($\Delta W_{3t-1}$) also affect the infant mortality negatively in short run. This may be due to the reason that the increase in volume of the health spending increases the infrastructure and health facilities. So as a result of rise in health facilities, the infant mortality rate may decrease significantly.

The estimated coefficient of the MCH ($\Delta W_{5t}$) is negative and significant in the short run; however, over the long run it has insignificant impact on infant mortality rate. These health centers are established to provide the emergency health facilities to the public so the facilities received by the peoples from these health centers in the short run are significant.

Diagnostic Tests for Short Run Model in the Health Sector

The results of standard diagnostic tests are presented in table 4. The high probability values of all the diagnostic tests mentioned in the table below show that the model specification is appropriate and parameters of the model are stable. Moreover, the high probability value of different tests for heteroskedasticity and serial correlation prove that these problems do not exist in the model. Similarly, CUSUM and CUSUM of square tests show that there is no instability in the model.

V. CONCLUSION AND POLICY IMPLICATIONS

This study has been attempted to analyze the effectiveness of foreign aid on the health sector of Pakistan. In this regard, one of the MDGs; reduction in infant mortality rate is analyzed. Considering the theoretical developments and empirical evidence, an econometric model was developed for the health sector, containing the wide range of determinants. In the end, the dynamic functions were specified to analyze the short run and the long run behaviour of the determinants in the health sector of Pakistan. For estimation of the model, we applied the co integration technique. We have employed the Augmented Dickey Fuller tests to each of the series of data and determined the time series property of each variable. After confirming the order of integration of each variable, Johansen Likelihood Ratio tests were used to determine the long run equilibrium relationship among the variables. Finally ECM was estimated to study the short run dynamics. These econometric models were estimated for Pakistan over the period 1973-2008 using annual data series. The cointegration analysis in the health sector show that there was negative long run relationship exists between infant mortality rate and foreign aid in Pakistan. Increase in foreign aid creates significant affects on infant mortality rate in the opposite direction. In ECM, short run relationship has been proved and the error correction coefficients are highly significant with theoretically correct sign, which show that the economy will converge to its equilibrium within one year if there appears a dis-equilibrating situation.

In view of commitments to the achievement of MDGs, the Government of Pakistan has developed a National Plan of Action on Education For All and Health For All for the period 2001-2015. The gap in financial resources required to implement this plan is enormous and will have to be met from external assistance. The results show that with one million dollar increase in foreign aid, the infant mortality rate will decrease by
0.004 units. It has a significant effect in the health sector so it is recommended that efforts should be made to increase aid in this sector. The data shows that public spending in this sector is very low and lowering with the passage of time. It is, therefore, suggested that all efforts should be made to enhance the budgetary allocation in this sector otherwise it would not be possible to achieve the MDGs by 2015.

End Notes:

1 World Bank, World Development Report, 2009
1 See Appendix-I
1 Pakistan Economic Survey 2008-09
1 For Detail results, see Appendix-III
References


### Table 1: Augmented Dickey-Fuller Test Results for Unit Root

<table>
<thead>
<tr>
<th>Variables</th>
<th>With Trend At Level ADF-Statistics</th>
<th>Variables At First Difference Δ</th>
<th>With Trend ADF-Statistics</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMR</td>
<td>0.236</td>
<td>ΔIMR -6.135* I(1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP</td>
<td>2.031</td>
<td>ΔGDP -3.22** I(1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FAH</td>
<td>-3.155</td>
<td>ΔFAH -6.221* I(1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSH</td>
<td>1.104</td>
<td>ΔPSH -8.793* I(1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ALR</td>
<td>1.369</td>
<td>ΔALR -3.513* I(1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MCH</td>
<td>-2.014</td>
<td>ΔMCH -4.976* I(1)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: 1. * Denote significant at 5 percent  
2. ** Denote significant at 10 percent

### Table 2: Johansen Cointegration Test (Trace Test)

<table>
<thead>
<tr>
<th>Null Hypothesis</th>
<th>Alternative Hypothesis</th>
<th>Test statistic</th>
<th>5% critical values</th>
</tr>
</thead>
<tbody>
<tr>
<td>r = 0</td>
<td>r ≥ 1</td>
<td>133.6334*</td>
<td>95.75366</td>
</tr>
<tr>
<td>r ≤ 1</td>
<td>r ≥ 2</td>
<td>87.01349*</td>
<td>69.81889</td>
</tr>
<tr>
<td>r ≤ 2</td>
<td>r ≥ 3</td>
<td>46.42804</td>
<td>47.85613</td>
</tr>
<tr>
<td>r ≤ 3</td>
<td>r ≥ 4</td>
<td>24.48473</td>
<td>29.79707</td>
</tr>
<tr>
<td>r ≤ 4</td>
<td>r ≥ 5</td>
<td>8.115871</td>
<td>15.49471</td>
</tr>
<tr>
<td>r ≤ 5</td>
<td>r ≥ 6</td>
<td>1.174702</td>
<td>3.841466</td>
</tr>
</tbody>
</table>

Note: 1. * Indicates significant at the 5 percent level.  
2. Author’s calculations

### Table 3: Johansen Cointegration Test (Maximum Eigen Value Test)

<table>
<thead>
<tr>
<th>Null Hypothesis</th>
<th>Alternative Hypothesis</th>
<th>Test Statistic</th>
<th>5% critical values</th>
</tr>
</thead>
<tbody>
<tr>
<td>r = 0</td>
<td>R = 1</td>
<td>46.61990*</td>
<td>40.07757</td>
</tr>
<tr>
<td>r ≤ 1</td>
<td>R = 2</td>
<td>40.58545*</td>
<td>33.87687</td>
</tr>
<tr>
<td>r ≤ 2</td>
<td>R = 3</td>
<td>21.94331</td>
<td>27.58434</td>
</tr>
<tr>
<td>r ≤ 3</td>
<td>R = 4</td>
<td>16.36886</td>
<td>21.13162</td>
</tr>
<tr>
<td>r ≤ 4</td>
<td>R = 5</td>
<td>6.941169</td>
<td>14.26460</td>
</tr>
<tr>
<td>r ≤ 5</td>
<td>R = 6</td>
<td>1.174702</td>
<td>3.841466</td>
</tr>
</tbody>
</table>

Note: 1. * Indicates significant at the 5 percent level.  
2. Author’s calculations
Table 4: Results of Short Run Dynamic Model for Health

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-2.401762</td>
<td>-5.922053</td>
<td>0.0000</td>
</tr>
<tr>
<td>∆ Z_{t-1}**</td>
<td>-0.495292</td>
<td>-2.211463</td>
<td>0.0402</td>
</tr>
<tr>
<td>∆ Z_{t-2}</td>
<td>-0.260901</td>
<td>-1.421744</td>
<td>0.1722</td>
</tr>
<tr>
<td>∆ W_{1t}***</td>
<td>-0.010012</td>
<td>-2.715950</td>
<td>0.0142</td>
</tr>
<tr>
<td>∆ W_{1t-1}*</td>
<td>-0.007217</td>
<td>-1.841876</td>
<td>0.0820</td>
</tr>
<tr>
<td>∆ W_{1t-2}***</td>
<td>-0.013155</td>
<td>-2.946332</td>
<td>0.0086</td>
</tr>
<tr>
<td>∆ W_{2t}</td>
<td>-0.002331</td>
<td>-0.842015</td>
<td>0.4108</td>
</tr>
<tr>
<td>∆ W_{2t-1}***</td>
<td>-0.008183</td>
<td>-3.143230</td>
<td>0.0056</td>
</tr>
<tr>
<td>∆ W_{2t-2}**</td>
<td>-0.007469</td>
<td>-2.217224</td>
<td>0.0397</td>
</tr>
<tr>
<td>∆ W_{3t-1}***</td>
<td>-0.000336</td>
<td>-3.599840</td>
<td>0.0020</td>
</tr>
<tr>
<td>∆ W_{4t}</td>
<td>-0.432708</td>
<td>-1.621741</td>
<td>0.1222</td>
</tr>
<tr>
<td>∆ W_{5t}</td>
<td>-0.001686</td>
<td>-0.778248</td>
<td>0.4465</td>
</tr>
<tr>
<td>ECT_{t-1}**</td>
<td>-0.361735</td>
<td>-2.008281</td>
<td>0.0599</td>
</tr>
<tr>
<td>R²</td>
<td>0.71</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.48</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-statistics</td>
<td>3.139</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prob (F-Statistics)</td>
<td>0.012</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: *, ** and *** shows rejection of the Null Hypothesis of insignificance at .10, .05 and .01 level respectively.

Appendix-I

List of Variables and data sources

<table>
<thead>
<tr>
<th>Variable</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infant Mortality Rate (per 1000 live births)</td>
<td>WDI, 2008</td>
</tr>
<tr>
<td>Foreign Aid for Health (at current prices, million US$)</td>
<td>OECD, CRS, online</td>
</tr>
<tr>
<td>Adult Literacy Rate (ages 15 and above)</td>
<td>WDI, 2008</td>
</tr>
<tr>
<td>GDP per capita (at current prices in US$)</td>
<td>WDI, 2008</td>
</tr>
<tr>
<td>Public Spending on Health (total, million Pak Rupees)</td>
<td>Pakistan Economic Survey 2008-09</td>
</tr>
<tr>
<td>Maternity and Child Health centers (total, in numbers)</td>
<td>Pakistan Economic Survey 2008-09</td>
</tr>
</tbody>
</table>
## Millennium Development Goals and Targets

### Goal 1: Eradicate extreme poverty and hunger

**Target 1**: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day.

**Target 2**: Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

### Goal 2: Achieve universal primary education

**Target 3**: Ensure that by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

### Goal 3: Promote gender equality and empower women

**Target 4**: Eliminate gender disparity in primary and secondary education, preferably by 2015, and in all levels of education no later than 2015.

### Goal 4: Reduce child mortality

**Target 5**: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

### Goal 5: Improve maternal health

**Target 6**: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.

### Goal 6: Combat HIV/AIDS, malaria and other diseases

**Target 7**: Have halted by 2015 and begun to reverse the spread of HIV/AIDS

**Target 8**: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.

### Goal 7: Ensure environmental sustainability

**Target 9**: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources

**Target 10**: Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation.

**Target 11**: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.

### Goal 8: Develop a global partnership for development

**Target 12**: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system.

**Target 13**: Address the special needs of the least developed countries.

**Target 14**: Address the special needs of land locked developing countries and small Island developing states.

**Target 15**: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term.

**Target 16**: In cooperation with developing countries, develop and implement strategies for decent and productive work for youth.

**Target 17**: In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries.

**Target 18**: In cooperation with the private sector, make available the benefits of new techniques, especially information and communications.
## Appendix-III

### Diagnostic Tests for Health Sector

<table>
<thead>
<tr>
<th>Test</th>
<th>Statistic</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Model Specification Test</strong></td>
<td>F-Statistics</td>
<td>0.536</td>
</tr>
<tr>
<td>(Ramsey RESET Test)</td>
<td>Log likelihood Ratio</td>
<td>1.025</td>
</tr>
<tr>
<td><strong>Normality Test</strong></td>
<td>Jerque-Bera Statistics</td>
<td>0.6376</td>
</tr>
<tr>
<td>(Jarque-Bera Statistics)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Heteroskedasticity Test</strong></td>
<td>F-Statistics</td>
<td>0.246</td>
</tr>
<tr>
<td>(The White Test)</td>
<td>$\chi^2$-Statistics</td>
<td>20.893</td>
</tr>
<tr>
<td><strong>ARCH Test</strong></td>
<td>F-Statistics</td>
<td>0.272</td>
</tr>
<tr>
<td>(Autoregressive Conditional Heteroskedasticity Test)</td>
<td>$\chi^2$-Statistics</td>
<td>0.288</td>
</tr>
<tr>
<td>First Order</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second Order</td>
<td>F-Statistics</td>
<td>0.315</td>
</tr>
<tr>
<td></td>
<td>$\chi^2$-Statistics</td>
<td>0.683</td>
</tr>
<tr>
<td>Third Order</td>
<td>F-Statistics</td>
<td>0.194</td>
</tr>
<tr>
<td></td>
<td>$\chi^2$-Statistics</td>
<td>0.656</td>
</tr>
<tr>
<td>Fourth Order</td>
<td>F-Statistics</td>
<td>0.655</td>
</tr>
<tr>
<td></td>
<td>$\chi^2$-Statistics</td>
<td>2.856</td>
</tr>
<tr>
<td><strong>Serial Correlation</strong></td>
<td>F-Statistics</td>
<td>1.486</td>
</tr>
<tr>
<td>(Breusch-Godfrey LM Test)</td>
<td>$\chi^2$-Statistics</td>
<td>2.653</td>
</tr>
<tr>
<td>First Order</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second Order</td>
<td>F-Statistics</td>
<td>0.714</td>
</tr>
<tr>
<td></td>
<td>$\chi^2$-Statistics</td>
<td>2.704</td>
</tr>
<tr>
<td>Third Order</td>
<td>F-Statistics</td>
<td>1.163</td>
</tr>
<tr>
<td></td>
<td>$\chi^2$-Statistics</td>
<td>6.229</td>
</tr>
<tr>
<td>Fourth Order</td>
<td>F-Statistics</td>
<td>0.858</td>
</tr>
<tr>
<td></td>
<td>$\chi^2$-Statistics</td>
<td>6.497</td>
</tr>
</tbody>
</table>

*Source: Author’s Calculation*
Abstract
This is a conceptual study that tries to draw attention on the importance of shared leadership in systems thinking perspective, focusing more on holism, i.e. whole is greater than the sum of parts (Senge, 1990), thus emphasizing on team work and avoiding the individualistic approaches to management. The paper inculcates opinions of various scholars, who specialize in the field of leadership in general and shared leadership in particular.

Keywords: Leadership, Shared leadership, Team, Systems thinking, Holism

1. Introduction.
“Great Leaders plant trees whose shade they know they will never sit in (Translated Greek Proverb)” (Clegg, Kornberger, & Pitsis, 2009, p. 132).

The term leadership has always been a debatable issue and defined by scholars in several ways. Although there is no general definition of leadership (Lussier & Achua, 2007), however many scholars have defined the term in different ways. Dr. M. L. Monga in his paper on “Leadership Archetypes” cited some scholars defining leadership as “the process by which an agent induces a subordinate to behave in a desired manner (Bennis, 1959), the presence of a particular influence relationship in two or more persons (Hollander & Jullian, 1969), an interpersonal relationship in which others comply because they want to not because they have to” (Monga 1969, p. 148). Leadership refers to power relationship between leaders and their followers that want real changes and outcomes which reflect their shared purposes (Daft, 2002). It can be viewed as a product of one’s position, personality traits, and observable behaviors, dependent upon the situation in which it is exercised and conditional to how the leader and his followers react and interact with each other (Clegg, Kornberger, & Pitsis, 2009).

In management perspective, leadership can be viewed as influencing of leaders and followers to achieve organizational objectives through change (Lussier & Achua, 2007, p. 6). It involves directing, controlling, motivating, and inspiring staff towards the achievement of organizational goals (Clegg, Kornberger, & Pitsis, 2009). In a traditional model of organizational leadership, a leader is an individual with maximum authority and with vision for productive performance, who communicates organizational policies and ensures institutional control (Wood & Fields, 2007).
The modern day competitive environment brings the need for a more innovative and systemic approach. Today organizations are faced with an exceptional rate of environmental change due to pressures from globalization, swift conversion and dispersion of technologies, and progress toward market-based socioeconomic systems (Schneider, 2002). This brings the need for advanced level of research on team innovation and performance, as organizations approach shift to more sophisticated ways of management with creative solutions to multifaceted problems (Bligh, Pearce, & Kohles, 2006). The increasing attention on team-based knowledge work has resulted in expansion of the traditional models of solo leadership to a further advanced model like shared leadership (Houghton, Neck, & Manz, 2003). Implementation of cross-functional and self-managed work teams has created new challenges, especially among organizations that have conventionally rewarded vertical leadership involving individualistic approach to innovation and performance (Bligh et al., 2006). This directs the focus of attention to an alternate leadership approach which involves a team of individuals working together towards one common goal, referred to as collective or shared leadership. In alternative leadership approach each of the team members assume some responsibility for the elements needed for leading a work group. This may give the team members the feeling as part of an entity where each one jointly participates in helping the team through diverse circumstances (Wood & Fields, 2007). Shared leadership is defined as “a dynamic, interactive influence process among individuals in groups for which the objective is to lead one another to the achievement of group or organizational goals or both” (Bligh, Pearce, & Kohles, 2006, p. 297). Shared leadership is a management model based on the shared governance philosophy (Jackson, 2000, p. 166).

In this study we try to draw attention on the importance of shared leadership in the perspective of systems thinking. The study involves holistic approach towards management, emphasizing on team work and avoiding the individualistic approaches to management.

2. Literature Review

According to early organization theories (Ashby, 1952), an institute's existence is greatly dependent upon its adoption of the environmental changes (Schneider, 2002). In the past, the sharing of leadership and responsibility was of advantage to any organization, whereas today it has become extremely significant for the overall existence of the same. Without it, the entire organization may fail in achieving the desired objectives. (Jackson, 2000; Merkens & Spencer, 1998). Leadership plays an important role in the success or failure of every organization (Kocolowski, 2010). Superior organizational performance is not a matter of luck; it is determined largely by choices leaders make (Daft, 2002, p. 471).

Ensley et al. are of the opinion that shared leadership is conducted by the team as a whole, instead of an individual. To this end, shared leadership benefits from the knowledge of a collective (Ensley, Hmieleski, & Pearce, 2006). While vertical leadership involves a team leader responsible for the team operations and performance (Cox et al., 2003), shared leadership emphasizes on sharing of leadership among the team members (Wood & Fields, 2007; Cox, Pearce, & Perry, 2003; Pearce & Conge, in press).
In a community, leader is one among many equals. Decentralization is an essential aspect of true community, and decisions are reached by consensus (Daft, 2002, p. 261). Scholars argue that solo leadership is no more sustainable for any organization’s survival (Duignan & Bezzina, 2006). Kocolowski (2010) cited Sally (2002), pointing out that shared leadership has existed since ancient times: “Republican Rome had a successful system of co-leadership that lasted for over four centuries. This structure of co-leadership was so effective that it extended from the lower levels of the Roman magistracy to the very top position, that of consul” (Sally, 2002; Kocolowski, 2010, p. 23). Shared leadership refers to the phenomenon in which leadership is shared between the team members (Carson, Tesluk, & Marrone, 2007). While citing Avolio et al. (2009) Kocolowski states that the term shared leadership has been extensively defined by Conger and Pearce (2003) as “A dynamic, interactive influence process among individuals in groups for which the objective is to lead one another to the achievement of group or organizational goals or both”. Conger and Pearce added, “This influence process often involves peer, or lateral, influence and at other times involves upward or downward hierarchical influence” (Avolio, Walumbwa, & Weber, 2009; Kocolowski, 2010, p. 24). Pearce (1997), Yukl (1998), Pearce and Sims (2000), and Pearce and Conger (in press) all suggest that shared leadership stems from the members of teams and not from solo team leaders (Pearce & Sims, 2002; Pearce C. L., 1997; Pearce & Conger, in press; Pearce & Sims, 2000; Yukl, 1998).

Meindl et al. state that the conceptualization of leadership from an individual to a team requires most modern and innovative approach to acquire the essence of shared leadership at the level of teams as a whole (Meindl, Mayo, & Pastro, 2002). He cites Yukl (1998) who mentions that “viewing leadership in terms of reciprocal, recursive influence processes among multiple parties in a system context is very different from studying unidirectional effects of a single leader on subordinate, and new research methods may be needed to describe and analyze the complex nature of leadership processes in social systems (Meindl at al., 2002; Yukl, 1998, p. 459).

