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Impact of Stress on Employees Job Performance in Business Sector of Pakistan

By Laiba Dar, Anum Akmal, Muhammad Akram Naseem, Kashif Ud Din Khan

University of Lahore, Pakistan

Abstracts - In recent years the rise in stress has seen across all spheres of life, particularly in the workplace. Stress in organizations is a wide-spread phenomenon with far-reaching practical and economic consequences. Various studies have been conducted to examine the relationship between job stress and job performance. Job performance can be viewed as an activity in which an individual is able to accomplish the task assigned to him/her successfully, subject to the normal constraints of reasonable utilization of the available resources. In carrying out the study, random sampling technique was used to select 143 employees of different multinational companies, universities and banks, who have worked at least 5 years in them. Relevant data were collected using structured questionnaire. The chi-square test and t-test was used to test the hypothesis. The findings showed that job stress brings about subjective effects such as feeling undervalued and workplace victimization/ bullying, unclear role/errands, workhome interface; fear of joblessness, exposure the traumatic incidents at work and economic instability among our target population. Resulting in poor concentration, mental block and poor decision making skills. Based on these findings, it was recommended that organizations should reduce psychological strain, work overload and role ambiguity through adoption of job redesign techniques. Organizational support activities such as counseling and stress reduction workshops should also be increased. The results revealed a negative relationship between Job stress and employees' job performance and shows that job stress significantly reduces the employee's job performance. Furthermore, the study explores the employees job performance with demographic variables, resulting that male employees are highly stressed vis-à-vis their female counterparts.

GJMBR-A Classification : JEL Code: J29



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Impact of Stress on Employees Job Performance in Business Sector of Pakistan

Laiba Dar^α, Anum Akmal^Ω, Muhammad Akram Naseem^β, Kashif Ud Din Khan^ψ

Abstract : In recent years the rise in stress has seen across all spheres of life, particularly in the workplace. Stress in organizations is a wide-spread phenomenon with far-reaching practical and economic consequences. Various studies have been conducted to examine the relationship between job stress and job performance. Job performance can be viewed as an activity in which an individual is able to accomplish the task assigned to him/her successfully, subject to the normal constraints of reasonable utilization of the available resources. In carrying out the study, random sampling technique was used to select 143 employees of different multinational companies, universities and banks, who have worked at least 5 years in them. Relevant data were collected using structured questionnaire. The chi-square test and t-test was used to test the hypothesis. The findings showed that job stress brings about subjective effects such as feeling undervalued and workplace victimization/ bullying, unclear role/errands, work-home interface; fear of joblessness, exposure the traumatic incidents at work and economic instability among our target population. Resulting in poor concentration, mental block and poor decision making skills. Based on these findings, it was recommended that organizations should reduce psychological strain, work overload and role ambiguity through adoption of job redesign techniques. Organizational support activities such as counseling and stress reduction workshops should also be increased. The results revealed a negative relationship between Job stress and employees' job performance and shows that job stress significantly reduces the employee's job performance. Furthermore, the study explores the employees job performance with demographic variables, resulting that male employees are highly stressed vis-à-vis their female counterparts.

1. INTRODUCTION

Job stress is a frequent problem across occupations and it impacts on job performance. It is very much compulsory to take a holistic picture of surroundings of job stress by including the effects of personality, the organizational factors and the work-family interaction in the perception of job stress. Over the decades stress is emerging as a growing dilemma

in organizations. Stress is dynamic state in which a person is confronted with an opportunity, demand related to what the individual wishes and for which the conclusion is perceived to be both unclear and essential. Hans Selye was one of the founding fathers of stress research. Selye, 1936 first introduced the idea of stress in to the life science. He defined stress as the force, pressure, or tension subjected upon an individual who resists these forces and attempt to uphold its true state. His view in 1956 was that "stress is not necessarily something bad – it all depends on how you take it. The stress of exhilarating, creative successful work is beneficial, while that of failure, humiliation or infection is detrimental." Selye believed that the biochemical effects of stress would be experienced irrespective of whether the situation was positive or negative. Since then, a great deal of further research has been conducted, and ideas have moved on. Stress is now viewed as a "bad thing", with a range of harmful biochemical and long-term effects. These effects have rarely been observed in positive situations. The most commonly accepted definition of stress (mainly attributed to Richard S Lazarus) is that stress is a condition or feeling experienced when a person perceives that "demands exceed the personal and social resources the individual is able to mobilize." In short, it's what we feel when we think we've lost control of events. Various studies have been conducted to examine the relationship between job stress and job performance.

Job performance can be viewed as an activity in which an individual is able to accomplish the task assigned to him/her successfully, subject to the normal constraints of reasonable utilization of the available resources. At a conceptual level, four types of relationships were proposed to exist between the measures of job stress and job performance. One is a negative linear relationship, when productivity decreases with stress (distress). Productivity can also increase as a consequence of stress, thereby implying a positive linear relationship between the two. Thirdly, there could be a U-shaped or a curvilinear relationship wherein, mild stress could increase the productivity initially up to a peak and then it declines as the person descends into a state of distress. Alternately, there need not be any quantifiable relationship between the two. On the most

About^α : M.Phil, Lahore Business School University of Lahore, Pakistan. Email : Laiba_dar11@hotmail.com

About^Ω : M.Phil, Lahore Business School University of Lahore, Pakistan. Email : crescent333@yahoo.com

About^β : Lecturer, Lahore Business School University of Lahore, Pakistan. Email : Iqra4ever@gmail.com