Shared or distributed leadership arises from within a team (Ensley et al., 2006). It is a concept that insists that leadership can be efficiently shared or distributed among the team members (Wood & Fields, 2007; Pearce & Conge, in press). Shared leadership is facilitated by an overall team environment that consists of three dimensions: shared purpose, social support, and voice (Carson et al., 2007, p. 1222).

The commonly known successful cases of firms managed by co-CEOs include Research in Motion, Twitter, California Pizza Kitchen, and Motorola (Arnone & Stumpf, 2010). Similarly, co-CEOs Dave Pottruck and Charles Schwab at the investment firm who partnered for five years gathered recognition and was made possible only because of their complementary talents and shared vision. This successful collective management made a great example of benefitting from the potentials of differing leadership strengths of a co-CEO structure (Arnone & Stumpf, 2010). However, companies like Enron, Adelphia, Global Crossing, Tyco, WorldCom etc were destroyed due to problems with corporate governance (Sims & Quatro, 2005, p. 34) which was, one way or the other, affected due to individualistic leadership approach and decision making. McKinsey survey (Felton & Watson, 2002) noted that 44 percent of corporate directors could not completely understand the organizations they managed (Sims & Quatro, 2005).
3. Systems Thinking Perspective

Systems thinking is a conceptual framework, developed to make the full patterns clearer and to accommodate bringing effective change in them (Senge, 1990). It is based on the idea of systems philosophy which states that an individual’s activity is affected by the environment (Vickers, 1970; Palamia & Skarzauskiene, 2010). Systems thinking involves seeing the larger interactions that bring a good knowledge of the big picture (Palamia & Skarzauskiene, 2010). It is a way of observing reality in such a manner that accentuates the relationships among the parts, instead of the parts themselves (Sterman, 2000).

Productive decision making and learning in an increasingly competitive and complex business environment requires leaders to become systems thinkers in-order to build tools to understand the structures of complex systems (Skarzauskiene, 2010). Peter M. Senge in his book “The Fifth Discipline” emphasizes on individuals capacity in an organizations or teams towards successful fulfillment of their common objectives with a motive of constantly learning together (Senge, 1990). The Fifth Discipline blends it into theory and practice, turning the whole of an organization more productive than the sum of its parts (Senge, 1990).

Developing learning organizations involves training individuals to observe as systems thinkers with their personal mastery and mental models. Given the influence of organizations in today's world, this may be one of the most powerful steps toward helping us "rewrite the code," altering not just what we think but our predominant ways of thinking (Senge, 1990, p. 342). One of the reasons, for corporate failure of Rover, noted by Oliver et al., in their paper on “the death of a car company”, was the individualistic approach of the engineers of Rover who were resistant to subsequent changes to the products besides the market demands. For instance, Issigonis was resistant to replacement of the original sliding windows on the Mini, and King did not agree upon a four-door model to the Range Rover series instead of only two doors for many years (Oliver, Holweg, & Carver, 2008).

4. Limitations

This study does not ensure that Shared Leadership can be taken as a final solution to any management problems. There are many scholars who are of the opinion that shared leadership itself may be a problem towards making management decisions. Despite the advantages of shared leadership approach, the inherent limitations found in the research cannot be overlooked. Resistance to the approach of shared leadership or as a matter of fact resistance to change can make its execution extremely difficult (Kocolowski, 2010). Sharon Buckmaster is of the opinion that besides the fact that there is a serious need for new methods of leadership in the rapidly developing and growing business environment, there are intrinsic disagreements in the adaptation of the shared leadership practices (Buckmaster, 2004). The author further states that

“One of the challenges that I have often faced as a consultant trying to move people towards more collaborative ways of functioning is to deal with the fears and concerns that individualism as well as individual effort and reward will vanish entirely. I don’t think we have adequate answers to these concerns yet and until we
do, resistance to shared leadership is likely to continue and rightfully so” (Buckmaster, 2004, p. 19).

Carson et al. are of the opinion that shared leadership relies on team members’ collective assessments of sharing of leadership responsibilities, a system that may not become successful to acquire the relational nature of the blueprints of shared control in teams (Carson et al., 2007).

5. Conclusion

Senge (1990) while discussing systems thinking, draws emphasis on phenomena like personal mastery, mental models, shared vision, and team learning. The modern day competitive environment requires all the progressive managers to follow the four important tools mentioned by Senge (1990). In case of Shared Leadership, leaders through their collective knowledge and understanding can reach to a better conclusion than people with individual management approaches. Most of the scholars, mentioned earlier, emphasize on team work, team management, and team learning, thus following the concept of “whole is greater than the sum of its parts”.

Though, the research on shared leadership is its very early stage, however significant benefits and limitations have emerged from the few studies that have been conducted (Kocolowski, 2010). Leaders can materialize on their individual strengths (Miles & Watkins, 2007), and organizations can harvest from the multiplicity of thinking in decision making process (Kocolowski, 2010). Leaders like William Hewlett and David Packard have left good examples of collective / shared leadership. However, as mentioned earlier, the concept of shared leadership is still in its early stages and requires more research.
References


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**Personal mastery**: It is the discipline of continually clarifying and deepening our personal vision, of focusing our energies, of developing patience, and of seeing reality objectively. **Mental models**: These are deeply ingrained assumptions, generalizations, or even pictures or images that influence how we understand the world and how we take action. **Shared Vision**: If any one idea about leadership has inspired organizations for thousands of years, it's the capacity to hold a shared picture of the future we seek to create. The practice of shared vision involves the skills of unearthing shared "pictures of the future" that foster genuine commitment and enrollment rather than compliance. In mastering this discipline, leaders learn the counter productiveness of trying to dictate a vision, no matter how heartfelt. **Team Learning**: The discipline of team learning starts with "dialogue," the capacity of members of a team to suspend assumptions and enter into a genuine "thinking together." The discipline of dialogue also involves learning how to recognize the patterns of interaction in teams that undermine learning. Team learning is vital because teams, not individuals, are the fundamental learning unit in modern organizations.
Software Firm Growth and Associated Factors in Pakistan
Software Developing Industry: Some Preliminary Findings

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ABSTRACT
This study tests the association between factors that influence growth of software developing firms. Firm growth is measured using five criteria namely output, sale, employment, profit and clientele. The data for analysis is collected using survey questionnaires from 60 software developing firms from major cities of Pakistan i.e. Lahore, Karachi, Islamabad, Rawalpindi. The firm growth associated factors are categorized into entrepreneur related, firm related and exogenous factors. The strength of association between growth indicators and influencing factors is tested using statistical techniques. Overall results reveal strong affiliation between growth indicators and the associated factors.

Keywords: Entrepreneurship, Software Developing Firms, Firm Growth, New Economy.

1. Introduction
Software industry saw its evolution during the 60s and 70s in developed countries. Since then the impact of software industry has been multifarious. One example of which is term ‘New Economy’ tossed in mid 1990s. Behind the increasing demand for software there is process of computerization of industries and production processes. Consequently, there is a growing share of software production in national product of countries around the world. Owing to low initial cost and quick product-development, these software producing enterprises can increase production in developing countries by overcoming the capital scarcity. Out of entire software industry, this study chooses Software Development Houses (SDHs) which form a significant portion of total software industry in Pakistan (PSEB, 2005).

In Pakistan, Software industry remained deprived of policy attention till mid-1990s. Pakistan Software Export Board (PSEB), Computer Society of Pakistan (CSP), Pakistan Software Houses Association (PASHA) and Pakistan Electronic Media Regulatory Authority (PEMRA) are some bodies for the uplift of software industry in Pakistan. Developed countries outsource their software development processes to developing countries one of which is Pakistan due to availability of cheap and skilled labor. Therefore, growth of Pakistan software industry considerably depends on outsourced software development. This area of research has been under-researched.
2. Previous Literature
Schumpeter (1942) considers innovation as dominant determinant for fostering the growth of firm but it destroys the dominance of market which is already established. It leads stiff competition in market. Whereas Steindl (1952) believes that to gain quick advantages some firms adopt technologies and reinvestment their extra profits so called ‘internal accumulation’. Javanovic (1994) found that firms with entrepreneurial ability and moderate risk have a good pace to grow. For instance, George (1996) proved that technological innovation and firm size has positive relation, it causes growth in technology-based firms and technology determines market structure and R&D intensity that substantially increases innovation rate and causes ‘creative destruction’ (Schumpeter, 1942). Whereas, some firms gain quick advantage by adopting the technologies, by internal accumulation of funds and by the optimum utilization of available resources (Steindl, 1952). But empirical evidence shows that businessman has no aspiration for achievement and growth its take us into an entrepreneurial paradox and the complexity of paradox is increasing due to multifacetedness (Storey, 1994; Wiklund, 1998; Delmar 2003). From the point of view of developing countries, Crafts & (2001) points that these nations have started using Information Technology (IT) as an enabler of growth in all walks of life which fosters their overall productivity and hence growth. Since software industry has a pivotal role in determining the level of Information Technology, It will be of significance to find out the factors that are associated with software firm growth. Wiklund (1998) & Delmar et al. (2003) find growth as a multifaceted phenomenon that one can’t measure using single variable. So it is difficult to precisely measure firm growth and its dynamics.

4. Scientific Approach to Analysis
4.1 Software firm Growth and Associated Factors
Inspired by Storey (1994) growth of firms, here, is considered as multifaceted phenomenon by using sales trend, employment trend, output trend, profit trend and customer trend as indicators of software firm growth. It should be noted that definition necessitates that a firm develops software. Value added resellers and system integrators are not included in the sample.

Associated factors are divided into three categories; entrepreneur-related factors, firm-related factors and exogenous factors. Entrepreneur-related factors include ‘age of entrepreneur’, ‘willingness of entrepreneur to grow’ and ‘willingness to adopt technology’. Firm-related factors include ‘employment at the beginning of time period’, ‘employment at the end of time period’, ‘way firm responds to market crunch’ and ‘type of customers’. While exogenous factors include ‘market saturation’ and ‘change in technology’. In current study these variables have been used to scrutinize their association with firm growth. The feature of this study is inclusion of a new variable ‘market saturation’. To author’s knowledge, this trait of market has not been empirically tested as a factor of firm growth in the existing literature.

4.2 Data and Sample Size
Data is collected using the survey questionnaires, major part of which is conducted through telephonic conversation and personal visits depending on the convenience of respondent from software industry. Since most of the variables are qualitative in nature,
Likert scale technique is used to quantify them, which are then subjected to statistical analysis. This study uses convenient sampling due to lack of identification to the software firms and selects 60 software houses. 29 software houses were surveyed from Lahore while total number of software house in Lahore is 105 (27.62%). Similarly, 17 software houses from Karachi out of 129 (13.33%), 13 from Islamabad and Rawalpindi out of 79 (16.46%) and 3 from other cities. Right and left panel of the diagram explain the decomposition of software industry and firm growth in relation with associated factors, respectively.

Figure 1: Segmentation of Software Industry and Classification of Associated Factors

Source: Authors’ own compilation

5. Empirical Findings
For inquiring the existence of association between firm growth and internal and external factors that are suspected to influence firm growth, chi-square is used. Moreover, the coefficient of contingency is also calculated to find the relative strength of association. Level of sales, profit, employment, output and clientele are five measures of firm growth that are used in this study. These proxies of firm growth are tested for their association with internal and external factors.

5.1. Entrepreneur-related Factors
5.1.1 Age of Entrepreneur
5.1.1.1 Customer Trend

Hₐ: There is association between Customer Trend and Age of Entrepreneur.
‘Customer Trend’ includes three categories (increase, decrease and fluctuating) and employment at the end of time period is in quantitative values. From the chi-square table it is found the H₀ is rejected and the two variables are associated with χ² value as 20.278. For the strength of association, coefficient of contingency ‘C’ is estimated which in this case reveals ‘strong association.’

5.1.1.2 Output Trend

Hₐ: There is association between Output Trend and Age of Entrepreneur.

‘Output Trend’ includes three categories (increase, decrease and fluctuating) and employment at the end of time period is in quantitative values. From the chi-square table it is found the H₀ is rejected and the two variables are associated. The χ² value is 23.034 and coefficient of contingency ‘C’ is also estimated which reveals ‘strong association’.

<table>
<thead>
<tr>
<th>Firm Characteristic</th>
<th>Output Variable</th>
<th>Chi-square (χ²)</th>
<th>Coefficient of Contingency (C)</th>
<th>( \frac{(q-1)}{q} )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age of Entrepreneur</td>
<td>Customer Trend</td>
<td>20.278</td>
<td>0.519</td>
<td>0.816</td>
</tr>
<tr>
<td></td>
<td>Output Trend</td>
<td>23.034</td>
<td>0.519</td>
<td>0.816</td>
</tr>
</tbody>
</table>

5.1.2. Willingness of Entrepreneur to Grow

5.1.2.1 Sale Trend

Hₐ: There is association between ‘sale trend’ and ‘willingness of entrepreneur to grow’.

‘Sale trend’ includes 10 categories including; increase (ranging from 1-200% with slabs; 1-10%, 11-20%, 21-30%, 31-40%, 41-50%, 51-60%, 61-100% and 101-200%), decrease, and not mentioned and willingness to grow contain ‘two’ values (yes or no). From the chi-square χ² table it is found the H₀ is rejected and the two variables are associated. The χ² value is 17.636 while the association between the variables is strong as per coefficient of contingency ‘C’ criteria.

<table>
<thead>
<tr>
<th>Entrepreneurial Characteristic</th>
<th>Output Variable</th>
<th>Chi-square (χ²)</th>
<th>Coefficient of Contingency (C)</th>
<th>( \frac{(q-1)}{q} )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Willingness of Entrepreneur to Grow</td>
<td>Sales Trend</td>
<td>17.636</td>
<td>0.371</td>
<td>0.70711</td>
</tr>
</tbody>
</table>

5.1.3 Willingness to Adopt Technology

5.1.3.1 Employment Trend

Hₐ: There is association between ‘employment trend’ and ‘willingness to adopt technology’.

‘Employment Trend’ includes three categories (increase, decrease and fluctuating) and willingness to adopt technology contains two values (yes or no). From the chi-square table it is found the H₀ is rejected and the two variables are associated. The χ² value is
8.212 which shows the significant association between above mentioned variables and the
degree of association is weak as per coefficient of contingency criterion.

5.1.3.2 Profit Trend

Hₐ: There is association between ‘profit trend’ and ‘willingness to adopt technology’.
‘Profit Trend’ includes 3 categories (increase, decrease and fluctuating) and willingness
to adopt technology contains two values (yes or no). From the chi-square table it is found
the H₀ is rejected and the two variables are associated. The $\chi^2_c$ value is 6.89 which shows
the significant association between above mentioned variables.

Hence it is found that there is a relatively weak association between the variables
according to coefficient of contingency criterion.

5.1.3.3 Sale Trend

Hₐ: There is association between ‘output trend’ and ‘willingness to adopt technology’.
Output Trend includes three categories (increase, decrease and fluctuating) and
willingness to adopt technology contains two values (yes or no). From the chi-square
table it is found the H₀ is rejected and the two variables are associated. The $\chi^2_c$ value is 7.292 and strong association is found using the coefficient of contingency.

<table>
<thead>
<tr>
<th>Entrepreneurial Characteristic</th>
<th>Output Variable</th>
<th>Chi-square $(\chi^2_c)$</th>
<th>Coefficient of Contingency $(C)$</th>
<th>$\sqrt{\frac{q-1}{q}} - C$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Willingness to Adopt Technology</td>
<td>Employment Trend</td>
<td>8.212</td>
<td>0.347</td>
<td>0.707107</td>
</tr>
<tr>
<td></td>
<td>Profit Trend</td>
<td>6.89</td>
<td>0.321</td>
<td>0.707107</td>
</tr>
<tr>
<td></td>
<td>Output Trend</td>
<td>7.292</td>
<td>0.462</td>
<td>0.707107</td>
</tr>
</tbody>
</table>

5.2. Firm Related Factors

5.2.1 Employment at the Beginning of Time Period

5.2.1.1 Customer Trend

Hₐ: There is association between ‘customer trend’ and ‘employment at the beginning of
time period’.
‘Customer Trend’ includes three categories (increase, decrease and fluctuating) and
employment at the beginning of time period is in quantitative values. From the chi-square
table it is found the H₀ is rejected and the two variables are associated. The $\chi^2_c$ value is 96.451 which shows the significant association between above mentioned variables.

5.2.1.2 Output Trend

Hₐ: There is association between ‘output trend’ and ‘employment of the firm now’.
‘Output Trend’ includes three categories (increase, decrease and fluctuating) and
employment at the beginning of time period is in quantitative values. From the chi-square
table it is found the H₀ is rejected and the two variables are associated. The $\chi^2_c$ value is 84.436 which shows the significant association between above mentioned variables.
5.2.2 Employment at the End of Time Period and Customer Trend

5.2.2.1 Customer Trend

\( \text{H}_A: \) There is association between ‘customer trend’ and ‘employment at the end of time period’.

‘Customer Trend’ includes three categories (increase, decrease and fluctuating) and employment at the end of time period is in quantitative values. From the chi-square table it is found the \( \text{H}_0 \) is rejected and the two variables are associated. The \( \chi^2 \) value is 105.854 which shows the significant association between above mentioned variables. Moreover, this association is strong.

5.2.2.2 Output Trend

\( \text{H}_A: \) There is association between ‘output trend’ and ‘employment at the end of time period’.

‘Output Trend’ includes three categories (increase, decrease and fluctuating) and employment at the end of time period is in quantitative values. From the chi-square table it is found the \( \text{H}_0 \) is rejected and the two variables are associated. The \( \chi^2 \) value is 106.512 which shows the significant association between above mentioned variables Moreover, this association is strong.

<table>
<thead>
<tr>
<th>Firm-related Factor</th>
<th>Output Variable</th>
<th>Chi-square ((\chi^2_c))</th>
<th>Coefficient of Contingency (C)</th>
<th>Strong Association</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment at the Beginning of Time Period</td>
<td>Customer Trend</td>
<td>84.436</td>
<td>0.765</td>
<td>0.8165</td>
</tr>
<tr>
<td></td>
<td>Output Trend</td>
<td>96.451</td>
<td>0.765</td>
<td>0.8165</td>
</tr>
</tbody>
</table>

5.2.3 Way Firm Responds to Market Crunch

5.2.3.1 Employment Trend

\( \text{H}_A: \) There is association between ‘employment trend and the ‘way firm respond to market crunch’.

‘Employment trend’ too have 3 categories and ‘way firm responds to market crunch’ includes 5 categories (leave market, take crunch as opportunity, stay steady, change business and others). From the chi-square table it is found the \( \text{H}_0 \) is rejected and the two variables are associated. The \( \chi^2 \) value is 12.201 which shows the significant association between above mentioned variables, which is relatively strong.

5.2.3.2 Sale Trend

\( \text{H}_A: \) There is association between ‘sale trend’ and the way ‘firm responds to market crunch’.

‘Sale Trend’ includes 10 categories including; decrease, increase (ranging from 1% to 200% with slabs) and not mentioned and ‘way firm responds to market crunch’ includes 5 categories (leave market, take crunch as opportunity, stay steady, change business and others).
others). From the chi-square table it is found the $H_0$ is rejected and the two variables are associated. The $\chi^2$ value is 49.602 which shows the significant association between above mentioned variables, which is relatively strong.