About^ψ : Dean, Lahore Business School

general level, one can differentiate between four stress concepts: (a) the stimulus concept ;(b) The response concept; (c) the transactional concept; and (d) the discrepancy concept. The stimulus concept focuses on situational conditions or events. Within this conceptualization certain stimuli are stressful, for Example high time pressure, interpersonal conflict at work, or accidents. However, the stimulus concept is Problematic because not all individuals react in a uniform manner to the same stressor. Nearly every situational Condition or every event may evoke strain in some individuals. Although the stimulus conceptualization leads to Stress in Organizations Conceptual problems, many researchers agree that there are subsets of stimuli which awoke strain in most Individuals. Some employers assume that stressful working conditions are a necessary evil - that companies must turn up the pressure on workers and set aside health concerns to remain productive and profitable in today's economy. But research findings challenge this belief. Studies show that stressful working conditions are actually associated with increased absenteeism, tardiness, and intentions by workers to quit their jobs - all of which have a negative effect on the bottom line. Stress has a positive effect on employees of any Organization but up to a certain extent up to which an employee can handle with it, mostly it exceeds the tolerable Limits and have a pessimistic result on employees. This is the base of the research study which has not yet been conducted in Pakistan. A lot of work has been conducted outside Pakistan. Number of studies has been conducted in different area of world but a massive gap exists in third world countries like Pakistan. The intention of this study is to inspect stress in employees in business sector of Pakistan.

II. LITERATURE REVIEW

There have been so many reports of worldwide workplace stress recently that it would be perfectly reasonable to conclude that everyone everywhere is depressed and dishearten. Every employee feels stress related to work. . Many employers complain about their jobs, their bosses,their subordinates. So is that occasional outburst that releases pressure to that extend that allow one to calm down and get back to work. The stress at workplaces is hovering from many years. But management did not take it up seriously and considered the solution as soft stuff. (Ira S. Wolfe) Stress happens when one realizes the strain on them. Even sometimes the requirements of a situation are wider than their recognition that they can handle, if these requirements are huge and continue for a longer period of time without any break, mental, physical or behavior problems may arise, (Health &Safety Executive UK). Job stress was defined as those work uniqueness which pose as threats to an employee. In other terminology job

stress occurs as a result of a poor person-environment fit. Job uniqueness which causes stress was conceptualized to consist of five magnitudes. One of the magnitudes, physical environment, was not integrated in the present study because it was considered unsuitable in entrepreneurial or managerial work environment (McLean 1974; Osipow and Spokane 1983) For the current study, strain was conceptualized to consist of four psychiatric states of affairs (Ilfeld 1976):

- 1) Depression: Frequently feeling lonely, fed up, dejected, or low in energy; loss of sexual desire; and
- 2) having thoughts of possibly terminating one's life; Anxiety: Frequency of upset or sour stomach, feeling dim or dizzy, hand trembling, avoiding things, and feeling afraid or fearful;
- 3) Cognitive Disturbance: Frequently experiencing difficulty in remembering things or concentrating; mind going blank;
- 4) Anger: Regularly losing temper; feeling simply annoyed, irritated, or critical of others; getting angry over less important things.

Three relationships are known to be significant psychosocial determinants of the mental As well as physical health of working people.

- a) The relationship between the employee and his or her job.
- b) Between the employee and other people at work.
- c) Between the employee and the organization. The most current attention has paying attention on how deficiencies in these areas are harmful; job stress concepts also show how work can be beneficial to health. Satisfying and health promoting work includes interesting and challenging duties, genuine responsibility, opportunity for achievement by the individual, recognition for such achievement, and scope for individual advancement and growth.(Workplace Stress in Victoria, 2006)

Job stress although has belittling impact on any organization and individual"s performance but can shape dire consequences when related to health care. (Mimura e.t al. 2003).Job stress is considered rising and has become challenge for the employer and because high level stress is results in low productivity, increased absenteeism and collection to other employee problems like alcoholism, drug abuse, hypertension and host of cardiovascular problems (Meneze 2005).Personality factors have shown inclination towards stress, anxiety, and other occupational health outcomes in different areas of medicine, and these factors may contribute to feelings of job dissatisfaction and stress (Michie and Williams 2003).

III. OBJECTIVE

There are many factors which effect employee's job performance in which stress is above all. It is an emerging concept in developing countries like Pakistan in modern era. The main objective of this research paper is to identify the role of different factors of job stress and to investigate level of stress; and to demonstrate an increased understanding of the effects of stress in the workplace; different factors of job stress are; feeling undervalued and workplace victimization/ bullying, unclear role/errands, work-home interface; fear of joblessness, exposure the traumatic incidents at work and economic instability.

IV. THEORETICAL FRAMEWORK & METHODOLOGY

The present study was conducted among employees of well reputed growing companies and universities in Pakistan who has five categories under which employee's fall those are General Manager / Sr. Manager, Professor / Lecturer, Asst. GM / Manager / Professor, Team Leader / Supervisor and worker. The data was collected by means of a structured questionnaire with the help of supervisors and managers, copies of the questionnaire were given to respondents by hand. Due to shortage of time and limitation of budget convenient sampling techniques is used to investigate the relationship of stress and employees job performance. Our sample size is 143. The majority of respondents were male (76.2%) and single (72%). The average respondent was below 30 years of age, having graduate and postgraduate qualifications. Most of our responded belong to middle class. The scale is rated on five likert scale form 1=strongly agree to 5= strongly disagree.

V. CONCLUSION

The association of demographic variables and explored factors of stress is determined by chi-square analysis and it's found that all the factors are associated with age, gender, qualification, designation and salary. All the above factors are associated with demographic variables. T-test is conducted to find out the difference between the stress scores of male and female faculty members from table (a) we can observe that male posses more stress bearing capacity than females. The burden of stress is also vary on the nature and position of the job, as our result show that stress is also increases with the designation as shown in table (b).

VI. SUGGESTIONS \ RECOMMENDATIONS

The purpose of this study was to find out the relationship between the job stress and job performance of employees in Pakistan and to find out the factors affecting the stress. As per hypothesis job stress had a negative relation with job performance that when stress occurs it effects the performance of employees negatively, that lower the stress it increases the performance so both these are inversely proportional each other The stress in work environment reduces the intention of employees to perform better in jobs with the increasing level of stress the employees thinking demoralize and his tendency to work well also decreases. No doubt stress is necessary for increasing performance of employees but up to a certain level. Finally, organizations can change or remove the stress by redesigning jobs to reduce feeling undervalued and workplace victimization/ bullying, unclear role/errands, work-home interface; fear of joblessness, exposure the traumatic incidents at work and economic instability. They can also change organizational policies to give individuals more control over their work activities, develop support System, Shared Goal and Direction, Problem Solving Innovation Tolerated, Decision Making Distributed ,Team Work ,Respect and Personal Needs Heard .

Table (a) Ho: there is no significant difference between stress bearing capacity of male and female

Stat \ Category	Male	Female
Mean	5.07	4.62
Variance	2.45	2.52
Observations	109	34
Pooled Variance	2.50	
Hypothesized Mean Difference	0.00	
Df	141	
t Stat	2.36	
t Critical two-tail	1.96	

Table (b)

ANOVA					
s.o.v	d.f	SS	M.S	F-ratio	F-cri
Designation	4	64.54	16.14	4.01	2.45
Within	138	555.13	4.02		
Total	142	619. 67			

Designation		Mean difference	t-stat	Remarks
Lecturer	Assistant Professor	.7	3.13	Significant
	Associate Professor	1.2	2.55	Significant
	Professor	1.4	4.27	Significant
Assistant Professor	Associate Professor	0.5	1.17	In Significant
	Professor	0.6	2.30	Significant
Associate Professor	Professor	0.2	0.50	In Significant

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Relative Risk Of Islamic Sukuk Over Government And Conventional Bonds

By Ravindran Ramasamy, Shanmugam Munisamy, Mohd Hanif Mohd Helmi

Tun Abdul Razak University

Abstracts - Islamic bonds (sukuk) and conventional bond markets operate simultaneously in Malaysia complementing each other; the former operates on profit rates and the later on interest rates. In this paper we have analysed selected sukuks traded in Malaysia in terms of duration and convexity which are vital in deciding the market risk of fixed income bearing security. We compare these durations and convexities with that of government bonds and conventional bonds to assess the relative sensitivity of sukuk. Since the government bonds are highly liquid, without credit risk they stand better than sukuk. When compared with conventional bonds the sukuk stands better in these sensitivity measures. Interestingly the sukuk's duration and convexities fall exactly in the middle between government and conventional bonds. The sukuk investor will get a better yield rate when compared to government bonds and lower rate when compared to conventional bonds. This information conveys that the Islamic sukuk is lesser risky than conventional bonds. Our findings are significant for the investors who are not investing in pure sukuk alone. The blend of government, Islamic and conventional bonds in a portfolio will bring down market risk and in addition will provide stable income above the government bonds.

Keywords : *Riba, Islamic Sukuk, Bai Bithaman Ajil, Murabahah, Mudharabah, Duration, Convexity, Coupon Rate, Yield Rate*

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Ravindran Ramasamy^α, Shanmugam Munisamy^Ω, Mohd Hanif Mohd Helmi^β

Abstract : Islamic bonds (sukuk) and conventional bond markets operate simultaneously in Malaysia complementing each other; the former operates on profit rates and the later on interest rates. In this paper we have analysed selected sukuk traded in Malaysia in terms of duration and convexity which are vital in deciding the market risk of fixed income bearing security. We compare these durations and convexities with that of government bonds and conventional bonds to assess the relative sensitivity of sukuk. Since the government bonds are highly liquid, without credit risk they stand better than sukuk. When compared with conventional bonds the sukuk stands better in these sensitivity measures. Interestingly the sukuk's duration and convexities fall exactly in the middle between government and conventional bonds. The sukuk investor will get a better yield rate when compared to government bonds and lower rate when compared to conventional bonds. This information conveys that the Islamic sukuk is lesser risky than conventional bonds. Our findings are significant for the investors who are not investing in pure sukuk alone. The blend of government, Islamic and conventional bonds in a portfolio will bring down market risk and in addition will provide stable income above the government bonds.

Keywords : Riba, Islamic Sukuk, Bai Bithaman Ajil, Murabahah, Mudharabah, Duration, Convexity, Coupon Rate, Yield Rate

1. INTRODUCTION

In recent times the Islamic bond (sukuk) market has registered a phenomenal growth all over the globe including non Muslim countries (Gavin James, 2010). Islamic sukuk market is very active in Malaysia (table 1) and approximately contributes 53.6% of the funds collected through sukuk issues in recent months. This could not be possible only due to the religious sentiments but there should be some sound economic merits for these Islamic sukuk when compared with conventional and government bonds. Bonds offer investors steady income, though low, often it is not in negative (loss) and less risky when compared to shares. In many jurisdictions the governments compel the institutional investors and financial institutions to invest

a major portion of funds in bond market, as they are less risky, provide fixed rate of income. Therefore it becomes obligatory on the part of the financial institutions to choose best bonds issued and traded in the secondary bond market to construct bond portfolios.

Malaysia practices Shariah rules not only in day today life but also follow in economic life. The outcome is Islamic financial products like sukuk. Innovative Islamic financial products are designed and issued, acceptable to Shariah council. These sukuk differ from government bonds (GBs) and conventional bonds (CBs) in terms of rates and in adding the delayed payments (Bacha 1995). In conventional finance interest rates are charged and if the borrower fails to repay in time the interest accrued is added to the principal and thus interest earns interest based on the length of the time the funds are utilized by the borrower (Saeed 1995). In contrast the Islamic finance charges a markup (profit) over the principal and when default or delay occurs in repayment a penalty is charged (Al-Omar and Abdel-Haq 1996). In addition the delayed amount is not added to the principal and no extra amount is charged (Rose, 2010). The lender faces more risk in Islamic finance. As the risk and return are positively related the expected return (profit rate) should be higher for Islamic finance. The sukuk are issued by various Malaysian agencies under different Islamic principles. Bank Negara issues sukuk under Ijarah principles. This Ijarah sukuk brings three rights to the sukuk holder. The sukuk holder has the right not only to the cash flow of the asset and the right to possess the asset but also the right to get the proceeds from the sale of asset. It is like hire purchase in conventional finance.