<table>
<thead>
<tr>
<th>Entrepreneurial Characteristic</th>
<th>Output Variable</th>
<th>Chi-square ($\chi^2$)</th>
<th>Coefficient of Contingency (C)</th>
<th>$\sqrt{\frac{q-1}{q}}$ OR $\left\lceil \frac{\left{\left\lceil \frac{q-1}{q} \right} \right} - c \right\rceil$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response to Market Crunch</td>
<td>Employment Trend</td>
<td>12.201</td>
<td>0.411</td>
<td>0.81649 Strong Association</td>
</tr>
<tr>
<td></td>
<td>Sales Trend</td>
<td>49.602</td>
<td>0.673</td>
<td>0.81649 Strong Association</td>
</tr>
</tbody>
</table>

5.2.4 Type of Customers

5.2.4.1 Output Trend

$H_A$: There is association between ‘output trend’ and ‘type of firm customers’.

‘Output Trend’ includes three categories (increase, decrease and fluctuating) and types of customers include seven categories (only individuals, only firms, only companies, only govt., firms & corporate, corporate & govt. and all of them). From the chi-square table it is found the $H_0$ is rejected and the two variables are associated. The $\chi^2$ value is 8.859 which shows the significant association between above mentioned variables.

<table>
<thead>
<tr>
<th>Entrepreneurial Characteristic</th>
<th>Output Variable</th>
<th>Chi-square ($\chi^2$)</th>
<th>Coefficient of Contingency (C)</th>
<th>$\sqrt{\frac{q-1}{q}}$ OR $\left\lceil \frac{\left{\left\lceil \frac{q-1}{q} \right} \right} - c \right\rceil$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of Customers</td>
<td>Output Trend</td>
<td>8.859</td>
<td>0.554</td>
<td>0.816496 Strong Association</td>
</tr>
</tbody>
</table>

5.3. Exogenous Variables

5.3.1 Market Saturation

5.3.1.1 Employment Trend

$H_A$: There is association between ‘employment Trend’ and ‘market saturation’.

‘Employment Trend’ includes three categories (increase, decrease and fluctuating) and ‘Market Saturation’ contains 4 values (Highly saturated, moderately saturated, low saturated and not saturated). From the chi-square table it is found the $H_0$ is rejected and the two variables are associated. The $\chi^2$ value is 24.075 which shows the significant association between above mentioned variables and the strength of association is high as well as given in table.

5.3.1.2 Sale Trend

The feature of this study is inclusion of variable ‘market saturation’ as a determinant of firm growth.

$H_A$: There is association between ‘sale trend' and ‘market saturation’

‘Market Saturation’ contains 4 values (Highly saturated, moderately saturated, low saturated and not saturated) and ‘Sale Trend’ includes 10 categories including; decrease, increase (ranging from 1% to 200% with slabs) and not mentioned. From the chi-square table it is found the $H_0$ is rejected and the two variables are associated. The $\chi^2$ value is
42.146 which shows the significant association between above mentioned variables. This is an achievement of this study to explore this new factor that matters for firm growth.

<table>
<thead>
<tr>
<th>Market Condition</th>
<th>Output Variable</th>
<th>Chi-square ($\chi^2_c$)</th>
<th>Coefficient of Contingency (C)</th>
<th>$\left(\frac{q-1}{q}\right)^{1/2} = \sqrt{\frac{1}{q}} - c$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Saturation</td>
<td>Employment Trend</td>
<td>24.075</td>
<td>0.535</td>
<td>0.816496 Strong Association</td>
</tr>
<tr>
<td></td>
<td>Sales Trend</td>
<td>42.146</td>
<td>0.642</td>
<td>0.816496 Strong Association</td>
</tr>
</tbody>
</table>

5.3.2. Change in Technology

5.3.2.1 Customer Trend

$H_A$: There is association between ‘customer trend’ and ‘effect of change in technology’.

‘Customer Trend’ includes three categories (increase, decrease and fluctuating) and change in technology contains 5 values (yes: positively, negatively, both & context dependent, and no effect). From the chi-square table it is found the $H_a$ is rejected and the two variables are associated. The $\chi^2_c$ value is 16.285 with strong association.

5.3.2.2 Employment Trend

$H_A$: There is association between ‘employment trend’ and ‘effect of change in technology’.

‘Employment Trend’ includes three categories (increase, decrease and fluctuating) and change in technology contains 5 values (yes: positively, negatively, both & context dependent, and no effect). From the chi-square table it is found the $H_a$ is rejected and the two variables are associated. The $\chi^2_c$ value is 61.538 with strong association.

5.3.2.3 Output Trend

$H_A$: There is association between ‘output trend’ and ‘effect of change in technology’.

‘Output Trend’ includes three categories (increase, decrease and fluctuating) and change in technology contains 5 values (yes: positively, negatively, both & context dependent, and no effect). From the chi-square table it is found the $H_a$ is rejected and the two variables are associated. The $\chi^2_c$ value is 23.205 and degree of association is high as per coefficient of contingency.

5.3.2.4 Profit Trend

$H_A$: There is association between ‘profit trend’ and ‘effect of change in technology’.

‘Profit Trend’ includes three categories (increase, decrease and fluctuating) and change in technology contains 5 values (yes: positively, negatively, both & context dependent, and no effect). From the chi-square table it is found the $H_a$ is rejected and the two variables are associated. The $\chi^2_c$ value is 22.623 while coefficient of contingency reveals strong association.

<table>
<thead>
<tr>
<th>Exogenous Variable</th>
<th>Output Variable</th>
<th>Chi-Square ($\chi^2_c$)</th>
<th>Coefficient of Contingency (C)</th>
<th>$\left(\frac{q-1}{q}\right)^{1/2} = \sqrt{\frac{1}{q}} - c$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in Technology</td>
<td>Customer Trend</td>
<td>16.285</td>
<td>0.462</td>
<td>0.817 Strong Association</td>
</tr>
<tr>
<td></td>
<td>Employment Trend</td>
<td>61.538</td>
<td>0.712</td>
<td>0.817 Strong Association</td>
</tr>
<tr>
<td></td>
<td>Output Trend</td>
<td>23.205</td>
<td>0.462</td>
<td>0.817 Strong Association</td>
</tr>
<tr>
<td></td>
<td>Profit Trend</td>
<td>22.623</td>
<td>0.523</td>
<td>0.817 Strong Association</td>
</tr>
</tbody>
</table>
6. Conclusion
Overall findings are in favor of expected association between firm growth and associated factors. Since growth, in this paper, is considered to be a multifarious process therefore five dimensions of firm growth were used, viz.; sales trend, employment trend, output trend, profit trend and customer trend. Most of the factors (entrepreneur-related, firm-related and exogenous) show strong association with firm growth variables. Weak association lies between ‘willingness to adopt technology’ and ‘employment trend’ & ‘profit trend’. This not only verifies the suitability of selected growth influencing factors but also conforms to findings of previous researchers.

7. Recommendations for Future Research
This research has opened new avenues for research by highlighting the factors that have affiliation with growth of software developing firms. One of the areas of further research is to investigate the association using more sophisticated statistical techniques. Moreover, the scope of this research can be extended to entire software industry by included software firms other than software developing firms for others countries than Pakistan.
References


Traits of Software Developing Industry in Pakistan: An Exploratory Account

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Abstract

This study explores the traits of software developing firms in Pakistan. Data is collected using survey questionnaires from 60 software developing firms from major cities of Pakistan i.e. Lahore, Karachi, Islamabad and Rawalpindi. This study tries to fill the gap of knowledge of software industry in Pakistan. The traits of software developing firms scrutinized in this study are clustered into six main categories; i.e. entrepreneurial, firm, strategic, exogenous, market condition, growth variables. Descriptive approach is used to scrutinize the state of these traits. Analysis reveals a considerable amount of potential for growth as well as areas where policy attention is required.

Keywords: Entrepreneurship, Software Industry, Firm Growth, New Economy.

1 Introduction

Information revolution is now being touted as the major force of Economic Growth. One of the amazing inventions of information era during the last millennium is software. The impact of software on the economic and social lives is evident. Software production comprises a considerable share of national output of countries around the world. For instance, software (virtual products) has crowded out many physical products due to their comparatively efficient performance and reliability (for example from analogue machines to digital machines).

Software industry has played miracles in the history of developed countries like USA. When in 1990s, USA witnessed high growth in employment, the term ‘New Economy’ was incepted. One the other hand, less capital intensive SMEs are advocated to be a major source of production in developing countries. Collecting the two arguments, software firms are usually SMEs in terms of employment and capital requirement, among other criteria. Suitably, this thesis investigates the traits of software developing firms in Pakistan.

Recently, development of software is also embraced by developing countries like Pakistan. Development of software is quite cost effective, since it requires low initial cost and development of software is a quick process, hence overcoming the capital scarcity in developing countries. Software developing firms are in fact a fraction of the entire
software industry, which are different from other firms such as ‘software traders’, ‘software value adders’ and ‘IT service providers’. Software developing firms being at the top of skill pyramid has highest importance in overall software industry. Accordingly, this thesis selects these firms from this segment.

1.1 Software Industry in Pakistan
In Pakistan, Software industry did not get much attention of policy makers till mid-1990s. Over time Pakistan Software Export Board (PSEB), Computer Society of Pakistan (CSP) and Pakistan Software Houses Association (PASHA) came into being that are designed to support the software industry in Pakistan. Developed countries outsource their software development to developing countries like Pakistan and India due to availability of cheap and skilled labor. Therefore, Pakistan software industry mainly depends on outsourced software development.

2. Previous Literature
Literature for Pakistan’s software industry is scarce, both empirical and otherwise. This area of research has remained underworked because of the lack of proper database of software industry. As Pakistan Software Export Board (2005) in an exploratory study of software industry term Pakistani software industry a totally uncharted territory as far as the structure, management practices, technical ability, and the industry dynamics are concerned. Information technology has brought revolutionary changes in many walks of life. Consequently, this study tries to fill the gap of knowledge of software industry in Pakistan by highlighting the important traits of software firm growth.

3. Objectives
The study aims at:
- Conducting analysis of the traits of software developing industry in Pakistan, related to their structure, management practices, technical ability, and the industry dynamics.

4. Research Methods
4.1 Framework of Analysis
This article selects a certain segment of software industry that produces (develops) software. Such firms are called ‘software development houses’ or ‘software developing firms.’ This segment is different from similar segments of industry such as ‘software traders’, ‘software value adders’ and ‘IT service providers’ that require low-level of software developing skills. Software developing firms being on the top of skill pyramid has highest importance in overall software industry.
4.2 Data Collection
60 software houses are surveyed, out of which 29 software houses are surveyed from Lahore while total number of software house in Lahore is 105. Similarly, 17 software houses from Karachi out of 129, 13 from Islamabad and Rawalpindi out of 79 and 3 from other cities. Survey is conducted through telephonic conversation and personal visits depending on the convenience of respondents (mostly entrepreneurs and/or CEOs) from software industry. Since most of the variables are qualitative in nature, Likert scale technique is used to quantify them, which are then subjected to statistical analysis.

5. Descriptive Approach
5.1 Overall Sample
60 software developing firms had participated in the data response process for study which is almost 5.126% of total IT industry. Rate of participation from various cities are: 47% from Lahore (25), 27% form Karachi (17), 19% from Islamabad (12), 2% from Faisalabad, 2% from Rawalpindi and 2% Quetta. There is common perception in the industry that more than 50% of the IT firms are ‘software traders’, value adder or IT service providers and 25% to 30% of IT industry is developing software. Sample used in this study is approximately 20.54% of the software development industry. The proposed sample size was more than 80 firms but security issue in city of Karachi is the main hurdle in limiting the sample size to 60.

5.2 Status of the Respondents
From total, 24% CEOs (15), 24% Project manager (15), 15% Human resource manager (9), 11% Operational manager (7), 8% Team lead (5), 8% Senior software engineer (5), 5% Senior developer (3) and 3% Sale manager (2) have participated for research.

Figure 1: Segmentation of Software Industry

Source: Author’s own compilation
5.3 Entrepreneurial Variables

5.3.1 Experience of Owner
90% of the owners of software firms had the software industry experience prior to their current entrepreneurship, 5% had of some other industry and 5% had none. Category of 90% might be due to lack of intrapreneurial culture in software firms. In turn, this lack can be attributed to the infancy of software industry in Pakistan. Consequently, Red Ocean\textsuperscript{13} strategy is being followed by majority of entrepreneurs in software industry.

[Insert Figure 3 about here.]

5.3.2 Owner’s Knowledge about Software Development
Majority (83.61%) of the owner’s knowledge in software development verifies that software developing industry is skill intensive. While 16.39% of the entrepreneurs have no knowledge of software development, such entrepreneurs invest in the industry with the collaboration of skilled team and establish firms.

[Insert Figure 4 about here.]

5.3.3 Education and Firm Growth
50% of the sample entrepreneurs ‘strongly agree’, 21% ‘agree’, 21% ‘average’, 5% satisfactory level of impact and only 3% of sample ‘disagree’ that education has an impact on firm growth. They believe opportunity, trained work force and market relations are only essentials that trigger growth at national and international level.

[Insert Figure 5 about here.]

5.3.4 Age of Entrepreneurs
It is found that most of the software owners are of middle age i.e. 76% of the total sample consists of the entrepreneurs with the age from 26 to 35 years. Entrepreneurs of age from 20 to 25 years & from 36 to 45 years are 24% of the sample. It also shows the trend of university graduates to enter into the Service industry right after getting degree and proper experience in software developing firms (SDF). Hence, young entrepreneurship is found to be a trait of IT industry of Pakistan as depicted in figure 6.

[Insert Figure 6 about here.]

5.3.5 Qualities of Entrepreneurs
These the qualities of successful entrepreneurs as perceived by the interviewed sample entrepreneur. 58% perceive ‘effective management’ is the key quality of an entrepreneur, 34% ‘sense of change in market’, 6% ‘supervision’, 65% ‘technically sound’, 61% ‘capacity to convert opportunity into profit’, 44%’ good policy maker’, 2% ‘Pro-activeness’, 5% ’leadership’ and 3% others. They assume that a good manager and technically sound persons can mitigate risk of loss in future. But we can’t deny the importance of dynamism and leadership as their entrepreneurial quality in the e-markets where technology changes over a tick of clock.

[Insert Figure 7 about here.]
5.3.6 Reasons to Start New Business
Out of these reasons ‘market profit’ has the highest frequency (47%) followed by ‘sole control or independence’ (32%), ‘other reasons’ (21%), ‘govt. special incentives’ (5%), and ‘family in business’ (2%). High level of profits due to relaxed tax policy till 2015 and the lucrative earned revenue that is usually earned in dollars through software exports are the reasons to start new software firms.

5.3.7 Type of Risk Taker
Our analysis finds 65% of firms as ‘moderate risk taker’, 18% as ‘high risk-taker’, 13% as ‘very high risk-taker’, 3% as ‘low risk-taker’ and 2% as ‘very low risk-taker’. Highest percentage of ‘moderate risk takers’ imply that entrepreneurs are technically and literary sound. Moderate risk with an appropriate profit is the base of long run strategy for firm success and most of the entrepreneurs in Pakistan software industry are following this.

5.3.8 Willingness to Adopt New Technology
89% of the sample firms want to adopt new technologies on their penchant. 33% of the sample firms like to adopt ‘Agile Scrum’, ‘Flex’ of Flash (5% of the sample), ‘DotNet Framework 4.0 (30% of sample)’, and ‘Capability Maturating Model Integration, CMMI’ (20% of the sample) etc. as development technologies. It is noticed that most of the developer want to use Agile Scrum or CMMI and entrepreneurs that work on flash used Flex.

5.4 Firm Variables
5.4.1 Samples from Cities of Pakistan
Samples from various cities were derived mainly of two reasons; their relative concentration in the city and ease in access. Thereby the share of software firms is plotted in Figure 12.

5.4.2 Age of Firms
Pakistan software industry evolved in 1995. Accordingly, the data reveals that about 23 firms, out of sample, are in infancy stage. Responses reveal that only one software firm bore loss due to crunch in international market and remaining firms gained profits. It is clear that frequency of age of firm is increasing for newer firms, which means encouraging environment for software firms. But the frequency of firms with age 1 – 3 years has declined as compared to previous (4 – 6 years). This might indicate possibility of saturation in the software industry or this decline can be due to international financial crunch, since major share demand for software is from financial sector and financial sector is a direct victim of international financial crunch.
5.4.3 Autonomy of Software Firms
Data reveals that 71% of the software firms are subsidiary of some international software firm. These firms, through these linkages, get well-organized and have predefined setup and internal nimble culture. While remaining 29% firms have to strive for survival and progress using their local resources.

[Insert Figure 14 about here.]

5.4.4 Competitive Resources
6% of the entrepreneurs consider physical resources as their strength, 48% reputational resources, 37% organizational resources, 10% financial resources, 79% intellectual resources and 74% technological resources. Jay Barney (1991) argued that the firms get sustained competitive advantage over others if the advantage is based on reputation, organizational and intellectual resources, as they are inimitable. But it is found that in software firms, people develop their comparative advantage on reputation, intellectual and technological resources which may prolong for longer period of time. They neglect the importance of organizational resources at a considerable level.

[Insert Figure 15 about here.]

5.4.5 System Software Developing Firms
Since developing ‘system software’ requires high competency in software development, therefore, very few firms are developing device drivers, operating system (OS) and windowing systems. Firms developing ‘utility programs’ are higher in number. Such shows a potential for improvement in expertise of software development.

[Insert Figure 16 about here.]

5.4.6 Programming Software Developing Firms
Due to low demand of programming software, its development is low in number. Few exceptions are NetSol, Systems International and AOS that are developing programming software for international market. 5% of the sample firms are developing device drivers, 4% operating system, 18% utility programs, 4% windowing system and 54% firms are not developing programming software.

[Insert Figure 17 about here.]

5.4.7 Firms that are Developing Application Software
82% of sample firms are developing customized software, 25% Industrial automation, 8% video gaming, 7% image editing, 23% Science software, 35% telecom software, 68% databases, 13% office software, 28% educational software, 17% web application, 8% security tools, 3% military software and 32% are developing decision making software. The variety in developing software is evident.

[Insert Figure 18 about here.]

5.4.8 Type of Financing
79% of the sample firms do equity financing, 6% Debt financing and 15% both. It is the most common mode of starting a business and there are many firms who use debt source of financing to fulfill their financial needs. It shows that investors’ trend to this industry.
Most of international firm capitalize their own financial resources for establishing soft-venture and to gain pervasive benefits.

5.4.9 Firm Staff
Skill level of staff in software development firms is quite context dependent, since large organizations like Rozee.com, NetSol etc. have trained and accommodated fresh graduates. While some like Systems International accommodate experienced professionals. Almost all organizations have a blend of professionals. This blend for the overall sample is composed of 56% professionals, 2% part timers & beginners and 35% regular employees. Overall majority of professionals confirms, again, the finding that software developing industry is skill intensive in nature.

5.4.10 Ownership of firms in Sample
Most of firms working in the software industry are companies (90% of the sample) and have very few sole ownerships and partnerships (8.06% and 1.61% respectively).

5.4.11 International Standards
According to Pakistan Software Export Board, 15 companies have achieved Capability Maturity Model Integration (CMMI) level but in the sample of 60, there are 19 firms that have achieved ‘CMMI’ level. 27% of the sample firms have achieved ‘ISO 9000:2008 certification’, 30% of sample firms are ‘MS Gold Partner’. There are 43% of sample firms which do not want to achieve any standard since they are satisfied with their existing performance and consider the pursuit of such standards as a cost to their growth.

5.5 STRATEGIC VARIABLES
5.5.1 Growth Strategy
Many firms adopt a blend of growth strategies but most of the firms focusing on developing customer base (66% of the sample) and product line development (63% of the sample) and remaining are working on developing differential products (24% of the sample) through geographical extension (34% of the sample) and cost leadership (16% of the sample). Few firms are concentrating on the few fixed customers and most of them are developing software that is used as an input to the output of the same firm.

5.5.2 Decision by Consulting
Most of the firms consult their decision with ‘consultants’ (79% of the sample), with ‘employees’ (36% of the sample), with ‘friends’ (3% of the sample) and with ‘all (consultant, employees & others)’ (13% of the sample). This shows that majority of the firms are investing in making guided decision making.
5.5.3 Motivation Factors of Employees
74% of the entrepreneurs in sample firms consider ‘salary’, 56% (of the sample) consider ‘internal learning’, 26% (of the sample) consider ‘entertainment’, 21% considers ‘other factors’, 13% consider ‘recognition’ and 6% consider ‘educational allowance’ as key factor in motivating employees. The dominant factor (salary) is a common trait of private sector and software developing industry in Pakistan is composed of private sector.

[Insert Figure 25 about here.]

5.5.4 Means to Market their Product
Majority (65%) of sample firms consider advertisement as the best way to market the product, 38% ‘personal references’ and 17% ‘agents’. To get government projects, entrepreneurs must have strong personal relation with the government officials along with their market credibility. 18% of sample use other modes of marketing i.e. billboards, business letters, TV commercials etc. for the promotion of their product.
[Insert Figure 26 about here.]

5.5.5 Marketing Strategy
52% of sample use ‘word of mouth approach’, 47% ‘advertising in journals’, 37% ‘attending trade conferences’, 47% one-on-one customer links, 37% use pre-establish network and 19% depends on captive clients.
[Insert Figure 26 about here.]

5.5.6 Funds Allocation in Firms
As found earlier, most of the firms are sophisticated by nature and are international subsidiaries so they are bound to use the funds with a formal plan. Accordingly, 76% of the sample firms are found to abide by formal plan and rest (24%) manage their affairs informally. More a firm formalizes its setup the more it gets mature.
[Insert Figure 27 about here.]

5.5.7 Management Controlling Style
50% of the samples firms are following centralized control policy; that implies full managerial and financial control of owner over their firm. Most of the entrepreneurs are working outside the Pakistan so they follow the decentralized mode of management but there are 32% of samples who have entrepreneurial and intrapreneurial culture within their organization. Internet is used to manage the affair of firms from abroad
[Insert Figure 28 about here.]

5.5.8 Innovation
Only well-organized firms (21% of the sample) have tried to develop new routines and procedures based on software engineering technologies. Due to lack of ability to invest in R&D, 79% of sample firms have not tried to make new routines/procedures for software development methods.
[Insert Figure 29 about here.]
5.5.9 Channels to detect Market Opportunity

Majority (70%) of the sample firms resort to ‘market research’ to detect market opportunity. 19% of the personnel have skills to perceive market opportunity through spying on internet, Google hacking, data trimming and mining etc. 13% have formed marketing teams that work for firm and craft opportunities for them.

[Insert Figure 30 about here.]

5.5.10 Firm Behavior in Market Crunch

As per this study, in face of crisis, 61% of the entrepreneurs opt to stay in market, 35% take crunch as an opportunity, 2% change the type of business, 2% other (miscellaneous strategy) and no firm wishes to leave.

[Insert Figure 31 about here.]

5.6 Exogenous Variables

5.6.1 Barriers to Growth

35% of sample firms indicate market barrier to firm growth, 44% satisfied with prevailing state of market. Market barrier are excessive due to lack of knowledge of public about ICT, reliable infrastructure, trust on electronic transactions etc. Out of the rest, almost 13% of firms consider external barrier (e.g. government barriers) and internal barrier (e.g. control barriers) as hurdles in firm growth.

[Insert Figure 32 about here.]

5.6.2 Impact of Technology

The expectations of the respondents from software development firms about the impact of technology are as follows; 31% of the sample firms consider technology conducive for firm growth, 21% either conducive or detrimental, 2% negative, 6 % others and 40% context dependent due to non-technology factors.

[Insert Figure 33 about here.]

5.7 Market Condition Variables

5.7.1 Customers of Firm

Software is developed for individuals, firms and company and non-mobile software for government (used in large project e.g. real estate automation). These firms have international clients which are normally companies that outsource development and production process to reduce the development cost. 63% of firms have companies as their client, 53% have firms, 18% work for government projects and 26% for individuals. 21% sample firms are those firms who work for all type of businesses or organization.

[Insert Figure 34 about here.]

5.7.2 Modes of Receiving Orders

Most of the orders that firms receive from internet are for package software (46% of sample), web application (25%) and customize software (20%), embedded solutions (2%), system software (3%) and 30% others customized software, embedded software (2% of sample) and system software (3% of sample) is more complex but it need complete team and strong competency in the market to get orders and market opportunities.
5.7.3 Market Saturation
3% entrepreneurs perceived that market is ‘highly saturated’, 23% ‘moderately saturated’, 49% ‘saturated’ and 25% ‘not saturated’. Ten years before there were very few software developing firms in the market. The untapped profit margin has attracted investors and in last five years, many new firms entered the market that has led to moderate saturation.

5.7.4 Startup Condition of the Firms
Software industry being a relatively new industry has had much capacity for investors. 2% of entrepreneur perceive that there were very bad condition in the beginning of firm, 10% bad, 35% normal, 37% good, 13% very good and 3% excellent.

5.8 Growth Variables
5.8.1 Profit, Output and Customer trend
Firm growth is a multi-faceted phenomenon as found through empirical literature, see for example (Davidsson and Wiklund, 2000; Delmar, 1997; Delmar et al, 2003; Weinzimmer et al, 1998). Similar holds for software industry. Considering the existing literature a combinations of variables are analyzed (No. of customers, output, employment and profit trends). Collected data reveals that there is an increase in no. of customers of 74% firms, output of 66% firms and profit of 61% firms. It shows the strength and investment worthiness of the software firms. Few firms can find that there are two or three firms who lost their customer, output and profit but there employment generation capacity is increasing.

7. Conclusion
The trait variables are clustered into ‘6’ main categories; i.e. entrepreneurial, firm, strategic, exogenous, market condition, growth variables. Over analysis verifies the expect conclusion that high level of skills in software industry in Pakistan. Most of the entrepreneurs in software industry have relevant experience before starting their own firm. It shows that major concentration in the industry is of experienced entrepreneurs. Majority in sample entrepreneurs agree that education has strong impact on growth. Most of entrepreneurs are willing to grow although they are in a stiff competition. Many entrepreneurs are satisfied with current business state but market barriers limit firm growth.

Most of the software firms are subsidiary to international firms and are formed under the company’s ordinance 1984. There are many firms that were formed from 2000 to 2010. Attractive aspects of entry are market profit and independence in control. Product line
development and developing customer base are the most common strategies followed by entrepreneurs. It is also found that entrepreneurs are moderate risk takers and take all decisions by consulting employees and professionals.

Software firms in Pakistan are developing almost every type of software but in major they are developing utility program in system software, linkers in programming software and business & database in application software. Most of sample firms are not willing to achieve any standard or certification but it can be found that CMMI and MS Gold Partner certification is common among software firms. Incentives, bonuses and internal learning are the key motivation factors for employees. It is originated that in market crunch firms should stay steady and takes crunch as an opportunity.

Package software, customized software and web application development are the product for which orders are received from internet. Most of the software houses are using their funds formally because they are centralized. Agile Scrum, .net\(^{16}\) framework 4.0 and CMMI levels are the standards firms want to achieve. Firms in software industry are achieving good number of customers, high profits, increasing employments and output shows the rapid growth in firm.

Further research can be directed towards the inferential analysis of these traits especially growth determination of the software firms should be focus of future research.

Overall health of the software developing industry is found to be good, mainly due to IT boom that occurred in Pakistan during 2000’s, along with high volume of FDI. Sustaining this friendly environment will be required to ameliorate the condition of software developing industry in Pakistan.
References


Endnotes:

2. See Open Source Software Development: Some Historical Perspectives by Alessandro Nuvolari.
3. ‘Re-thinking the intellectual common goods tensions between appropriation and liberation of intellectual goods and works in the digital age,’ Ariel Vercelli, Free Culture Research Workshop at Harvard, October 23, 2009.
4. For historical perspective of Pakistan’s software industry, see Pakistan’s Software Industry: Best Practices and Strategic Challenges: An Exploratory Analysis, 2005, by Pakistan Software Export Board.
5. For production of software the term ‘development’ is used in place of production. Thereby following the convention term ‘software production’ will be replaced by ‘software development’.
6. Since no proper census of the software firms in Pakistan exists, it was difficult to access unidentified software firms.
7. See [http://www.pakdirectory.net/directory/software_houses_in_lahore.html](http://www.pakdirectory.net/directory/software_houses_in_lahore.html)
8. See [http://www.pakdirectory.net/directory/software_houses_in_karachi.html](http://www.pakdirectory.net/directory/software_houses_in_karachi.html)
9. Figure related to Islamabad software house is not furnished.
10. See [http://www.pakdirectory.net/directory/software_houses_in_rawalpindi.html](http://www.pakdirectory.net/directory/software_houses_in_rawalpindi.html)
11. 127 software firms were visited, out of which 61 responded. Out of 61 responding firm, 60 were ‘software developing’ firms.
12. According to the definition of study, software firms are those who develop software and are not trading software, are not doing value addition and not providing any kind of IT services.
13. Red ocean is a market situation where firms are competing with each other; try to beat the competition by focusing existing customers, exploiting demand and make value-cost tradeoff.
14. Centrum der Büro-und Informationstechnik; German for "Centre of Office and Information Technology (CeBIT), Gulf Information & Technology Exhibition (GITEX) and COMputer Distribution Expo (COMDEX)
15. One or two client that are the main customer of a firm.
16. .net stands for dotnet
17. Scope our survey of this research is limited to Lahore, Karachi, Islamabad, Rawalpindi and Multan.
18. The percentages of software developing firms are calculated on the basis of total no. of firms in the respective cities.
19. Analysis of ‘non-software developing firms’ is beyond the scope of this research.
Consumers’ Attitudes towards Non-local Products: An empirical evidence from Pakistan

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Abstract

This study investigated the attitudes of Pakistani consumers towards non local (imported) products. Country of Origin (COO) effect was the main thing to find out. A survey questionnaire was distributed among 200 respondents in the twin cities Islamabad and Rawalpindi. The questionnaire contained the measure of, quality of the products, social status, and unavailability of local substitutes; admiration for EDCs life style, consumers’ ethnocentrism and attitudes towards non local products. Nine hypotheses were designed and tested by Pearson correlation and simple regression analysis by using SPSS 15 version. Analysis of the data showed that consumers in the developing countries like Pakistan considered the imported products as of high value and they feel a pride when having the products of the developed countries. The moderating impact of admiration for EDCs life style and consumers’ ethnocentrism was also confirmed by this study. The research findings suggest for the MNCs to go for a joint venture with a local firm or set up a foreign subsidiary to control the effect of ethnocentricity which is extremely important to cope with. Local producers and marketers should focus on the quality of their products to compete with multinational corporations in their domestic markets and survive with a rising head. This research showed that if the imported products are of high quality, more reliable and of reasonable price then ethnocentrism can not become hostile to them.

Keywords: Consumers’ Attitudes ; Non-local Products; Empirical; Evidence ; Pakistan

Introduction

Marketing practices in the global market and consumers’ attitudes towards foreign products have been rich topics in the literature of country of origin and are widely discussed by the renowned researchers of marketing (Bannister & Saunder, 1978). Businesses are spreading through out the world with a very high pace and accordingly the customers are becoming rational, which is of a great importance to the local and non local producers (Shahid, 1997).

Due to the impact of globalization businesses are becoming cross national and international with a fast pace, so it is strongly recommended to find out some valid and reliable parameters for gauging the consumer attitudes towards domestic and imported products (Netemeyer, et al
1991). Literature shows that in the developed countries consumers prefer their home country products as compared to the foreign products (Bilkey et al 1982). The products of those countries which have cultural similarities with countries; where they market their products; will be preferred by the consumers (Crawford & Lamb, 1981; Heslop et al, 1998; Wang & Lamb, 1983). Products with foreign brand names are associated with the country of origin and many firms have used the association of brand name with the country of origin for the competitive advantage in marketing of goods and services (Papadopoulos et al, 1993). Yet there are some product categories which can not be associated with any country of origin image as in the case of car industry where it is difficult to market global brands such as “Mercedes” “Toyota”, for which brand images have developed apart from their country of origin and they do not use their national country of origin association in their promotion and marketing strategies (Kinra, 2005).

This research is very much linked with the country of origin literature and the most important objective of this research is to investigate the Pakistani consumers’ preferences and attitudes towards imported products. In addition to this it is also to find out the degree of ethnocentrism and its effect on the consumers’ attitudes towards foreign products. The findings of the research will be of a great value to the local producers and marketers in the formulation of their production and marketing strategies. The local producers and marketers will be offered some better suggestions that how they can compete with their non local competitors in their home market after this research.

Background of the Study

Research on the country of origin suggested a sound framework for the international marketers, on how to compete effectively in the global market to get sustainable competitive advantage (Batra et al, 2000). An ample research on how consumers perceive their local and non local brands is conducted in the developed countries. A research conducted by Batra et al (2000) in India explored that Indian consumers prefer to the brands having non local country of origin on the basis of high quality and esteemed social status. Pakistan is one of the growing economies of the developing world. Its population is approximately 180 millions. Pakistan has not the potential to make all kinds of products for the local consumers so its market is of extreme importance for the multinational companies. This research will be considered as important to the local and multinational firms in understanding that how they should deal with Pakistani consumers, having a strong Islamic background and a distinct culture. The detailed view of the research on the country of origin is presented in the literature review section of the research.

Objective of the Study

The main focus here in this research is on the perceptions and awareness of consumers’ towards “local” versus “non local” brands of different products categories in Pakistani market. It is to explore that why consumers prefer to buy non local products as compared to local products. Pakistan is an Islamic country. Most of the people have strong religious background. This research is aimed to explore that Pakistani consumers are high or low ethnocentric and also its impact on the relationship between independent and dependent variables.
The Authors’ Contribution

Past researches conducted in the developed countries on the country of origin revealed that consumers give preference to the non-local country of origin products on the basis of quality and price as mentioned in the literature review. This research shows in the context of Pakistan that what consumers do when local substitutes are not available in contrast of foreign products? In addition to this, the study explores that how admiration towards the EDCs lifestyle and consumers ethnocentrism influence the association between independent and dependent variables as shown in the schematic diagram of the theoretical framework of the study.

Literature Review

Country of origin has been an important topic of research since the last three decades. Products made in one country are preferred more by the consumers than those of the other countries (Papadopoulos et al, 1987). The perceptions of Chinese consumers towards the products of highly industrialized countries are more positive as compare to those of the newly industrialized countries (Ahmad & d’Astous, 2004). It is also explored by most of the researchers that consumers’ preferences are positively related to the economic development of the country of origin; having the concept in their mind that good quality is the sign of economic development (Bumpkin and Crawford, 1985). Consumers of the developing world are very much inclined towards the products of the developed world because of the good quality and as a sign of high social status (Batra et al, 2000). The admirers of the economically developed countries’ lifestyle will prefer to use the products made by them as compare to the Indian products (Batra et al, 2000).

It is also evident from the literature that the high ethnocentric people are expected to avoid buying non-local products because they think that this activity would be considered as unpatriotic and will kill the domestic jobs (Shimp & Shirma, 1987). If both local and non-local products are of the same quality and of the same price, consumers will go for local products, even they will be ready to pay a higher price for their local products but they are not ready to compromise on quality (Knight, 1999). A study conducted by Kinra (2005) in India at the city of Lucknow revealed that although consumers rating on the ethnocentrism scale are high but they have no prejudice against the foreign brand names. Brand origin is considered as important attribute by Indian consumers. The customers associate the brands with their original producers rather than the current producing country (Jin et al, 2006). It is also become evident from the research that the association of brand with its original producers become weaker with the passage of time as the brands started to be produced locally (Jin et al, 2006). Another astonishing thing becomes evident from the research conducted by Watson and Wright (2000) in New Zealand regarding a specific situation, when no domestic alternatives are available.

What happened was that consumers gave preference to the products of those countries which were similar in culture to their home country. Country of origin information becomes advantageous in case of unavailability of domestic substitutes for those who imports from culturally similar countries (Watson and Write, 2000). In the developing countries like India and Saudi Arabia foreign brands are not only preferred because of the quality but are preferred because of status enhancing reasons (Sklaire, 1994). Bangladeshi consumers give preference to the western products because of a high quality and durability in contrast of the domestic products but there is a difference across the product classes and degree of suitability of sourcing countries (Kaynak et al, 1999). It is discovered that products originated from the developed countries are associated with very similar characteristics such as high quality,
good workmanship; reliability etc. and the products from the developing world are perceived to be of low quality (Kaynak et al, 1999). It is also important to note that level of education also influence the consumers’ perceptions towards non local products. Highly educated people are in the favor of imported products as compare to low educated people (Sklair, 1994)

Theoretical Framework

The dependent variable “attitude towards non local products” can be explained by the three independent variables; (1) high quality (2) high social status (3) unavailability of the local substitute. Consumers of the developing countries will go for non local products because they are generally deemed as of high quality. Products of economically developed countries are considered as a sign of high social status; so consumers tend to go for non local products. Lastly when there is no local substitute available for consumers, they have no option other than to go for non local products.

Two moderating variables (1) high admiration to EDCs (economically developed countries) lifestyle (2) consumers’ ethnocentrism are taken into account in this study. These moderating variables will change the relationship of the independent and dependent variables. If consumers have a strong admiration towards the life style of economically developed countries, then it will positively moderate the relationship between independent and dependent variables. If consumers of the developing countries are highly ethnocentric then the relationship between the independent and dependent variables will be change with the presence of this moderating effect.