Bai Bithaman Ajil, Murabahah and Istisna sukuk are issued as evidence of indebtedness arise from the sale of an asset. Normally these securities get the cash flows only and they do not have the right to possess and they cannot get the proceeding from the final sale of asset (Khoja, 1995). The rights to cash flow may be in the form of pre agreed profit sharing ratio or may be on deep discount basis. It is like any common conventional bond or zero coupon bond. Finance may be raised on partnership basis for some projects on a pre agreed profit sharing ratio. But the losses are differently treated. The losses are

About^α : Graduate School of Business University Tun Abdul Razak. E-mail : ravindran@unirazak.edu.my

About^Ω : Bank Rakyat School of Business University Tun Abdul Razak. E-mail : shanmugam@unirazak.edu.my

About^β : Faculty of Business Administration University Tun Abdul Razak E-mail : hanifhelmi@pintar.unirazak.edu.my

distributed in the capital ratio contributed by the partners. The partners are the owners of the undivided share of the project. The above mechanism is falling under the Musyarakak principle and any sukuk issued under this principle gives ownership of an undivided

project in proportion of capital contributed by them. Mudharabah is another type of sukuk which gives equal rights to the partners and the profits are shared in a pre agreed ratio. This type of sukuk is issued on the principles of conventional equity shares.

Table 1: Top 20 Corporate Issuers as on June 2010 (RM billion)

Issuer	CBs	Sukuks	Con. MTN	Islamic MTN	Total
Cagamas	—	—	9.30	8.85	18.15
Khazanah	—	13.20	—	—	13.20
Binariang GSM	—	3.17	—	8.28	11.45
Project Lebuhraya	—	6.57	—	3.68	10.25
Prasarana	5.11	2.00	—	2.00	9.11
Maybank	6.10	2.50	—	—	8.60
Rantau Abang Capital Bhd	—	—	—	8.00	8.00
Malakoff Corp	—	1.70	—	5.60	7.30
KL International Airport	1.60	4.76	—	—	6.36
AM Bank	1.60	—	4.33	—	5.93
Value Cap	5.10	—	—	—	5.10
1 Malaysia Development Bhd.	—	—	—	5.00	5.00
Jimah Energy Ventures	—	—	—	4.77	4.77
Tanjung Bin	—	—	—	4.59	4.59
Bank Pembangunan Malaysia	1.00	—	2.60	0.90	4.50
Putrajaya Holdings	—	1.70	—	3.65	5.35
YTL Power International	2.20	—	1.70	—	3.90
Tenaga Nasional	1.50	2.15	—	—	3.65
Danga Capital	—	—	—	3.60	3.60
RHB Bank	0.60	—	3.00	—	3.60
Total	24.81	37.75	20.93	58.91	142.40
Total Outstanding	63.48	70.47	45.48	89.40	294.65
Top 20 as % of Outstanding	39.10%	53.60%	46.00%	65.90%	48.30%

Source: Bank Negara Malaysia Fully Automated System for Issuing/Tendering (FAST).

In Malaysia conventional bonds have a market share of 39% while Islamic sukuks have 54%. In the medium term notes also the sukuks enjoy a higher market share of 66% while the conventional medium term notes have only 46%.

Table 2: Shariah compliant securities as on November 2010

	Shariah-compliant securities	Total securities	Shariah-compliant securities (%)
Consumer Products	131	141	93
Industrial Products	273	283	96
Mining	1	1	100
Construction	48	50	96
Trading/Services	170	198	86
Properties	71	88	81
Plantation	38	43	88
Technology	104	106	98
Infrastructure (IPC)	7	7	100

Finance	3	38	8
Hotels	Nil	5	Nil
Closed-end Fund	Nil	1	Nil
Total	846	961	88

Source: http://www.sc.com.my/eng/html/icm/sas/sc_syariahcompliant_101126.pdf

Almost 88% of the securities issued so far are Islamic and the remaining 12% is conventional. Though sukuks are unique in character and pricing mechanism they cannot deviate much from CBs because arbitrage opportunities will emerge. Overpricing will prevent investors in parking funds in sukuks while under pricing will attract all. Efficient fair pricing is needed to avoid arbitrage between Islamic and CBs (Al-Zoubi, Haitham Maghyreh and Aktham 2007). Pricing mechanism is intimately connected with the yield rate (YR), duration and convexity (Fournier and Elizabeth, 2010). These three measures are basic fundamental tools in any fixed income-bearing instrument assessment and evaluation whether it is sukuks or CBs. The popularity for sukuks would not only come from religious sentiments but also due to the economic benefits embedded in them. This paper examines what are those economic benefits accrue to the sukuks. The remaining part of this paper is organized into six sections. Section two explains the bond terminologies. Section three explains the methodology for computing duration and convexity while section four explains the data and its sources. In section five the duration and convexity of Islamic bonds, CBs and GBs are computed and compared through 't' tests to bring out the differences exist among the important parameters. Section six concludes the paper.