Figure 1: Schematic diagram for the theoretical framework
Variables
Independent variables:

- Quality of the products
- Social status
- Unavailability of local substitutes

Dependent variable:

- Attitude towards non local products

Moderating variables:

- High admiration to EDCs lifestyle
- Consumers’ ethnocentrism

Hypotheses:

H1: Quality of the products and consumer attitudes towards non local products are positively related.
H2: Consumers will prefer the products manufactured by a foreign owned company because it adds to the social status of consumers.
H3: when no local substitutes are available consumers will automatically go for foreign products.
H4: Admiration to EDC life moderates the relationship between quality of product and attitude toward nonlocal product.
H5: Admiration to EDC life moderates the relationship between Social Status and attitude toward nonlocal product.
H6: Admiration to EDC life moderates the relationship between unavailability of local product and attitude toward nonlocal product.
H7: Consumer ethnocentrism moderates the relationship between quality of product and attitude toward nonlocal product.
H8: Consumer ethnocentrism moderates the relationship between Social Status and attitude toward nonlocal product.
H9: Consumer ethnocentrism moderates the relationship between unavailability of local product and attitude toward nonlocal product

Methodology
Data Collection

Data were collected from the respondents by using the convenience sampling technique. Due to the time and cost factors this specific sampling technique was adopted for this research. The respondents were from the twins cities of Islamabad and Rawalpindi. Non local products are of high quality and of relatively high prices, so all the sample subjects were from the middle class. Total of 200 survey questionnaires were distributed among the respondents. Drop off and picked-up technique was adopted due to short time in the data collection. The respondents were of the three categories, Govt. servants, private job holders and business men respectively. Majority of the respondents had the college or university degree. Their age ranged from 20 to 60 years.
Measures
The items used in this study were drawn from the scales which had been validated by the previous literature. The questionnaire of the research was consisted of 27 statements, focusing on the products attributes, consumer’s ethnocentrism, admiration for economically developed countries lifestyle, social status, unavailability of local substitute and consumers perceptions and attitudes towards using and buying non local products. The number of statements related to the product attributes were twelve. Within these twelve statements the first eight were that of the “central products attributes” and the remaining four were “peripheral products attributes” (Darling and Wood, 1990; Douglas and Craig, 1983). The five statements related to consumers’ preferences towards using and buying of foreign country products were taken from Shahid (1997) research. “Consumers ethnocentrism is a psychological construct representing how consumers view products made in their own country markets as an object of pride and identity versus those from other countries market” (Kinra, 2005). This was measured through ethnocentrism scale, CETSCALE (Shimp and Sharma, 1987) which had been validated by several past studies (Batra et al, 2000; Supphellen and Rittenburg, 2001; Watson and Wright, 2000). These items used strongly agree and strongly disagree endpoints. Admiration of the developed countries’ lifestyle was measured through a single item scale adopted from the paper of Batra et al (2000). This statement is adapted as “I admire the lifestyle of the people living in the developed countries”. Items of the social status and unavailability of local substitutes were taken from the research of Batra et al (2000). Five items of consumers’ attitudes towards buying and using non local products were taken from the research of Shahid (1997). As this study focused on the consumers attitudes towards foreign countries’ products so the respondents chosen were mostly educated people. The survey instrument was administered in English because it is a widely used business language in Pakistan and was easy for the respondents to cope with.

Results and Discussion
Reliability of the items used in the research was checked through the SPSS 15 version. Cronbach alpha values for the items of central products attributes, peripheral products attributes, social status item, attitudes towards nonlocal products and consumers ethnocentrism were 0.74, 0.78, 0.73 and 0.86 respectively which are considered as quite reliable and valid. Descriptive statistics of the variables are presented in table # 1. All of the variables except the peripheral products attributes items have a higher means which shows that imported products have better quality and they do not have just outward appearance.

Descriptive Statistics
Table # 1:

<table>
<thead>
<tr>
<th></th>
<th>PAI</th>
<th>PAI2</th>
<th>SSI</th>
<th>ATLBI</th>
<th>CEI</th>
<th>Unavailability of the local substitutes.</th>
<th>Admiration for EDCs lifestyle.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>4.144</td>
<td>2.031</td>
<td>3.703</td>
<td>3.627</td>
<td>3.722</td>
<td>3.890</td>
<td>3.640</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>.4792</td>
<td>.6225</td>
<td>.785</td>
<td>.7518</td>
<td>.9117</td>
<td>1.069</td>
<td>1.178</td>
</tr>
<tr>
<td>Variance</td>
<td>.230</td>
<td>.388</td>
<td>.616</td>
<td>.565</td>
<td>.831</td>
<td>1.144</td>
<td>1.387</td>
</tr>
<tr>
<td>Range</td>
<td>2.13</td>
<td>3.00</td>
<td>3.50</td>
<td>3.75</td>
<td>3.80</td>
<td>4.00</td>
<td>4.00</td>
</tr>
</tbody>
</table>

*PAI (Product Attribute Items), SSI (Social Status Items), ATLBI (Attitudes towards non-local Products Items), CEI (Consumers' Ethnocentrism Items).
H1: Our first hypothesis is proven by the result, which shows the relationship between the quality of products and consumers attitudes towards non local products. The correlation between these two variables is positive. Value of the relationship is (0.23) and the significance level is (0.01). Peripheral products attributes have negative correlation with attitudes towards nonlocal products which shows that products of the economically developed countries are not having only outward appearance but they have fine workmanship and are considered as technologically the best, its value is (-218) and the significance level is (0.01).

H2: Like the previous research by Batra et al (2000), it is proven by the results of this study that people prefer to buy the products of the developed countries because having that; people will consider them as of high class in the community. Social status and attitudes towards non local products are positively correlated. The correlation value is (0.58) and the relationship is significant at the level of (0.01).

H3: The third hypothesis was also supported by the results, which shows that when no local substitutes are available, consumers will go for non local products. The correlation between these two variables is positive and the value is (0.38) and the relationship is significant at the level of (0.01). All of the independent variables are correlated with the dependent variable. Quality of the products, social status and unavailability of the local substitutes are positively correlated with the attitudes towards non local products. Peripheral products attributes are negatively correlated with attitudes towards non local products. The detail is presented in table # 2.

Table # 2: Pearson Correlations between Dependent and Independent Variables

<table>
<thead>
<tr>
<th></th>
<th>PAI</th>
<th>PAI2</th>
<th>SSI</th>
<th>ATLBI</th>
<th>Buy imported when no substitute</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAI</td>
<td>Pearson Correlation</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PAI2</td>
<td>Pearson Correlation</td>
<td>-.523(**)</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SSI</td>
<td>Pearson Correlation</td>
<td>.464(**)</td>
<td>-.428(**)</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>ATLBI</td>
<td>Pearson Correlation</td>
<td>.230(**)</td>
<td>-.218(**)</td>
<td>.580(**)</td>
<td>1</td>
</tr>
<tr>
<td>Buy imported when no substitute</td>
<td>Pearson Correlation</td>
<td>.397(**)</td>
<td>-.378(**)</td>
<td>.603(**)</td>
<td>.382(**)</td>
</tr>
</tbody>
</table>

N 200 200 200 200 200

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

*PAI (Product Attribute Items), PAI2 (Peripheral Product Attribute Items), SSI (Social Status Items), ATLBI (Attitude Towards non-local Products Items).

H4, H5 and H6:
Simple regression analyses were used to test these hypotheses. Moderation is confirmed if the product of independent and moderator has significant effect on the dependent variable, controlling for the effects of independent and moderator variables (Baron and Kenney, 1986).
The earlier hypotheses (H1, 2 and 3) showed that there is a correlation between independent and dependent variables. We have checked the moderating effect of admiration towards EDCs lifestyle on the relationship between independent and dependent variables. Table 3 shows that quality of products ($\beta = .08, p < .05$) social status ($\beta = .15, p < .05$) and unavailability of local substitute ($\beta = .20, p < .05$) are significantly related with attitudes towards non-local products. The interaction term involving admiration towards economically developed countries lifestyle and quality of product ($\beta = .11, p < .05$) social status ($\beta = .22, p < .05$) and unavailability of local substitute ($\beta = .29, p < .05$) are significantly related to attitudes towards non-local products. Hence H4, 5 and 6, are supported by results.

Table # 3: Summary of the Moderated regression analysis

<table>
<thead>
<tr>
<th>Predictors</th>
<th>Attitude toward nonlocal products</th>
<th>$\Delta R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Controls</td>
<td></td>
<td>0.09*</td>
</tr>
<tr>
<td>Step 2:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality of Product (QP):</td>
<td>0.08*</td>
<td></td>
</tr>
<tr>
<td>Social Status (SS)</td>
<td>0.15*</td>
<td></td>
</tr>
<tr>
<td>Unavailability of Local Product (ULP)</td>
<td>0.20*</td>
<td>0.02*</td>
</tr>
<tr>
<td>Step 3:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High admiration to EDC life (HEDC)</td>
<td>0.31*</td>
<td>0.15**</td>
</tr>
<tr>
<td>Step 4:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>QP * HEDC life</td>
<td>0.11*</td>
<td></td>
</tr>
<tr>
<td>SS * HEDC life</td>
<td>0.22*</td>
<td></td>
</tr>
<tr>
<td>ULP * HEDC</td>
<td>0.29**</td>
<td>0.02*</td>
</tr>
</tbody>
</table>

H7, H8, and H9:
These hypotheses predicted the combined effect of ethnocentrism with quality of products, social status and unavailability of local substitutes. Consumer ethnocentrism has a negative significant relationship ($\beta = -.25, p < .05$) with attitude towards non-local products. Results of moderated regression analysis presented in table 4 shows that consumers’ ethnocentric moderated the predicted relationships. The results show that high ethnocentric people express biasness towards imported products and are ready to compromise on quality as well. The interaction impact of consumers’ ethnocentrism have decreased the original Betas of independent variables from (quality of product, $\beta = .08$, social status, $\beta = .15$ and unavailability of local substitutes $\beta = .20$) to ($\beta = .04$, $\beta = .07$ and $\beta = .16$) respectively. Hence these hypotheses are also supported by the results.
Table # 4: Summary of the Moderated Regression Analysis

<table>
<thead>
<tr>
<th>Predictors</th>
<th>Attitude toward nonlocal products</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Step 1:</strong></td>
<td></td>
</tr>
<tr>
<td>Controls</td>
<td>0.09*</td>
</tr>
<tr>
<td><strong>Step 2:</strong></td>
<td></td>
</tr>
<tr>
<td>Quality of Product (QP):</td>
<td>0.08*</td>
</tr>
<tr>
<td>Social Status (SS)</td>
<td>0.15*</td>
</tr>
<tr>
<td>Unavailability of Local Product (ULP)</td>
<td>0.20*</td>
</tr>
<tr>
<td><strong>Step 3:</strong></td>
<td></td>
</tr>
<tr>
<td>Consumers’ Ethnocentrism (CE)</td>
<td>-0.25*</td>
</tr>
<tr>
<td><strong>Step 4:</strong></td>
<td></td>
</tr>
<tr>
<td>QP * CE</td>
<td>0.04*</td>
</tr>
<tr>
<td>SS * CE</td>
<td>0.07*</td>
</tr>
<tr>
<td>ULP * CE</td>
<td>0.16**</td>
</tr>
</tbody>
</table>

Overall the results of the study are quite in the direction of the past researches. It is also proven by other researches in the developing countries that consumers give preference to the products of the economically developed countries like Japan, USA and European countries. The moderating impact of the admiration for economically developed countries’ life style is significant as it is evident from the above analysis. The moderating effect of consumers’ ethnocentrism is also important to note, which shows that people who scored high in ethnocentrism will be biased favorably towards their domestic products as compare to those who are low in ethnocentrism.

**Conclusion**

This research is an important contribution in the country of origin literature. It is unique in the sense that it tested the moderating impact of two important variables of high admiration to EDCs life style and consumers’ ethnocentrism. The study concluded that consumers of the developing countries have a strong and positive image about the products of the developed countries. They feel a personal pride when having the products of these countries. When local substitute will not be available for the consumers; it is likely that they will automatically go for imported products which are proven by the results as well. It does mean that those who admire the life style of economically developed countries will tend to prefer their products. Highly ethnocentric consumers have a favorable biasness toward their local products. They are even ready to compromise on quality of the products as well.
Limitations and Future Research Directions

Nothing is perfect in the social sciences research so this research also has some limitations which should duly be kept in mind while generalizing its results to the wider population. First important limitation of this study is the convenience sampling technique which is considered as a strong limitation for the generalizability of the study results. Second limitation of the study is that it was a cross-sectional study. Longitudinal study is advised for the future researchers for the detailed and somewhat perfect relationship of the constructs discussed in this study. Third limitation of the study is the small sample size and the future researchers are directed towards a big sample size to increase the validity and reliability of the study. Last and the most important thing is the culture which play a key role in the personality development of the people. Its impact should always be considered in mind while conducting research; it is advised to replicate the study in other cultural settings.
References


Interactive effects of Psychological Contract Violations and Employees' Perception of Justice on Various Job Outcomes

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Abstract
This study seeks to investigate the relationships between employees’ perception of psychological contract breach on employees’ satisfaction level, their commitment to the organization and intentions to quit. The study also attempts to find out whether or not employees’ perceptions of justice in the organization play a moderating role in these relationships. The data were collected from 147 respondents working in the telecom industry of Pakistan. The results indicated that there is a negative relationship between employees’ perception of psychological contract breach and their satisfaction level, commitment, and a positive relationship with turnover intentions. The results also revealed that the relationships between their perceived psychological contract violations and various employee level outcomes are further strengthened, if employees perceive lack of justice in the organization.

Keywords: Interactive effects ; Psychological Contract ; Violations ; Employees' Perception ; Justice ; Various Job Outcomes

Introduction:
Psychological contract can be defined as “a set of reciprocal obligations or promises related to the employment relationship between an organization and individual” (Rousseau and Tijoriwala, 1998). Guest and Conway (2002) explored it is an important employment relationship between employer and employees at individual level. Employees’ affective commitment has positive association with Perceived organizational support and the later led to lower turnover intentions (Addae et al, 2006). Affectively committed employees are more likely to think about quitting their jobs when they perceive psychological contract breach from the organizational side (Addae et al, 2006). Psychological contracts are of two distinct types: transactional and relational contracts (Rousseau, 1990). Transactional contracts are short term oriented, narrow in scope and having economic exchange between employee and employer (Rousseau, 1990) and have reduced association between employer and employee (Raja et al, 2004). On the other hand relational contracts are open ended, have no economic exchange base and having a broad scope and definition (Rousseau, 1990). Psychological contract fulfillment/breach is a key factor in the construct of psychological contract theory in order to understand its relationship with outcomes (Rousseau, 1990). Psychological contract fulfillment has positive relationship with job satisfaction, Organizational Citizenship Behavior (OCB) organizational commitment, and performance; while negative association with intention to quit (Robinson, 1996; Robinson and Rousseau, 1994; Turnley and Feldman, 2000 Noonan and Elron, 1994; Robinson and Morisson, 1995). The direct impact of psychological violation on individual’s attitudes and behaviors has been frequently studied as discussed above. However it is not necessary that psychological contract violation always
leads to adverse reactions among employees (Rousseau, 1994). There are some important situational moderators which may impact the association between psychological contract violation and negative attitudes and behaviors of employees. For example, it was explored that the relationship between psychological contract violation and trust in organization is moderated by careerism (Robinson and Rousseau, 1994). When there is procedural, distributive and interactional justice prevailing in the organization, then employees are unwilling to commit adverse reactions in response psychological contract violation (Turnley and Feldman, 1998). In addition to the direct relationship between psychological contract violation and employees’ responses (turnover, in-role performance, and reduced extra-role performance) this study is to explore the empirical support to the moderating impact of justice on the direct relationship between psychological contract violation and employees responses.

**Literature Review and Hypotheses Development:**
Conway and Briner (2005) and Rousseau (1995) defined psychological contract as “individual beliefs, shaped by the organization, regarding terms of an exchange agreement between the individual and their organization”. The theory of expectancy motivation, originally developed by Vroom (1964), is a theory to explain the process by which individuals choose to use a variety of behavioral decisions. For any act, action or task forces are driving the three different cognitive functions: life expectancy, instrumentality, and price. Driving force is the force that guides the behavior of another specific behavior that is one of the options, the recommended decision. Expectancy theory has a general empirical support (Vansteenkiste, 2005; Field, 2000), considered as one of the most popular theory of motivation (Heneman, Schwab, 1972; Campbell and Pritchard, 1976; Mitchell and Biglan, 1971 years).

Draw on social exchange theory (Blau, 1964; Gouldner, 1960), exchange theory, leaders-members exchanged their efforts, resources and support based on the differentiation of both forms of exchange (Dansereau, Graen, and Haga, 1975; Graen and Ur - Edge, 1995; Liden, 1997). Improve the quality of leadership member exchange similar to what is beyond the community in a formal job description specified in the extension (Liden and Graen, 1980; Liden, 1997). Because of the high confidence, interaction, support and reward characteristics of the relationship between well, there are obligations on the part of subordinates mutually beneficial relationship, a better perception (Di nesch and Liden, 1986). However, similar to pure economic exchange, low-quality relationship is limited exchanges to take place under the employment contract. These relations are characterized by low trust, interaction, support and incentives (Dienesch and Liden, 1986).

The literature has shown a strong organizational justice has a positive correlation with organizational citizenship behaviors (OCB) and the commitment of the employee. Norms of reciprocity, if the manager of equity and employee loyalty, in return, they treat them the same attributes as the staff prepared to go beyond their organizations and better fulfill the obligations and miles of the organization(Folger and Konovsky, 1989; Alexander and Ruderman, and 1987; Folger and Greenberg, 1985).

Social identity theory, individuals assigned to different social groups, such as gender, nationality, age, etc. (Tajfel and Turner, 1985), social. Social identity is assigned to a group perspective; organizational identity is a social acceptance that people define its members (Lee, 2004) the terms of its specific forms. Organizational identity literature shows that individuals who identify with their employing agency that they will do these activities with the identity of the organization and consistency of values, no such activities in violation of organizations (Ashforth and Mael , 1983) to sovereignty. This study has a strong recognition of the organization and external role behavior, cooperative behavior, and positive relationship
intend to remain in the organization that employs him (like Abrams, 1998; Mael and Ashforth, 1995).

The concept of psychological contract is originated from the social exchange theory, which is based upon the mutual exchanges between employees and their organization (Suazo et al., 2009). Psychological contract breach can be defined as “the cognition that the organization has failed to meet one or more obligations within the scope of the psychological contract whereas the employee has fulfilled his or her obligations” (Morrison and Robinson, 1997). The terms psychological contract violation and psychological contract breach have been used interchangibly by the researchers for the unfulfilled contract of employees. Morrison and Robinson (1997) tended to accommodate this interchangeable use of both the terms in their well accepted distinctive statement: “PCB refers to the cognitive perception of an unfulfilled psychological contract and PCV refers to the intense negative affective response that can arise from PCB”. PCV “is an emotional experience, yet it arises from an interpretative process that is cognitive in nature” (Morrison and Robinson, 1997, p. 230). Psychological contract violation is the feeling of anger and betrayal that employees feel when they believe that the organization has failed to keep its promises (Robinson and Morrison, 2000; Morrison and Robinson, 1997).

Turnley et al (2003) explored the association between psychological contract breach and various performance dimensions, and less empirical attention is given to the processes through which contract breach leads to work performance. Social exchange is used as an explanatory framework by psychological contracts researchers. Social exchanges between employee and organization is a long term state variable which shows that how psychological contract breach influence subsequent behaviors. Psychological contract breach occurs when it is perceived by employees that the obligations contained in the psychological contract are not fulfilled by the organization (Rousseau, 1989). Once it occurs, employees may express feelings of anger, resentment and betrayal (Rousseau, 1989) as well as behavioral and attitudinal reactions such as reduction in productivity and commitment (Zhao et al, 2007). Prior researchers have found that employees’ perceptions of psychological contract violation are related to reduced work performance, increased turnover and reduced willingness to engage in organizational citizenship behaviors (Robinson, 1996; Robinson and Rousseau, 1994; Robinson and Morrison, 1995). Similarly increased turnover and reduced organizational commitment are the significant outcomes of psychological contract violation (Guzzo, 1994). Another important study conducted by Turnley and Feldman (1998) explored that psychological contract violation leaded to reduced performance on both in-role and extra-role behaviors and increased turnover. Strong association was explored between job satisfaction and organizational justice (procedural and interactional) suggesting that equitable treatment and fair procedures causes people to enjoy their work (Pate et al, 2003). The literature explored that generally psychological contract violation is correlated with lower job satisfaction. When contract terms violation is experienced by employees, their satisfaction decline both with organization and job (Robinson and Rousseau 1994). A major source of dissatisfaction between employees and their supervisors is the discrepancy between promised and actual terms. Secondly when employer failed to comply with his/her promised obligations employees may become dissatisfied (Cassar, 2000). Employer should tend to fulfill the promised inducements otherwise it may become very difficult for employees to obtain satisfaction from doing their job (Porter and Lawler, 1986). Environment is correlated with organizational effectiveness, by developing a sound working environment it is believed that organizational effectiveness can be achieved; where employees tend to identify themselves with their organizational values, goals, and objectives; develop positive attitudes towards their jobs, and identify themselves with supervisors and their occupation or functional group (Boshoff and Mels, 2000). The relationship between
organizational factors and work outcomes such as commitment and job satisfaction is mediated by psychological contract (Guest and Conway, 1997; Marks and Scholarios, 2001). The concept of psychological contract and social exchange theory are very much similar, the whole philosophy of which is “that employees are motivated by a desire to maintain a reciprocal and equitable relationship with their organization in terms of benefits and contributions” (Blau, 1964). Fair and long term relationship between employees and employer is duly undermined by psychological contract violation (Rousseau and Parks, 1993). Employees’ perceptions of unfulfilled obligations by employer leads to a number of negative outcomes such as higher level of turnover, absenteeism, distrust, and dissatisfaction (Conway and Briner, 2002; Deery et al, 2006). On the basis of above discussion we have developed the first hypothesis of our study as follow:

Hypothesis 1: There is a significant impact of Psychological contract violation on employees’ job satisfaction.