II. BOND CONCEPTS

a) *Islamic Finance and Interest*

Riba or Usury (interest) or the time value of money destroys the soul of the human race because the provider (lender) of funds is safe (only takes rewards never bears risk) and all risks of investing the money is solely borne by the person (borrower) who takes the pain from inception of a project or venture. The borrower faces all risks of investments while the funds provider faces none. It is unfair as the risk and uncertainties are placed on one person. Islamic finance principles advocate the provider of the funds should also face uncertainties and risks which will provide a level playing field (Kahf and Khan, 1992).

b) *Coupon rate and yield rate*

Normally bond issuers pay interest to investors in regular intervals normally once in six months. This interest is computed by applying CR on the face value of the bond regularly. Except this function the CR has no role to play in bond management. This interest is based on time. Sukuks on the other hand avoid this type of

computation. There are two main differences between conventional and Islamic way of calculating cash flows. Firstly the profit rate charged by the Islamic finance is not based on length of time period and secondly when delay or default occurs due to some unforeseen reasons the amount due will not be added to the principal as in conventional finance to compute compound interest.

The deep discount technique requires no payment of interest during the life of the bond to investors. The face value of the bond will be paid at maturity in full. This will increase the default risk several fold to the investor. To overcome this credit risk, both in Islamic and conventional bond investors, through indenture provisions force the issuer to set aside periodically an annuity in sinking fund (Aggarwal and Yousef, 2000). If the borrower fails to transfer the required funds to sinking fund delay or default occurs in zero coupon bonds. Though direct cash flow does not occur between borrower and lender, indirectly funds move from issuer to sinking fund.

Coupon rate (CR) is useful only for cash flow (interest) computation. The true rate of return is measured in terms of yield rate (YR) both in Islamic and in conventional investments. This YR plays a major role in all spheres of bond management. Term structure calculations, value at risk computations, hedging or swap decisions are all based on YR. Islamic finance is no exception. YR has a number of underlying assumptions, yet it is applied in all aspects of bond management.

Bond value is highly sensitive to YR changes and the YR is dependent on the economic policies of the government. YR, Duration and Convexity are the three important parameters used while analyzing bonds to compute value at risk (VaR). The zero coupon bond is also subjected to the above rigorous assessment. The individual bonds' duration and convexity are applied in assessing the individual bond's market risk and bond portfolio's market risk.

c) *Yield to Maturity*

YR is the discount rate that equates the total present value of a given bond's future cash flows to the spot market price. In other words it is the internal rate of return or Yield to Maturity. This YR is inversely related to the value of the bond. If YR increases the bond's value declines. This fall in value is the VaR which is needed for hedging decisions.

d) *Duration*

Duration of a bond approximates the value fall or value gain when the YR changes in either direction. In other words the duration is a sensitivity measure, which quantifies the bond's value movement for a given change in the YR. It is the first derivative of the price yield curve. The slope of the price yield line is the duration and colloquially it is the weighted average time an investor has to wait to get back his or her money. A higher duration indicates higher sensitivity of the bond's value to a given YR change and vice versa.

e) *Convexity*

Convexity is the sensitivity of the delta or it is the second derivative of the price yield curve. The duration approximately estimates the sensitivity of the value when YR changes. This duration is not an accurate measure because the price yield curve is not a straight line as portrayed by the duration. The slope of the price yield curve is a parabola and it is convex in shape. The duration estimate of bond's value fall is approximate and results in an error. This error component in the value change for a given yield change is measured by the convexity. In other words the error present in the value fall is corrected by convexity.

f) *Convexity is desirable*

The convexity estimates the change in duration for a given change in YR. Equal YR drop or increase does not produce equal amount of convexity as expected. The convexity produced by the drop of YR is more than the convexity produced by same YR increase. It is a measure of excess capital gain received by the investors. The value loss in a bond for a given change in YR upwards is less than the value gain for the same YR decrease. In other words there is more value gain than value loss for a given equal YR drop and increase. More convexity means more capital gain to the investor hence it is desirable.

In nutshell duration measures the sensitivity of the bonds' value for YR changes and the convexity measures the sensitivity of delta. Delta is the first derivative of price-yield curve and the gamma is the second derivative of the same. With the above background we try to analyze the Islamic bonds delta and gamma and compare with the conventional counterpart to assess the relative sensitivity of Islamic sukuk.

III. METHODOLOGY

The investors and portfolio managers are concerned very much about their bond portfolio value. Duration quantifies this value loss and convexity corrects error present in the quantified loss. Our interest is to compute and compare the duration and convexity of Islamic sukuku against GBs and CBs.

Bonds values are directly related to cash flows and these cash flows will be discounted at YRs to find fair value, duration and convexity of bonds. The periodical interest received is the cash flow. Interest for every year is computed by multiplying face value of the bond by the coupon rate (CR). At maturity the bondholder will get back his money invested earlier along with the final interest. The principal amount returned is known as redemption value.

In terms of algebra, the interest or cash flow will be

$$C = FV * CR \quad (1)$$

CF = Cash flow (interest)

FV = Face Value

CR = Coupon rate

For sukuku also this calculations match. Instead CR profit rate will be applied in sukuku. In the case of deep discount Bai Bithaman Ajil bonds the amount transferred to sinking fund will appear as cash flow after removing the principal portion.

Interests or profits accrue all years till maturity and in final year the redemption value is also received. Therefore the cash flows are

$$C_1, C_2, \dots, C_n + RV; \quad \text{where } k = 1, \dots, n \quad (2)$$

RV = Redemption Value

k = Life of the bond

The above cash flows are to be discounted at YR and added to get the fair value of a bond.

$$\eta = \frac{C_1}{(1+y)} + \frac{C_2}{(1+y)^2} + \dots + \frac{C_n + RV}{(1+y)^n} \quad (3)$$

$$\eta = \sum_{k=1}^n \frac{CRK}{(1+y)^k} + \frac{RV}{(1+y)^n} \quad (4)$$

η = Total discounted cash flow or fair value of the bond

The total present value of the cash flows is the fair value, which could be paid for the bond while buying in the secondary market.

The present values (discounted cash flows) of cash flows are to be multiplied by the time (years) and summed up while computing duration.

$$\xi = \frac{C_1 * t_1}{(1+y)} + \frac{C_2 * t_2}{(1+y)^2} + \dots + \frac{(C_n + RV) * t_n}{(1+y)^n} \quad (5)$$

$t = 1, \dots, n$

ξ = Total of discounted value and time

$$\xi = \sum_{k=1}^n \frac{c_k * t_k}{(1+y)^k} + \frac{RV * t_n}{(1+y)^n} \quad (6)$$

Now duration can be computed with the above two totals of cash flows.

$$D = \frac{\xi}{\eta} \quad (7)$$

D = Duration (weighted average life of the bond)

Duration gives the slope of the price yield curve but not the expected drop in value of bonds. To calculate the loss or gain one has to find another parameter, which is modified duration calculated as follows.

$$MD = \frac{D}{(1+y)} \quad (8)$$

MD = Modified duration

Change in bond's value is proportional to modified duration. This parameter is the direct measure, which quantifies the value fall or value increase when YR changes. The value loss or value gain could be easily calculated with the help of modified duration as stated below. As per conservative accounting principle the future losses are to be accounted while prospective profits are ignored. Hence modified duration is always quoted in minus.

$$\frac{dp}{p} = -MD * dy \quad (9)$$

dP = Change in value of the bond

MD = Modified duration

dY = Change in YR

For small YR changes this modified duration fairly estimates the value loss or value gain. The value difference resulting in a change of YR of 20 points may be accurately captured by duration. But in case of a larger YR change, say 100 points or more the duration does not estimate the value change accurately. This is due to the convexity of the yield curve.

This convexity is to be quantified and to be adjusted to the value to get value loss or gain more precisely. The same duration calculation method is to be extended by two more steps to get the convexity. The present values of cash flows obtained in equation three is to be multiplied by $t^2 + t$ as follows.

$$\lambda = \frac{C_1 * (t_1^2 + t_1)}{(1+y)} + \frac{C_2 * (t_2^2 + t_2)}{(1+y)^2} + \dots + \frac{(C_n + RV) * (t_n^2 + t_n)}{(1+y)^n} \quad (10)$$

λ = Total discounted cash flows multiplied by time squared plus time

$$\lambda = \sum_{k=1}^n \frac{C_k * (t_k^2 + t_k)}{(1+y)^k} + \frac{RV * (t_n^2 + t_n)}{(1+y)^n} \quad (11)$$

With the above total of time adjusted cash flows convexity can be computed as follows.

$$CX = \frac{\lambda}{p * (1+y)^2} \quad (12)$$

CX = Convexity

This convexity is desirable in bonds. More convexity will bring more value gain than value loss for a given equal YR drop or increase. It is a partial insurance against the bond value because it minimizes the future loss. Investors will choose the financial assets in terms of risk reward ratio. For every unit of risk an investor will desire to have a higher return, ceteris paribus. To compare the sukuk with various kinds of bonds the risk reward ratio was computed using the following notation.

$$RR = \frac{YR}{\sigma} \quad (13)$$

RR = Risk Reward (Sharpe) Ratio

YR = Yield Rate

σ = Standard Deviation

An argument may arise how the models applicable to conventional bonds could be applied to Islamic Sukuk. Whether it is sukuk or conventional bonds both have yield rates. Only in coupon rates the difference exists. The coupon rate is based on time for conventional for but for sukuk it is profit based. As the yield rate measures the rate of return it is the common parameter for evaluating both sukuk and conventional bonds.

IV. DATA

Our interest is to compute and compare duration and convexity of Islamic sukuk with the GBs and CBs for which we have collected data from several websites.

Bank Negara Malaysia's FAST TRANS menu, BOND INFOHUB and Bond pricing agency of Malaysia

were used to download price, coupon and YRs. We selected only the bonds, which have complete data. The zero coupon bonds and commercial papers have been excluded from analysis due to non availability of issue prices and the market prices. Our final sample consisted of 93 bonds data comprising 31 sukuks, 35 CBs and 27 GBs. With this data we applied the earlier methodology and computed duration and convexity of all 93 bonds using MATLAB software. The results were transferred to SPSS software to test the differences that may exist among the means of four important parameters in three groups of bonds.

RESULTS AND DISCUSSION

YRs reveal the true profitability of a financial asset like bonds whether it is government, Islamic or conventional. The duration provides information on the sensitivity of the financial assets as financial assets lose value when the YR goes up. If sensitivity (duration) is known the expected loss could be assessed and hedged

easily. Since the duration is not accurate the second sensitivity convexity is computed and the expected loss is corrected. This will reduce the hedging costs.

First the sukuks are compared with GBs. Comparing GBs with sukuks may draw criticism as there are differences in terms of credit risk and liquidity risk etc. But Shariah scholars argue that the sukuks follow Shariah principles hence only bonds adhere to Islamic principles are selected consequently the risks will be lower. As such the companies which rise Islamic finance morally bound to repay the money with the agreed mark up and therefore they are comparable. The descriptive statistics of the sukuks and GBs are given in the table below. The sukuks average CR, YR, duration and convexity is more than the GBs. This is due to the riskless nature of GBs. For GBs there is no default risk, there is no liquidity risk and the interest income is tax-free. But for sukuks these risks exist and hence the rates are slightly higher.