Psychological contract rooted from the social exchange theory, Mutual exchanges between employees and their organization (Sauzo et al, 2009). When employee fulfills his or her obligations and organization failed to meet one or more obligations of psychological contract then psychological contract breach occur (Morrison and Robinson, 1997). Contract violation resulted into reduced commitment, trust, OCB and satisfaction (Robinson and Rousseau, 1994). Robinson (1996) proposed that prior trust moderates the relationship between psychological contract breach and subsequent trust, therefore after the breach; low initial trust employees will have less inclination towards trusting their organizations. Dean et al, 1998 explored that cynicism is the additional outcome of psychological contract violation. It is the belief of employees that their organizations lack integrity; criticize their organizations behavior severely and have negative emotions towards the organization. It is conceptualized that employees commitment has been based on exchange framework as compare to performance and loyalty which are material based (Cassar, 2000). It can be argued that commitment will decrease because it is then unlikely that the employer will fulfill his or her promise. Commitment has been conceptualized from the perspective of affection; it is focusing on employees’ sense of identification, attachment and affiliation (Mowday et al, 1979). When the organizations met the psychological contract expectations, it is more likely that they will be relationally oriented towards their organizations and thus are affectively committed to the organizational goals and values (Addae, et al, 2006). The other extreme is that psychological contract violation declines the employees’ satisfaction, trust and commitment with the organization. On the basis of above discussion the second hypothesis of the study is developed:

Hypothesis 2: There is a significant impact of Psychological contract violation on employees’ commitment.

It is a proven fact that voluntary turnover of employees is harmful both in work disruption and replacement costs (Addae, et al, 2006). Intention to leave an organization is an important predictor of employees’ turnover; having a strong empirical and theoretical support (Tett and Meyer, 1993). Griffeth et al, (2000) conducted a meta-analysis and explored that intention to leave is the strongest single predictor of actual turnover. It is evident from the literature that psychological contract violation decreases employees’ level of trust, commitment and satisfaction which in turn increases employees actual turnover rate (Cassar, 2000). Raja et al, (2004) investigated that PCV is a mechanism through which employees’ perceived breach is translated into outcomes such as low commitment, low job satisfaction, and intentions to quit. Lewicki and Bunker (1996) identified three effects of breach on the employer-employee relationship.
1. **Relationship restoration:** “This refers to the situation where the relationship is strong enough to withstand the psychological contract breach and therefore the nature of the relationship remains unchanged”. Such type of breach has little or no influence on mutual relationship, and in turn psychological contract reshape easily.

2. **Relationship recalibration:** “It suggests that after perceived breach the relationship has altered, however the relationship is still more or less intact but the spirit has been altered”.

3. **Relationship ruptures:** “Finally relationship ruptures refers to the significant change in the nature of the relationship, leading to strong feelings of perceived violation”. “The concept of violation is emotional and attitudinal state that follows when obligations are not fulfilled by the organization”, (Morrison and Robinson, 1997). Some important potential benefits are predicted by the impact of psychological contract like, organization citizenship behavior, job satisfaction, productivity and high levels of organization commitment (Coyle-Shapiro and Kessler, 2000; Cavanaugh and Noe, 1999; Robinson and Rousseau; Turnley and Feldman, 1999). Psychological contract violation results range from a negative impact on employees’ work behaviors and attitudes to their voluntary turnover. In light of the above review of literature the following third hypothesis of our study is developed.

**Hypothesis 3:** Psychological contract violation has a significant impact on employees’ turnover intention.

When organizations become unable to comply with their promised obligations then employees perceive contract violation, and it is highly expected that these discrepancies may result into injustice (a situation in which employees believe that the outcomes they receive are unfair and inequitable). However, it is also confirmed by the previous researches that procedural and interactional justice perceptions also influenced the individual interpretations and responses towards unfavorable outcomes. Specifically, researchers like (Moorman, 1991; Skarlicki and Folger, 1997; Brockner and Wiesenfeld, 1996) suggested that individuals’ reaction towards unfair actions will be less severe if they have the perceptions that the decision taken was based upon fair treatment (procedural justice) and if they perceive that the interpersonal treatment they receive as courteous and respectful (interactional justice). In addition, it is important to note that justice have a considerable influence upon employees’ response to perceived psychological contract violations (Turnely and Feldman, 1998). On the basis of above discussion the fourth hypothesis of our study is developed as follow.

**H4 (a):** Perception of Justice moderate the relationship between Psychological contract violation and job satisfaction

**H4 (b):** Perception of Justice moderate the relationship between Psychological contract violation and organizational commitment

**H4 (c):** Perception of Justice moderate the relationship between Psychological contract violation and turnover intention.

**Research Methodology:**

**Sample and Data Collection:** Survey questionnaire was used for data collection from seven different organizations of both private and public sectors. Self administered Questionnaires were distributed among supervisory level and middle level managers. Total of 180 survey questionnaires were distributed among employees and we got back with 155 questionnaires. 8 of the returned questionnaires were not filled properly and were possible to disturb our results so were excluded from the sample and the sample size curtailed to 147 (response rate 81.66%). Age group of the respondents was 25-48 with average age of 30.36 years and Standard Deviation (S.D.) was 3.77 years. Gender distribution was 55.1% male and 44.9% female, experience of the respondents reported between 1-25 years with the average
experience of 12.64 and with Standard Deviation of 5.97 years. Education level of employees was mostly university graduates.

In order to measure the direct and indirect (moderating) effect of justice in the hypothesized model, a hierarchical regression analysis as recommended by Cohen & Cohen (1983) was used.

**Measures:** All responses were acquired through self-reported measures in which the responses were taken on 5-point likert-scale ranging from 1 = strongly disagree, 2 = Disagree, 3 = neither disagree nor agree, 4 = Agree, and 5 = strongly agree.

**Psychological Contract Violation:** Five (5) items scale of psychological contract violation were used to measure the psychological contract violation adopted from Robinson and Morrison (2000). The reliability of the data collected for this study was ($\alpha = 0.84$) for 5 items scale of psychological contract violation.

**Perception of Justice:** Justice was measured by using six (15) items version adopted from Niehoff & Moorman (1993). Each question of the instrument was measured on five point likert scale. The reliability of the data collected for this study was ($\alpha = 0.77$) for 15 items of procedural justice scale.

**Organizational Commitment:** Six (6) items scale of Mayer Allen and Smith (1997) was used to measure the commitment of employees with organization. Each question of the instrument was measured on five point likert scale. The reliability for organizational commitment on the data collected was ($\alpha = 0.89$).

**Turnover Intention:** Turnover intention was measured by using four (04) items version, from (Becker, 1992). The alpha reliability for turnover was ($\alpha = 0.88$). Pervious study had a good reliability i.e. $\alpha = 0.77$.

**Satisfaction:** Satisfaction was measured by using three (03) items version, from (Cammann et al., 1983). Each question of the instrument was measure on five point likert scale. The alpha reliability for satisfaction was ($\alpha = 0.87$).

**Results and Discussion:**

**Descriptive Statistics:**
Table No 1 shows descriptive statistics of variables used in this study. The means and standard deviations of variables are also given in the table. The mean for Psychological contract violation was 2.6 (S.D = 0.88) and the mean of three outcome variables (Organizational commitment, Turnover intention and employees’ satisfaction) were 3.3 (S.D = 0.85) and 2.4 (S.D = 0.93). The mean of the mediating variable (justices) was 3.4 (S.D = 0.99).

<table>
<thead>
<tr>
<th>Variables</th>
<th>Alpha</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>PCV</th>
<th>OC</th>
<th>TI</th>
<th>SAT</th>
<th>Justice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Psychological Contract Violation</td>
<td>0.842</td>
<td>2.6</td>
<td>0.88</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Org. Commitment</td>
<td>0.893</td>
<td>3.3</td>
<td>0.85</td>
<td>-0.31*</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover Intention</td>
<td>0.888</td>
<td>2.4</td>
<td>0.93</td>
<td>0.42**</td>
<td>-0.29**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction</td>
<td>0.878</td>
<td>3.2</td>
<td>0.94</td>
<td>-0.38**</td>
<td>0.40*</td>
<td>-0.26**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Justices</td>
<td>0.772</td>
<td>3.4</td>
<td>0.99</td>
<td>-0.25*</td>
<td>0.21**</td>
<td>0.32*</td>
<td>0.45*</td>
<td>1</td>
</tr>
</tbody>
</table>

**Table No 1:** Reliability, Descriptive Statistics and Coefficient correlation

* Significant level (p value) 0.05.
* * Significant level (p value) 0.10

PCV = Psychological Contract Violation, OC= Org. Commitment, TI = Turnover Intention, SAT = Satisfaction
Hypothesis 1, 4 (a) and 4(b):
The table # 2 shows the outcomes of testing hypotheses 1, and 4 (a). In order to test the influence of psychological contract violation and satisfaction, Psychological Contract Violation (PVC) is first regressed upon the satisfaction. The value of beta is -0.45 so this shows that one degree increase in PCV will bring 45% decrease in satisfaction. Thus hypothesis 1 is supported that PCV has a significant impact on satisfaction. In second step the justice regressed upon with depend variable satisfaction. The beta value is 0.29 having p-value is less than 0.05. In third step the interaction term of (PCV*PJ) is regressed upon satisfaction. The beta value for this moderation effect is -0.04 (p<.10). As the beta value change from -0.45 to -0.04 which 0.41, so this confirms a high level of change in relationship between PCV and satisfaction in presence of justice in organization. The change in beta value 0.41 which is high level increase in the relationship of PCV and satisfaction of the employees’. Thus hypothesis 4(a) is supported by confirming that justice has a positive influence on the relationship between psychological contract violation and satisfaction of employees’.

The value of R provides a measure of how well satisfaction can be predicted from the set of independent variables’ scores. All of the positive values of R in table # 2 for variables PCV, justice and PCV*Justice are 0.516, 0.474 and 0.582 which confirm that psychological contract violation along with moderator of justice can best predict satisfaction. The value of R square, is a measure of how much of the variability in the satisfaction (dependent variable) is accounted for by the psychological contract violation, and justice. The value of R square for psychological contract violation, justice and PVC*justice are 0.266, 0.222 and 0.337 showing their respective variations in predicting satisfaction.

Hypotheses 2, and 4 (b):
In order to test the influence of psychological contract violation and organizational commitment of the employees, Psychological contract violation is first regressed upon organizational commitment. The beta value of -0.30 (p<.05) shows that one unit change in psychological contract violation will bring 30 % decrease in organizational commitment of the employees’.

<table>
<thead>
<tr>
<th>Predictors</th>
<th>Satisfaction</th>
<th>Org. Commitment</th>
<th>Intention to quit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>$\Delta R^2$</td>
<td>R</td>
</tr>
<tr>
<td><strong>Step 1:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Controls</td>
<td>0.09</td>
<td></td>
<td>0.09</td>
</tr>
<tr>
<td><strong>Step 2:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Psychological Contract Violation</td>
<td>-0.45*</td>
<td></td>
<td>-0.30*</td>
</tr>
<tr>
<td></td>
<td>0.02</td>
<td>.516</td>
<td>.266</td>
</tr>
<tr>
<td><strong>Step 3:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Justice</td>
<td>0.29*</td>
<td></td>
<td>0.28*</td>
</tr>
<tr>
<td></td>
<td>0.06</td>
<td>.474</td>
<td>.222</td>
</tr>
<tr>
<td><strong>Step 4:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PVC * Justice</td>
<td>-0.04**</td>
<td></td>
<td>-0.10*</td>
</tr>
<tr>
<td></td>
<td>0.03</td>
<td>.582</td>
<td>.337</td>
</tr>
</tbody>
</table>

* Significant level (p value) 0.05.
** Significant level (p value) 0.10
Thus in this way a negative impact of psychological contract violation and organizational commitment of employees’ is confirmed by supporting hypothesis two. In second step justice is regress with organization commitment. The beta value is 0.28 having p-value is less than 0.05. In third step the interaction term of (PCV*Justice) is regressed upon organizational commitment. The beta value for this moderating effect is -0.10 (p<.005) so this confirms a high level of change in relationship between psychological contract violation and organization commitment of employees’ by addition of justice. The beta value change from -0.30 to -0.10, the decrease in the beta value is 0.20. Thus hypothesis 4(b) is supported by confirming that justice has weaken the relationship of psychological contract violation and organizational commitment of employees’. The results of interaction terms indicate that justice act as a moderating variable in relationships of PCV and organization commitment.

The results of interaction terms indicate that justice act as a moderating variable in relationships of PCV and organization commitment.

Hypotheses 3, and 4 (c):

In order to test the impact of psychological contract violation and turnover intention, psychological contract violation is first regressed upon the turnover. The value of beta in table # 2 is 0.31 (p<0.05) so this shows that one degree increase in psychological contract violation will bring 31% increase in turnover intention of employees’. Thus hypothesis no.3 is supported that psychological contract violation has a positive impact on turnover intention. In second step justice is regress with turnover intention. The beta value is 0.39 having p-value is less than 0.05. In third step the interaction term of (PCV*Justice) is regressed upon turnover intention. The beta value for this moderation effect is 0.17 (p<.05) so this confirms a high level of change in relationship between psychological contract violation and turnover intention in presence of organizational justice. The beta value change from 0.31 to 0.17, the decrease in the beta value is 0.14. Thus hypothesis 4(c) is supported by confirming that justice has a moderating effect on the relationship between psychological contract violation and turnover intention of employees’. The results of interaction terms indicate that justice has weakened this relationship.

The positive value of R in above table for variables PCV, justice and PCV*Justice in order to measure turnover intention are 0.487, 0.290 and 0.572 respectively which confirm that psychological contract violation along with moderator of justice can best predict turnover intention. The value of R², for the psychological contract violation, justice and PCV*justice is 0.320, 0.187 and 0.395 respectively showing their respective variations in predicting turnover intention.
Table # 3: Summary of Hypotheses Results

<table>
<thead>
<tr>
<th>Variables</th>
<th>Hypothesis statement</th>
<th>Hypotheses</th>
<th>Hypotheses Testing</th>
</tr>
</thead>
<tbody>
<tr>
<td>FCY</td>
<td>Psychological contract violation has negative relationship with employees' satisfaction.</td>
<td>H 1</td>
<td>Supported</td>
</tr>
<tr>
<td>FCY</td>
<td>Psychological contract violation has negative relationship with employees' commitment.</td>
<td>H2</td>
<td>Supported</td>
</tr>
<tr>
<td>FCY</td>
<td>There is positive relationship between psychological contract violation and employees' turnover.</td>
<td>H3</td>
<td>Supported</td>
</tr>
<tr>
<td>PC Y*Justice Satisfaction</td>
<td>Justice moderates the relationship between Psychological contract violation and satisfaction</td>
<td>H4(a)</td>
<td>supported</td>
</tr>
<tr>
<td>PC Y*Justice Organizational Commitment</td>
<td>Justice moderates the relationship between Psychological contract violation and organizational commitment.</td>
<td>H4(b)</td>
<td>Supported</td>
</tr>
<tr>
<td>PC Y*Justice Turnover</td>
<td>Justice moderates the relationship between Psychological contract violation and turnover intention.</td>
<td>H4(c)</td>
<td>Supported</td>
</tr>
</tbody>
</table>

Conclusion:
Psychological contract is a belief individuals hold about the terms and conditions of exchange agreement between themselves and their organizations. It reduces uncertainty, shapes behavior and gives people a feeling about what happens to them in the organization. It can be seen as the foundation of the relationship originating during the recruitment phase and further developed for the first few months after entry. If the organization succeeds to meet the beliefs the employees hold regarding the working relationship, the psychological contract is in a good state which in turn leads to job satisfaction, higher levels of commitment and increased intentions to remain with the organization. On the other hand if employees perceive that the organization has failed to fulfill one or more obligations comprising the psychological contract, violation occurs.

It is recommended that organizations should ensure that human resource strategies, policies and procedures are reflective of distributive, procedural and interactional justice; and that organizations communicate honestly and openly with employees in order to minimize misunderstandings that may result in perceived violations. These principles of justice should be deemed as valuable for the better performance of the organization and should be reflected throughout all human resource activities and functions.

Secondly organizations should emphasize on the career management of their employees which requires in time trainings and developments. Most of the time, employees may seems satisfied and continue to work on their present job, but they are ready to quit the organization if they have no chances of their development in their present organization. So employees’ career development should be handled carefully for the retention of talented employees. For this purpose, enterprise should offer career consultation, developmental opportunities and different projects for workers for the utilization of their potentials. It is considered as an important means to control knowledge workers’ turnover as viewed from employees’ psychological contract.

Future research and managerial practices should continue to focus on employees’ perceptions of the organization’s promises and fulfillment of such promise; selection of right candidates and retaining good staffs is very important to help employees reduce their intent to quit while the psychological contract is even breached.
References


Strategically Managing the Business Units of Firms Operating in and from Islamic World

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Abstract
In today’s highly competitive business environment, the question of how a firm sells has become more important than what it sells. Due to the rapidly changing conditions and highly unpredictable business environment, the correct choice of strategy is considered at least five times more important than the correct choice of industry (Hinterhuber, 2005). The performance of any firm operating in any part of the world mainly depends on its strategy. There are always some good minds behind every good strategy. Religion on the other hand has a direct impact on human perceptions, interpretations and actions which subsequently influences organizational decision making and performance. This impact is even bigger in Islamic countries. Islam which is the second largest and fastest growing religion in the world is often thought to be a misconstrued religion. Contrary to this, it is a complete code of conduct which provides guidance about all facets of life including business. Unfortunately, top managers of the firms operating in Islamic world often fail to differentiate between a firm’s vision, mission, objectives or strategies. In other words, those who are supposed to define a clear vision and set a common line of action for their workforce are not sure themselves about what exactly is their strategy. This creates confusion in the minds of the people (Line of sight) and as a result leaves a devastating impact on their discretionary behaviors/actions. This paper is aimed at specifically addressing the strategy related issues in various business units of the firms operating in or from Islamic world and providing them necessary guidance in their own religious, cultural and organizational context as to how an effective business unit strategy can be developed, how it needs to be implemented and how it can make a significant contribution towards value addition process and the overall business growth.