Table 3 : Descriptive statistics of Sukuks and Government Bonds

		N	Mean	Std. Deviation	Std. Error Mean	Sharpe Ratio
Coupon or Profit %	Sukuks	31	4.79	0.92	0.165	5.21
	GBs	27	3.96	1.29	0.248	3.07
Yield %	Sukuks	31	4.24	0.85	0.152	4.99
	GBs	27	3.88	0.50	0.097	7.76
Duration	Sukuks	31	2.84	1.85	0.332	1.54
	GBs	27	1.74	2.25	0.433	0.77
Convexity	Sukuks	31	14.10	14.67	2.635	0.96
	GBs	27	9.28	21.68	4.173	0.43

GBs coupons rates are more inconsistent and the standard deviation reveals the volatility of these bonds selected. The profit rates for sukuks are less volatile (0.92) as than GBs (1.29). The YRs are more volatile for the sukuks (0.85) than GBs (0.50). It implies that the sukuk prices are volatile in the market and consequently the YRs are more volatile as market prices and YRs are related. The sukuk's duration is less volatile than GBs. In

convexity also the sukuks are less volatile. When return and risks are brought under a single parameter the risk reward ratio emerges. In profit rate the sukuk shows a higher ratio but in yield rate the GBs shoes 2.5% more than the sukuk. Duration and convexities are also higher for sukuks. This is due to the absence of risk in GBs while the investors perceive the sukuks as risky.

Table 4 : Sukuks and Government Bonds mean differences and t values

	Mean Difference	t	Sig. (2-tailed)	Std. Error Difference
Coupon or Profit %	0.828	2.842	0.006***	0.291
Yield %	0.360	1.930	0.059*	0.187
Duration	1.108	2.057	0.044**	0.538
Convexity	4.817	1.002	0.321	4.808

*** Significant at 1% level

** Significant at 5% level

* Significant at 10% level

The 't' values are given above for four parameters. The 't' values for CR and duration are more than 2 and they are significant at 1% and 5% levels respectively. It shows that both profit rate and duration for Islamic and GBs substantially differ. Sukuks enjoy an advantage in them. The YR mean difference is 0.36% greater for sukuk

when compared with GBs. The YR 't' value is 1.93 at it is significant at 10% level of significance. It implies that there are differences in YRs of Islamic and GBs. The convexity is insignificant.

After comparing with GBs the sukuk are compared with CBs. The results are presented below.

Table 5: Descriptive statistics of Sukuks and Conventional Bonds

		N	Mean	Std. Deviation	Std. Error Mean	Sharpe Ratio
Coupon or Profit %	Sukuks	31	4.79	0.92	0.165	5.21
	CBs	35	6.79	1.82	0.308	3.73
Yield %	Sukuks	31	4.24	0.85	0.152	4.99
	CBs	35	5.53	1.19	0.202	4.65
Duration	Sukuks	31	2.84	1.85	0.332	1.54
	CBs	35	2.90	1.89	0.319	1.53
Convexity	Sukuks	31	14.10	14.67	2.635	0.96
	CBs	35	14.98	17.74	2.999	0.84

Profit rate, duration and convexity for sukuk are lower when compared with its conventional counterpart. The Sharpe ration in terms of profit rates is higher for sukuk. Even the mean YR is higher for sukuk by 0.0034%. The CR, YR differs by 2% and 1.3% approximately. The duration and convexity also differ by 0.06 and 0.88. The standard deviation (volatility) is consistently less for

sukuk than CBs. The profit rate (CR), YR and duration volatilities differ in a few points between sukuk and CBs. But the convexity volatility differs substantially between sukuk (14.67) and CBs (17.74). The Sharpe ratios of durations are same which implies both the bonds have the same sensitivity. In convexity the sukuk show favourable result, a higher convexity is desirable.

Table 6: Sukuks and Conventional Bonds mean differences and t values

	Mean Difference	t	Sig. (2-tailed)	Std. Error Difference
Coupon or Profit %	-1.999	-5.517	0.000***	0.362
Yield %	-1.289	-4.993	0.000***	0.258
Duration	-0.058	-0.127	0.900	0.461
Convexity	-0.877	-0.217	0.829	4.038

*** Significant at 1% level

Both average CR and average YR are significantly different which implies that there is substantial difference exist between sukuk and CBs. YRs are significantly less for sukuk. But there is no significant difference in duration and convexity. The duration is less by 0.058 and the convexity is less by 0.877 for sukuk but both are close to the CB's averages. These results imply that the sukuk are less risky in terms of duration but comparable in convexity.

VI. CONCLUSION

The governments bonds are always considered to be safe, liquid and in terms of return they provide a lower yield. The sukuk are growing fast along with the government and conventional bonds. The sukuk invest money as per Shariah principles in halal businesses as such they are safer when compared to the conventional bonds. When empirically analysed for sukuk's riskiness the results reveal that they are moderately risky than

government bonds and less risky than conventional bonds. As risk and return are positively correlated the sukuk provide a lower return. These results support the popularity of the sukuk though yield is less due to their less risky nature. All these results imply that the sukuk are more apt investment for risk averters, whether they follow Islam or any other religion. Investors who choose bond market for investment will be normally risk averse else they will go to stock market which is more risky and with better YRs.

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International Accounting Standardization Effects On Business Management: Evidence From Hungary

By Dr. Beke Jenő

University of Pecs, Europe

Abstracts - This paper traces the benefits of international accounting standards and their contribution to harmonization in business practice. In this review, the goal is to describe and summarize how the accounting standards promote management decisions and influence the business environment in a global scale. It is expected that the unified, standardized accounting information system will lead to new types of analysis and data, furthermore with the possible integration of new indicators from the business management practice of certain countries. In the scientific research methodology the author assigned that the Balance Sheet indexes deteriorated especially regarding solvency and prosperity after adaptation of IFRS. Earnings management reduced after the post-adoption period.

Keywords : *Accounting standardization, Economic effects, Earnings management, Business environment, Value-based management, Hungary.*

GJMBR-B Classification : *JEL Code: M41, M42*



Strictly as per the compliance and regulations of:



International Accounting Standardization Effects On Business Management: Evidence From Hungary

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Abstract : This paper traces the benefits of international accounting standards and their contribution to harmonization in business practice. In this review, the goal is to describe and summarize how the accounting standards promote management decisions and influence the business environment in a global scale. It is expected that the unified, standardized accounting information system will lead to new types of analysis and data, furthermore with the possible integration of new indicators from the business management practice of certain countries. In the scientific research methodology the author assigned that the Balance Sheet indexes deteriorated especially regarding solvency and prosperity after adaptation of IFRS. Earnings management reduced after the post-adoption period.