Keywords: Strategically; Managing; Business Units; Firms; Operating; Islamic World

Business Unit Strategy

“Always and in everything strive to attain at the same time what is useful for others and what is pleasant for oneself.” (Nasreddin)

Since Islamic business approach considers ethical performance of a firm i.e. service to the society, as important as its financial performance i.e. profitability, the biggest challenge for the managers in Islamic firms is to assure a reasonable profitability for the business without compromising on greater interests of the society. Where a firm's financial performance is inevitable for its future growth and expansion, consistent contributions for society are important to meet the requirements of a responsible corporate citizen. All this is not possible unless managers at all business units of the firm know how to use a firm's core competencies for obtaining and sustaining the competitive advantage position in the market and how to develop an atmosphere suitable for developing excellent business ideas, devising effective strategies and creating innovative products or services for the customers. As discussed earlier, strategy is the evolvement of the originally guiding principle according to the continuously
changing circumstances. This guiding principle could be an innovative business idea or a core competency which can give a firm some sort of competitive advantage over its competitors.

The Core Competency: According to Hinterhuber (2005) a core competency is an aggregation of such integral resources, capabilities, processes, technologies and attitudes available to a firm which:

- customers perceive as valuable,
- are unique compared with those of competitors
- are difficult to imitate
- are without substitutes
- provide potential access to new markets

The Competitive Advantage: Competitive advantage is a firm's ability to outperform its competitors by consistently offering greater value to the customers either through its lower prices or greater quality products/services (Hinterhuber, 2005).

The Strategic Business Unit
In a diversified Islamic firm, a strategic business unit is a semi autonomous unit within a firm which produces and sells a specific group of products and/or services, operates in a specific market segment, adds value for specific segment of customers and competes with specific competitors. Normally a strategic business unit develops its own strategies owns the key functions of marketing, R&D and production and is responsible for its own decisions such as choice of products, fulfilling needs of the customers beyond their expectations, discovering and exploiting new opportunities etc.

The SBU Managers of Islamic firms are responsible to keep redefining the future competitive space on regular basis (new customers, new products and services, new technologies, etc.) and devise such a strategy for their respective units which can get them a return above industrial average or at least equal to their cost of capital.

The Strategic Business Unit Strategy
SBU Strategy can be defined as an integrated concept for gaining competitive advantages in specific product markets or segments (Hinterhuber, 2005). The strategic business unit strategy of an Islamic firm is devised in accordance with the broader corporate strategy of the firm and is usually aimed at how a business unit can outperform its competitors in a particular market segment. It basically deals with questions such as:

- Which customers to serve,
- Which markets or market segment to target,
- What products/services to offer,
- What technologies and vehicles to use,
- What differentiators are possible,
- In how much time
- How to assure economic value addition.

Developing a Business Unit Strategy for an Islamic Firm
As shown in the figure 11 below, in order to formulate an effective business unit strategy, a careful analysis of external factors e.g. industrial conditions, market conditions, environmental changes, political and economic conditions as well as internal factors e.g.
shared values, good will, capabilities, shortcomings etc is very important. Where an analysis of external factors will enable the SBU managers of an Islamic firm to explore any opportunities available, a review of internal factors will help them identify their core strengths and weaknesses. A comparison of these two afterwards will make them certain strategic alternatives available. In the entire process, the role of leadership and mental models of managers remains very crucial from analyzing the entire environment and identifying the strategic options to evaluating and selecting the final strategic option for implementation.

Unfortunately in many Islamic firms, leaders don’t really give necessary importance to vision mission or corporate strategy and most of them take it as mere bookish formalities required for a corporate entity. They often forget that no business unit strategy can work in an Islamic firm if it is in conflict with its vision or mission statement. The successful leaders therefore give due weightage to needs of the society reflected in its vision as well as mission while defining or selecting a strategic option.

Figure 2: Development of Business Unit Strategy for an Islamic Firm
Strategy which cannot be measured cannot be controlled; strategic evaluation is the next important stage where leaders try to decide if their selected strategic initiative is contributing enough towards achievement of firm's mission or if there are any alternations needed to keep it inline with greater firm's objectives.

Selection of the Right Strategy for Islamic firms

The most crucial part in strategic management of any firm is the selection of the right strategy according to changing needs of the time. Since choice of a strategy depends mainly on industrial attractiveness and Competitive advantage, in order to ensure selection of the right strategy for their firms, Islamic managers need to carry out a detailed analysis of the industrial conditions as well as competitive advantage positions. Although SWOT and Porter’s 5 forces model are commonly used frameworks for industrial analysis but these carry certain limitations too. This makes it difficult for Islamic managers operating in 21st century to apply these tools in highly globalized and competitive business environment of today. For this purpose, Hinterhuber, (2005) presents a beautiful set of parameters which doesn’t only help managers in correct assessment of industrial attractiveness but it also fits in the specific context of 21st century and takes into account all the related developments/risks emerging in the field from time to time.

In the table 6 below, various factors which are crucial for industrial assessment have been given a certain percentage of weightage according to their related significance. In a highly competitive world, element of rivalry between firms is the most important determinant of whether or not an entry to a specific industry will be useful for the firm. This is why it has been given the maximum weightage i.e 25%. Similarly Market factors and any possible threats of new entrants have been given 15% each and so on. Managers in Islamic firms are supposed to rate all these factors individually on a rating scale of 0 to 100 where zero reflects that a particular factor is totally unfavorable for profitable business growth or expansion and 100 shows that the concerned factor is highly favorable for carrying out a thriving business. Multiplying the scores of all these factors with their respective percentage weightage assigned to them will provide managers the weighted average score in respect of each of these factors. Islamic managers can then use an aggregate weighted average score as a guide to assess the level of attractiveness for a particular industry. Similarly a similar analysis can be made for all related industries and a comparison between all of them will help managers decide which industry has got how much potential for profits as well as business expansion.
The assessment of industry attractiveness

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Weight</th>
<th>Unfavorable for industry growth and profit potential</th>
<th>Favorable for industry growth and profit potential</th>
<th>Weighted score</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rivalry among existing firms</td>
<td>25 %</td>
<td></td>
<td></td>
<td>7,5</td>
<td></td>
</tr>
<tr>
<td>Threat of new entrants</td>
<td>10 %</td>
<td></td>
<td></td>
<td>8,0</td>
<td></td>
</tr>
<tr>
<td>Bargaining power of customers</td>
<td>15 %</td>
<td></td>
<td></td>
<td>6,0</td>
<td></td>
</tr>
<tr>
<td>Bargaining power of suppliers</td>
<td>5 %</td>
<td></td>
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<td></td>
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<tr>
<td>Threat of substitute products/services</td>
<td>10 %</td>
<td></td>
<td></td>
<td>6,0</td>
<td></td>
</tr>
<tr>
<td>Market factors</td>
<td>15 %</td>
<td></td>
<td></td>
<td>9,0</td>
<td></td>
</tr>
<tr>
<td>Legal and environmental factors</td>
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<td></td>
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<tr>
<td>Technological factors</td>
<td>10 %</td>
<td></td>
<td></td>
<td>8,0</td>
<td></td>
</tr>
<tr>
<td>Industry attractiveness</td>
<td>100 %</td>
<td></td>
<td></td>
<td>51,0</td>
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</tr>
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</table>

Table 1: Assessing level of Industrial attractiveness for an Islamic Firm
(Source: Hinterhuber, 2005)

Similarly, for correct selection of the strategy, managers in Islamic firms need to have a correct assessment of a firm's competitive advantage position too. Table 7 given below provides a set of guidelines for managers operating in Islamic environment to truly assess their competitive advantage position in relation to those of their competitors. In order to have a generalized view on a firm's competitive position, the competitiveness level is assessed in five different dimensions i.e. Market, Products/Services, Production, R&D and Organization. All these dimensions have been assigned a certain weightage on the basis of their respective levels of significance. Looking at on ground realities, Islamic managers can rate their own position as well as those of their competitors. The Multiplication of their rated scores in respect of each of these dimensions with their respective weightage will provide them a weighted average score for each dimension. An aggregated weighted score of all these dimensions for both firm and its competitors will give managers a clear picture of where they stand in respect of competitive advantage position. This will also enable them to see at which dimensions the firm is already stronger than its competitors and on what aspects it needs to concentrate further in order to leave its opponents behind and whether there is a need for a shift in policies or focus.
Assessment of competitive advantages

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Weight</th>
<th>0-100 points</th>
<th>Weighted score</th>
<th>0-100 points</th>
<th>Weighted score</th>
<th>0-100 points</th>
<th>Weighted score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Market</td>
<td>25 %</td>
<td>100</td>
<td>25.0</td>
<td>60</td>
<td>15.0</td>
<td>40</td>
<td>10.0</td>
</tr>
<tr>
<td>2. Products/Services</td>
<td>25 %</td>
<td>100</td>
<td>25.0</td>
<td>80</td>
<td>20.0</td>
<td>60</td>
<td>15.0</td>
</tr>
<tr>
<td>3. Production</td>
<td>30 %</td>
<td>70</td>
<td>21.0</td>
<td>90</td>
<td>27.0</td>
<td>100</td>
<td>30.0</td>
</tr>
<tr>
<td>4. R&amp;D</td>
<td>10 %</td>
<td>100</td>
<td>10.0</td>
<td>70</td>
<td>7.0</td>
<td>40</td>
<td>4.0</td>
</tr>
<tr>
<td>5. Organization</td>
<td>10 %</td>
<td>90</td>
<td>9.0</td>
<td>100</td>
<td>10.0</td>
<td>80</td>
<td>8.0</td>
</tr>
<tr>
<td>Competitive advantages</td>
<td></td>
<td>90.0</td>
<td>79.0</td>
<td>67.0</td>
<td></td>
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</tr>
</tbody>
</table>

Table 2: Assessment of Competitive Advantage Position of an Islamic Firm
(Source: Hinterhuber, 2005)

After a careful analysis has been carried out regarding both industrial attractiveness and competitive advantage position of an Islamic firm, the managers of Islamic firms can then take a decision following a “sails” approach as to which strategy can be more helpful in truly capitalizing on their core competencies and making best of the available opportunities. Since strategy analysis is an analysis of the total firm, we need such a management tool for Islamic firms, which can provide necessary guidelines about all related aspects; a model which can help SBU managers of Islamic firms in answering all possible questions related to a strategy such as:

- What are the objectives of the SBU and how do they relate to the company objective?
- Which of the customer problems will be solved through this SBU Strategy?
- What are the competitive advantages the SBU will achieve, with what type of activities and when?
- What will be the impact on other SBUs. Which other SBU’s will be strengthened or weakened by the SBU strategy and action plans?
- What potential for the future will be created today by the SBU strategy?
- What are the strategic issues that can be anticipated?
- How does the SBU strategy contribute towards improvement in the firm’s overall position?

Strategic Planning System for Islamic Firms (At SBU Level)

Strategic business units are supposed to work as strategy planning centers for Islamic firms. Since a strategy defined by SBU’s has to be the main source of guidance for regulating the work of all the managers working for Islamic firms, there is always a need for such an excellent strategic planning system within an Islamic firm which can help managers at all levels in correctly understanding and solving unanticipated problems occurring from time to time. Hinterhuber (2005) presents such a comprehensive strategic planning system which doesn’t only help managers in devising the right strategies for Islamic firms, it also provides guidance about how to deal with any unexpected developments and risks which may emerge in the specific social, cultural and religious context of Islamic countries.
The Strategic Planning in Islamic Firms (At SBU’s Level)

- Input from Corporate Strategy, Culture and Identity
- Input from Stakeholders
- Needs of the Society

- Religious Cultural and Societal Norms

Goals for Excellence Strategy
Guiding Idea
Core Competence

Strategic Issues

Marketing Action Plans

Contingency Plans

Risk Analysis

Controlling Systems

- Financial Risk
- Social Risk
- Technology Risk
- Business Risk

Customer Satisfaction Analysis
Value Chain Analysis
Competitor Analysis

IT
R&D

Figure 3: Strategic Planning System for SBU,s in Islamic Firms
(Adapted from Hinterhuber, 2005)
As shown in the model above, in Islamic countries, there is always a high impact of religious, cultural and societal norms on the lives and mental models of the people. As a result, firms operating in these lands cannot remain indifferent of such impact. The vision of an Islamic firm (which is the first and the most important ingredient of any strategic management system) is always influenced by the societal/religious norms and preferences. As a result, fulfillment of society’s needs becomes the prime focus while developing a vision for an Islamic firm.

In the light of Islamic vision, necessary inputs are received from corporate strategy, culture and identity on one side and all important stakeholders on the other. Based on which, firm's mission statement is defined.

Keeping in view both a firm's vision as well as mission, the SBU managers are supposed to set their targets for the next year(s) which cannot be done without a correct assessment of the present position of the firm in relation to its competitors. A comparison of present position with the desired/targeted one will help managers define their main strategic goals. Based on the firm's core competencies, the SBU’s managers will define such milestones which can lead their firm to the heights of excellence. Since strategic management is all about change management and the change is always followed by resistance, a detailed discussion is absolutely necessary on various strategic issues which the managers may have to face in the course of executing their strategy. In the light of their findings, the next task for SBU managers in Islamic firms is to devise their functional policies and actions plans such as Marketing, Production, R&D etc. For this purpose they can take help from various surveys, reviews, analysis etc carried out from time to time in order to assess the customer’s satisfaction level, competitor's strategic moves etc. Since the business environment in Islamic lands is highly unpredictable, the SBU managers working in Islamic firms must not forget that all of their moves will have certain risks associated with them and they need to keep a contingency plan ready to deal with any unexpected developments or unforeseen events. This will not be possible unless they analyze in details before hand all types of risks which the firm may have to come across (such as technology risk, social risk, financial risk etc) as a result of their strategic moves. In order to make strategy successful, where careful selection and efficient execution are considered crucial, performance measurement is also equally important which needs to be done on regular basis. For this purpose, the managers need to have excellent controlling system which can monitor’s their performance and see what contributions and achievements the SBU has made in respect of each of the firm's stakeholders e.g Shareholders, employees, customers, creditors, society etc.

Conclusion & Future Research Possibilities
Strategic management is seen as being influenced by a complex interplay between local and global cultural/religious contexts. Religion indeed has a direct impact on human behavior, social interactions and relationships (Abuznaid, 2006) and subsequently on organization’s life and performance. This impact is dominant in Islamic countries. Islam has its own distinctive code of business ethics (Wilson, 2006). Since Islamic business system approach stresses the embeddedness of firms in the home country’s institutional, cultural and religious contexts, thus giving rise to specific Islamic connotations of strategic management, through this particular research attempt, we have tried to address strategic management issues from an Islamic perspective and provide the business leaders of Islamic firms necessary guidelines in their own religious and cultural context as to how an effective business unit strategy can assist them in making best utilization of their available resources.

Parallel to this work, future research can concentrate on devising a purely indigenous strategic management model for Islamic world and comparing the results achieved with those obtained through implementation of this model developed in this work.
References


How culture of an Islamic society impacts an organizational life – A review of the relevant literature & Implications for International business

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Assistant Professor, International Islamic University, Islamabad, Pakistan

Abstract
Religion has always left a considerable impact on human perceptions, interpretations and actions which subsequently influence organizational decision making and performance. This impact is even stronger in Islamic countries. Islam which is the second largest and one of the fastest growing religions in the world is often thought to be a misconstrued religion. Contrary to this, it is a complete code of conduct which provides guidance about all facets of life including business. The main unifying force of Islam plays an important role in creating a common culture among Muslim nations spread all over the world. Although there can be some tiny differences within the Islamic nations but since Muslim world as a whole shares a common literature, architecture, historical religious and socio cultural backgrounds, Islamic nations have many commonalities in their cultural norms and practices. These common characteristics shared by all Islamic nations differentiate them from the rest of the world. This paper is specifically aimed at conducting a detailed review of the previous literature, identifying the distinctive cultural characteristics shared by many Islamic societies all around the world and discussing their implications for firms (both multinational and domestic) operating in and from Islamic societies. Where the study will help non Muslims (especially the multinational/foreign companies having their operations in the Muslim countries) to better understand and correctly interpret the environment in which these firms operate, this would also be helpful for the local firms of Muslim world itself in exploiting their true potential and (as a result) accelerating their business growth by creating a right Organization – Environment Fit.

Keywords: Culture ; Islamic Society Impacts ; Organizational Life ; Review ; Relevant Literature ; Implications ; International Business

Introduction
Managers and leaders as well as the people they work with are part of national societies; if we want to understand their behaviors we have to understand their societies (Hofstede, 2003).

The main unifying force of Islam plays an important role in creating a common culture among Muslim nations spread all over the world. Although there can be some tiny differences within the Islamic nations but since Muslim world as a whole shares a common literature, architecture, historical religious and socio cultural backgrounds, Islamic nations have many commonalities in their cultural norms and practices. These common characteristics shared by all Islamic nations differentiate them from the rest of the world. A brief overview of these attributes is given hereunder.

High Group Orientation/Collectivism
A vast majority of the people in our world live in such societies where interest of the group prevails over the interest of the individuals (Hofstede, 2003). These societies are called...
collectivist societies. Islamic societies as a whole can also be described as highly group oriented or collectivist societies.

In Islamic societies, the children start feeling themselves as a part of a group i.e family right from their birth. With the passage of time, this group becomes a kind of identification for them for the rest of the world. Resultantly an individual develops within himself or herself an irrevocable loyalty for his or her group.

Contrary to individualist societies where every one looks after himself or herself, the ties between different members of a group are very strong in Islamic societies and each individual is supposed to look after the entire group and not just one’s own self. In Islamic societies, being obedient and respectful to parents, getting their financial support and giving it back to them when they are old are the commonly shared features.

Researchers have found a strong relationship between a country’s national wealth and the degree of individualism in its culture. Islamic countries which are highly collectivist societies are mostly developing or underdeveloped economically. Hofstede (2003) found that out of 74 countries, Pakistan a collectivist Islamic society (which is a model country for this work too) stands at 68 as compared to United States a highly individualist society ranked as No.1.

In Islamic countries, collectivism is not only confined to ones family or household setup, as a cultural characteristic it is present outside house as well including one’s work place. While working on a well renowned project of GLOBE, Kabasakal & Bodur (2002) have found a strong preference not only for family collectivism (5.61) but also for the institutional or organizational collectivism (5.08) in the Islamic regions.

For people of Islamic societies, family or other group relationships are very important. They feel protection and great dedication towards their groups. These groups can be based on many factors such as being from the same city or region, school, workplace, cast etc and most of the times attachment to one’s group proves to be very helpful in the various daily life aspects. In Islamic lands, if a person holds a superior position and finds someone from his own group, he is expected to do everything he can for solving his problems. Providing help in finding a job, getting admitted to a hospital or a school, removing hurdles from official procedures and sorting the things out with Police department etc are some of the examples. Similarly the group also plays an important role in the social as well as economic life of individuals such as making arrangements for marriages or funerals, lending money or helping otherwise when a member of the group is in a financial crises etc. Such network of interdependent relationships reduces the level of individualism in the society and the people prefer to live more like a group than as individuals.

**Power Distance**

Power distance can be defined as the extent to which the less powerful members of institutions, organizations or society as a whole expect and accept that power is distributed unequally (Hofstede, 2003).

Islamic societies are high power distance societies which indicate a high degree of acceptability for unequal distribution of powers between various members of the family, organizations and the whole society at large. The theorists believe that the hallmark of the Islamic world is the greater inequality of power in the society (Gupta et al, 2002) and Islamic
countries are found to be distinct from other clusters of the countries included in renowned project “GLOBE” due to their stronger desire for high power distance (Kabasakal & Bodur, 2002).

**Male Dominance / Role of Women**

Basic features of an Islamic society include some practices which may give a reflection to some of the theorists of external world that Islam advocates for a masculine society in which the men have a monopoly and rights of the women are transgressed. Contrary to this, Islam is a religion which changed the structure of Arab society altogether and unified the people, reforming and standardizing their gender roles. If we look at the pre Islamic Arab world, women could not inherit land or wealth; holdings were usually considered the property of the tribe she was born or married into. There were also patterns of homicidal abuse of women and girls, including female infanticide whereas with commencement of Islamic civilization all these evils started to vanish. Islam determined the girl’s share in the heritage and declared the birth of a girl as a blessing from God.

Islam is a complete code of conduct. It clearly defines the roles that men and women are supposed to fulfill. Since Islam encourages men to look after the matters related to the outer world and women to look after the household stuff, some theorists believe that Islamic propositions create a masculine society. No doubt, under Islamic philosophy, men are responsible for the well being of the family due to which they may assume the role of heads of the family too, but here we must not forget that it is not only the religion, sometimes cultural values of a particular region are even more stronger than the religion. If we look at the customs and traditions of Islamic societies, a lot of instances can be found which have nothing to do with Islam but are still considered inevitable for different types of family celebrations. The male dominance therefore should not be linked to a particular religion. It is more concerned with the cultural and societal values of a particular region. For example, if we observe the element of male dominance in Pakistan, we shouldn’t relate it to Islam; from a broader perspective, we need to take into account the entire region. The cultural and societal norms of the entire region irrespective of their religions are almost similar. In India, the neighboring Hindu country, the situation is even worse. The men are considered to carry in-born characteristics that grant them the right to be in superior roles. The customs like burning and killing the widows with their diseased husbands, treating the women as sexual objects are some of the examples. Although it cannot be generalized but in most parts of this region irrespective of their religions, a woman typically grows up learning that her survival lies in observing the commands of her father in her childhood, of her husband and in laws after she is married and of her own children once they grow up.

This is further evidenced that not all the Muslim countries have the same level of masculinity in their society. The degree of gender inequality is different in different Islamic countries (Moghadam, 1993). For example, the modern south Asian view of women seems to be one of a person with outside accomplishments but with very strong ties to the family (Gupta et al, 2002). The Islamic magazines in Indonesia portray an ideal woman as a wife and mother who has successfully pursued an academic or professional career after marriage but has also put her children and husbands needs before her own self (Woodcroft, 1983). Similarly, Turkish women who obtained the right to vote even before many western women are in more commanding positions as compared to women of other Islamic countries. The women here enjoy a significant amount of power in family as well as business world. On the other hand in the countries like Afghanistan, the historical role of women seems to continue in modern
times as well. Although, this trend of confining the women to household activities is more visible in rural areas and less in urban population but this cannot be generalized for all Islamic countries as in Grameen Bank of Bangladesh (a splendid example of microfinance business), more than 97% of bank’s borrowers are rural women who are running their houses and small businesses both very successfully.

**Tolerance of ambiguity / Uncertainty Avoidance**

The difficulties and uncertainties are everywhere in the world, but Kabasakal and Bodur (2002) have recorded an exceptionally high level of uncertainty avoidance (4.99) in Islamic countries. The people living in these countries prefer to avoid ambiguities as much as possible. They tend to be more traditionalists, they idealize the past and distrust the future and they prefer the tried and true to the untried (Kaseem, 1989).

**Limited Emphasis on Planning / Future Orientation**

Unfortunately in most of the Islamic countries, people give no or very limited emphasis to planning about the future. Due to the presence of a highly volatile situation in most of the Islamic lands, lack of planning and research activities and a high element of uncertainty/risk avoidance in the society, people whether in the organizations or outside their work premises are usually a bit reluctant to try innovative ideas which affects the future orientation factor adversely.

**Population Growth**

The population growth rate of Islamic countries is much higher than other parts of the world. The main reason behind this is a common belief of all Muslims that Allah has taken the responsibility to take care of His creatures needs. One doesn’t have to worry about the well being of the kids born; one who creates them will arrange for them their bread and butter too. Other reasons may include poor education of women, lack of awareness about family planning and an expectation that more children will be able to support their parents better in old age. Near some conservative Muslims, it is also considered sinful to use family planning or birth control methods.

**Human Development**

Generally speaking, the Islamic societies reflect a medium level of human development. The human development indicators such as the living standard, education, health and life expectancy etc vary from country to country with majority of the Muslim nations living at a medium or lower level of human development index. Although the countries like Kuwait or Qatar are categorized among high development societies but such countries are exceptions and do not represent a vast majority of Muslim statesf.

**The Concept of Fate**

The concept of fate in Islam has been a topic of debate among different social or religious circles. As some authors consider it as a factor influencing the future orientation negatively (Kabasakal & Bodur, 2002), others advocate the idea of free will given to the human beings by Islam. Since the concept of fate in Islam has become very complicated, one needs to understand the real spirit of Islamic teachings in this regard.
No doubt, believing in God and His being omnipotent and omnipresent are among the basic principles of Islam and it is a common belief throughout the Islamic world that not a leaf can move without Allah’s willingness but at the same time Islam has told clearly what Allah wills or expects from the believers.

*There is nothing for a human being except what he struggles for (Holy Quran, 53:39)*

Islamic teachings clearly explain the importance of human being's responsibility and choice of their actions. A human being has been shown both right and wrong paths and it is left to him which one he chooses for himself. Islam doesn’t create any hurdle or hindrance in the way of future orientation. As Iqbal (A renowned Islamic scholar and poet) said:

*Fate of the nations is in the hands of individuals; each individual is a twinkling star of the fate of its nation.*

Although normally Islamic societies portray practices that attribute a low significance to planning and influencing the future which are associated with the low scores in future orientation (Kabasakal & Bodur, 2002) but linking their low future orientation scores with Islamic concept of fate will be a little unjustified.

**Different Classes of the Society**

Inequalities are everywhere in the world. Some people are more powerful than others; some are more intelligent and smarter than others. Similarly due to the unequal distribution of wealth in almost all societies of the world, some people have more wealth in their hands than others. However it is true that this gap between rich and poor is smaller in developed western societies as compared to third world countries or the Islamic societies. Sometimes merely based on ones possession of wealth, some people are given a better status or more respect than others. Although Islam strictly discourages the inequalities in all forms but unfortunately just like other parts of the world, different classes of society (upper, middle and lower class) can be seen in Islamic societies as well. However, these divisions of the society on the basis of one’s status do not necessarily remain the same forever. The lower class parents often have middle class ambitions for their children whereas middle class parents want their kids to be in upper middle class at least if not the upper class. These ambitions don’t necessarily convert into realities but it is not that difficult either to see such things happening in our surroundings.

**Schooling**

Due to the large power distance situation in Islamic countries, there are great inequalities between kids and their parents or the kids and their teachers. A teacher is considered to be a spiritual father in Islamic lands and is treated with a lot of respect. It is very common for students especially those in public sector to stand up in the respect of their teacher whenever he or she enters the classroom. Although, parallel to their unquestionable respect, the teachers in Islamic countries do try to motivate the students to ask more and more questions but sometimes this moral distance between students or their teacher creates hindrances for free expression of one’s opinion especially if a student wants to disagree with the teacher. In public sector schools or universities, most of the times communication is one way and there are hardly any differences of opinion from the students side. Despite being told to ask
questions, students hesitate to do so, mainly due to the element of shame i.e. what other fellows will think of him or her and the strict/teacher centered environment of the classroom. The main drawback of such a system is that a student’s capabilities are highly dependant on their teacher’s capabilities and due to a single incompetent teacher; the talent of hundreds of students remain unrefined. But at the same time in such a strict environment, a competent teacher is also able to leave a squad of highly capable individuals. This element of respect for the teacher is not only limited to one’s school, even outside the educational institution the teacher is equally respectable and honorable. Due to greater inequalities between kids and their parents, a warning to involve a child’s parents, works very well to sort out any misbehaving students.

In the collectivist Islamic societies usually the children are not left alone. They are surrounded by their immediate family members or friends all the times. As a result when these students come to western world for studies, it is a bit hard for them to adjust in an environment where everybody wants to have his or her own private life. It can be something surprising for western people to see the whole family which may include parents, brothers, sisters, uncles, aunts and cousins coming to the airport just to see off a member of their family leaving his country for a few years’ studies but for people of Islamic societies this is something very normal and expected. Many emotional scenes such as crying etc can also be observed on such occasions. Where it reflects the strong family ties and emotional attachment of the people with each other, it also shows the beauty of the altruistic relationships hard to see in relatively a more self centered and materialistic world of today.

**Education and Knowledge Management**

Recently there has been a growing emphasis on the process of knowledge management in an organizational setup (Renzl et al, 2006). Unfortunately, Islamic states have realized its significance much later than other parts of the world. However, this realization is now leading Muslim countries around the world to invest on the education of their future generations at a massive scale. As universities are primary source of knowledge, Islamic states are beginning to invest heavily in the education sector and knowledge management (Beekun/Badawi, 2004). If we take the example of Pakistan (a model country for this work) there has been a significant increase in the budget for the higher education sector during the last few years. The total budget allocated for higher education has jumped from PKR 4.28 billion in the year 2002-03 to PKR 28.78 billion in the current year. These continuous increases are in line with the decision of the present government to transition Pakistan from an agriculture-economy to a knowledge-based economy. As a result of this heavy investment in the education sector, thousands of students have been sent to top universities abroad for higher studies. The infrastructure of existing universities is being improved and an emphasis is being placed on providing education which is relevant to the socio-economic development of the country. Similarly, faculty development has received special attention through R&D funding, post-doctoral fellowships and enhanced opportunities for students to present their research at international seminars and conferences. We can also see some highly prestigious achievements by the Muslim people in the recent past. Where Dr Ferid Murad has been awarded a noble prize for Physiology/Medicine in the year 1998, Muhammad Younas of Grameen Bank has won the Noble Prize for peace in the year 2006.
Customs and Traditions/Marriages and Funerals etc

Since family ties are so strong in Islamic societies, fulfilling one’s obligations towards his or her family is considered very important. These obligations can be traditional, ceremonial as well as financial. Being part of the family celebrations such as weddings, engagements, funerals, birthdays etc are not supposed to be missed. Especially participating in the funerals in case of a member’s death is considered a must. Although, in Islamic countries an individual is expected to be a part of all sorts of celebrations and grievances but not participating at the occasions like funerals is considered to be something simply unforgivable and condemnable unless there is some justified reasons beyond one’s control.

As far as selection of the life partner is concerned, both love marriages and arrange marriages are possible despite of the fact that most of the marriages which take place in Islamic countries are arranged by one’s parents. Personal likes or dislikes are important but consent of the parents is also equally important. The marriage is said to be a contract between two families instead of two individuals and compatibility of families with each other is given a great importance at the time of such decisions. Since it has become very difficult to find matching partners, the business of marriage bureaus is also progressing rapidly in these lands. However in some exceptional cases, mostly in rural/tribal areas, both future bride and groom don’t even get to see each other before they are married. But this doesn’t mean at all that arranged marriages are not successful. Research has shown that divorce rate in these societies where arranged marriages are preferred, is much lesser than western world where people take years to get to know each other before they are married. In a survey about role of love in marriage, students from eleven different countries were asked a question:

*If someone had all the other qualities you desire, but you don’t love him/her, will you still marry him/her.*

The results showed that only 4% students in United States answered in yes compared to over 50% in the Islamic Republic of Pakistan (Hofstede, 2003).

**Clothing**

Different types of dresses are popular and worn in different Islamic countries despite of the fact that dress designs in most (if not all) Islamic countries seem to be under a greater influence of Islamic teachings. Popularity of different types of dresses varies from region to region and is basically dependent on the country where the dress is worn. There is also a difference in the dress sense of the urban and the rural population of the same country. Where the people who belong to rural areas prefer to dress traditionally, the urban population especially professionals seem to be greatly influenced by the western style of dressing.

On the other hand, veil and scarf are the important parts of a Muslim woman’s dress and are considered to be a source of protection and a symbol of distinction for them. However in the western societies sometimes the people take it as a symbol of lack of freedom or a woman’s exploitation.

**Food**

Muslims throughout the world are fond of eating. Restaurants and food markets are examples of the very few types of businesses running very successfully in these countries. However
due to the religious as well as legal restrictions, sometimes such businesses have to suffer. For example, in the month of Ramadan, Islam requires fasting all day. During this month, eating or drinking anything in public is strictly forbidden by the national laws of almost all Islamic countries and even if a country’s national law doesn’t put any such restrictions, the majority of people themselves consider it as highly sinful not to fast.

Similarly, since use of pork meat or alcohol is not allowed in Islam, no business involving purchase or sale of alcohol/alcohol made products or pork can be legally carried out in most parts of the Islamic world.

Language

Since Islam started in Saudi Arabia, the original language of Islam is Arabic. A vast majority of Muslims in all parts of the world is quite familiar with this language mainly because near them, reciting the Holy Quran (which is in Arabic) is considered as one of the important religious obligations.

Muslims and especially Arabs are more conscious of their language than many people in the world. Arabic seems to be a factor that creates a feeling of identity and underlies behavioral similarities among all members of the Arab population regardless of their race religion tribe or region.

Although the Arabic language seems to be a factor that creates a sense of unity and brotherhood among the Muslims, but apart from Arab world, every country has its own language. Sometimes in addition to the national language, we can also see a number of regional languages spoken in different parts of the same country. For example, in Pakistan, the national language is Urdu whereas there are many provincial or regional languages too such as Punjabi, Pashsto, Sindhi, Balochi, Saraiki etc which are very popular in their respective regions.

Hospitality

Hospitality is one of the old traditions of Islamic societies. Guests and visitors are received with open heart and are considered as sources of blessings from God in most of the Islamic countries.

The Concept of Inshallah

The concept of “Inshallah” (God willing) is very popular throughout Islamic world (Deresky, 2004). Where some Christians used to say “Deo Volente” in relation to some future events, the word “Inshallah” is still one of the very few words which are used so frequently both within and outside the firms operating in Islamic lands. In the light of Islamic teachings, the word is rightly used if one has put the best of his efforts, after which he exhibits his trust in Allah by saying “Inshallah” for the outcome of the desired results. Quran gives very clear instructions in this regard by saying that there is nothing for a human being except what he or she struggles for. On the other hand, it is also true that not all the people who use this word truly understand the real spirit behind it. Sometimes, the term is also used to deceive/wrongly satisfy one's own self by providing a ground for one's laziness or inability to do something. This is what affects the future orientation in the Muslim societies adversely.
Elements of Shame Honor and Pride

Honor, pride and dignity are at the core of Islamic societies. The elements of shame pride and honor provide the basis for social control and motivation in Islamic world (Deresky, 2004).

Contrary to the western societies where everyone feels guilty for one's wrong actions in his or her individual capacity, in Islamic societies it is totally opposite. If an individual deviates from the social or ethical norms of the society, it is considered as a matter of shame for all members of the group he or she belongs to.

Although in most of the cases, this element of a collective shame is helpful in stopping an individual to do any such things which he thinks can bring a bad name to his or her group but at the same time, if someone violates any of the social or ethical principles, it can also make it difficult for all the members of his group to speak truth since people in these societies prefer to avoid showing any weaknesses or shortcomings which may cause any bad reputation to the group as a whole.

Indirect and Implicit Ways of Communication

The typical communication style of the people living in Islamic lands is implicit and indirect. Refusing someone straightaway or turning down a request/favor is also considered embarrassing in these societies. People hesitate to be straightforward and try to use other indirect approaches instead such as delaying tactics etc.

Self Advertising

Contrary to the Islamic teachings, the element of self advertising exists in Islamic societies to the extent of pretentiousness. Especially at workplace, many things which are totally unreasonable and unacceptable according to Islamic teachings e.g. leg pulling, self advertising and hypocrisy etc can easily be observed in these societies.

Social Politeness and Hypocrisy

The overall primary concern of most of the Islamic societies is to maintain social politeness. People hesitate to criticize anyone on his or her face. Here they seem to follow the American approach of smiling at others but criticizing them behind their backs (Hitt et al, 1997). Although it is true for most sections of the society but still the statement cannot be generalized as we can find such people in these societies too who consider such practices as totally wrong and inappropriate.

Avoiding Direct Confrontation

Just like other collectivist societies, direct confrontation with someone is not considered desirable in Islamic lands too. Unlike western societies, denying a request straight away is considered immoral and impolite in Islamic countries. Usually the people here follow a more indirect approach to refuse someone e.g. using the delaying tactics, making ambiguous statements just to get rid off someone such as we will think about it, yes you may be right, lets see what we can do about it etc.
Usage of Time

The most of the people in Islamic countries are not good at effective utilization of the time available to them. Due to lack of awareness about time management, it is a general practice both within and outside organizations to prolong the matters, until their deadline is reached. Likewise, there is no specific time for a specific job either; many things can be going on at the same time.

Trust

In Islamic states, the personal relationships and trust play an important role in the process of finalizing business deals. Where traditional literature believes that long term relationships result in trust development, Islam considers that trust development results in building and maintaining long term relationships (Saeed, 2005). Similarly, where in western world, businessmen prefer to deal with firms instead of persons; Islamic businessmen prefer to do their business with the persons not firms. Since business deals in Islamic countries are mostly based on trust, most contracts are oral. Sometimes when the parties don’t trust each other, a third party’s intervention is considered necessary who is trustable for both.

Some Precautionary Measures to be taken in Islamic States

Deresky (2004) has beautifully outlined some dos and don’ts recommended for Saudi Arabia. The same are true for most of the Islamic countries. The list given below includes actions (including those recommended by Deresky, 2004) which can cause an offence to the people in Islamic societies if not taken care of:

- Giving any sort of comments about a man’s wife, daughter or any other female relatives is not liked by Muslims
- Informal comments can be taken as invasion of privacy.
- Engaging into conversation about politics or political parties
- Engaging into conversation about Israel
- Engaging into religious debate or a discussion about different sects of Islam
- Engaging into discussions about the concept of fate
- Using swear words of any sort even in a humorous way.
- Bringing gifts of alcohol or alcoholic products.
- Compelling someone to reply you in a simple yes or no as it is considered impolite to refuse someone directly.
- Shaking hands too firmly
- Pointing fingers at someone
- Showing sole of your feet when seated
- Extending feet in the direction of Qibla (The holy place of Muslims)
- Not saying “Salam” before starting a conversation or not replying back
- Criticizing someone on his face for his wrong actions
- Not offering any refreshments as a host or refusing to have them as guest
- Including some “Haram” items in the menu such as Pork etc.
- Open discussions about sex especially in the presence of female members which may be considered as immoral or unethical.
- Using a direct or explicit style of communication. Indirect or implicit way is preferred.
• Insisting for written agreements, as most of the business deals that take place in Islamic countries are oral and based on mutual trust.

**Conclusion and Future Research Possibilities**

This study has tried to review the literature relevant to the social, cultural norms and values being practiced in Islamic part of our world and in light thereof present some concrete recommendations regarding how organizations can take the best out of people living in these societies. Since this value system leaves an enormous impact on the mental models of the people, understanding the perceptions, interpretations and living patterns of these societies therefore becomes indispensable in order to understand the human behavior in organizations working in these lands.

The study is not only going to help managers of multinational/foreign companies having their operations in the Muslim countries in correct interpretation of the environment in which these firms operate, this would also be helpful for the local firms of Muslim world itself in exploiting their true potential and inducing some synergetic effects in their overall performance by creating a congruence between their people and organization.

However since Islamic world can further be divided into various groups e.g Arab and Non Arab world etc, Future researchers should therefore attempt to study each of these clusters separately in order to provide a greater insight into each of these clusters as this study has taken a gestalt approach addressing the cultural issues of entire Islamic world in general.
References