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I. INTRODUCTION

This study examines the impact of the adoption of international accounting standards on the management performance of businesses listed on the Budapest Stock Exchange in Hungary. The research work also seeks to identify the financial attributes of enterprises that national rules employed by the requirements of the Hungarian Financial Ministry.

The purpose of this study was the measuring the differences between the national rules and the international methods, the valuing and analyzing their effects on the business decisions. This survey contains information on how local, national accounting rules differ from IFRS on incorporating recognition, measurement, and disclosure rules. International Financial Reporting Standards (IFRS) are accounting principles, methods ('standards') issued by the International Accounting Standards Board (IASB), an independent organisation based in London. They purport to be a set of standards that ideally would apply equally to financial reporting by public companies worldwide. Between 1973 and 2000, international standards were issued by IASB's predecessor organisation, the International Accounting Committee (IASC), a body established in 1973 by the

professional accountancy bodies in Australia, Canada, France, Germany, Japan, Mexico, Netherlands, United Kingdom and Ireland, and the United States. During that period, the IASC's principles were described as 'International Accounting Standards' (IAS). Since April 2001, this rule-making function has been taken over by a newly-reconstituted IASB. From this time on the IASB describes its rules under the new label 'IFRS', though it continues to recognise (accept as legitimate) the prior rules (IAS) issued by the old standard-setter (IASC). The IASB is better-funded, better-staffed and more independent than its predecessor, the IASC. Nevertheless, there has been substantial continuity across time in its viewpoint and in its accounting standards.

II. PREVIOUS RELATED LITERATURE REVIEW

International accounting literature provides evidence that accounting quality has economic consequences, such as costs of capital (Leuz and Verrecchia, 2000), efficiency of capital allocation (Bushman and Piotroski, 2006) and international capital mobility (Guenther and Young, 2008). The accounting system is a complementary component of the country's overall institutional system (Ormrod et al., 2006) and is also determined by businesses' incentives for financial reporting. Li and Meeks (2006) provide the first investigation of the legal system's effect on a country's financial system.

The financial reporting quality includes the tax system (Shleifer and Vishny, 2003), ownership structure (Easton, 2006; Ball and Lakshmann, 2005), the political system (Radebaugh and Gray, 2007), capital structure (Daske et al., 2006) and capital market development (Botsari and Meeks, 2008). Therefore, controlling for these institutional and firm-level factors becomes an important task in the empirical research design too.

One study (Meeks and Swamm, 2009) characterises of accounting amounts for businesses that adopted international standards to a matched sample of companies that did not, and found that the former evidenced less earnings management, more timely loss recognition, and more value relevance of

About : Dr. Beke Jenő, Ph.D. Associate Professor Institute of Business and Management, Faculty of Business and Economics, University of Pecs. Postal address: No.58., Magaslati Street, H-7625 Pecs, Hungary. E-mail address: bekej@ktk.pte.hu

accounting amount than did the latter. They found, that international standards adopters had a higher frequency of large negative net income and generally exhibited higher accounting quality in the post-adoption period than they did in the pre-adoption period. The results suggested an improvement in accounting quality associated with using international standards.

Another study (Jermakowicz et al., 2007) found that first time mandatory adopters experience statistically significant increases in market liquidity and value after international standards reporting becomes mandatory. The effects were found to range in magnitude from 3 % to 6 % for market liquidity and from 2 % to 4 % for businesses by market capitalization to the value of its assets by their replacement value.

III. METHODOLOGY

My research is based on a qualitative comparative approach. In order to identify the results of my scientific research about the evaluation of the accounting standards in Hungary I have elaborated the following hypotheses:

H₁: The Balance Sheet indexes deteriorated especially regarding solvency and prosperity after adaptation of IFRS in the examined companies' case.

H₂: IFRS adoption reduced earnings management.

To analyze business adoption decision my sample consists of Budapest Exchange Trade (BET) companies who compulsory adopted international financial reporting standards in Hungary, from 2007. In this research the pre-adoption examination period is in year of 2006 and the post-adoption is in year of 2007. My final sample comprises 65 IFRS adopting and 260 local (Hungarian) accounting rules user firms. For the chosen of the national accounting rules user enterprises I introduced mathematic-statistic methods. An alternative approach it to create a matched sample of local rules businesses based on criteria such as year and industry. It is chosen to incorporate all local rules firms due to methodological concerns about the matched-pairs research design. Financial data are from published accounting statements in BET and Hungarian Business Information database. In my sample the businesses are classified into those following IFRS and those following national accounting rules.

IV. ACCOUNTING METHODS AND BALANCE SHEET EFFECTS

This set of analyses measures how Hungarian enterprises have been affected on management performance by IFRS. The logistic regression models employed are as follows (1,2):

$$RR_{i,t} = a_0 + a_1 Size_{i,t} + a_2 Dividend_{i,t} + a_3 Growth_{i,t} + a_4 Profitability_{i,t} + a_5 Liquidity_{i,t} + a_6 Leverage_{i,t} + e_{i,t} \quad (1)$$

$$PA_{i,t} = a_0 + a_1 Size_{i,t} + a_2 Dividend_{i,t} + a_3 Growth_{i,t} + a_4 Profitability_{i,t} + a_5 Liquidity_{i,t} + a_6 Leverage_{i,t} + e_{i,t} \quad (2)$$

Where:

$RR_{i,t}$ = dummy variable, indicating the regulatory system,

$RR_{i,t} = 1$, financial numbers are reported under IFRS,

$RR_{i,t} = 0$, financial numbers are reported under National GAAP,

$PA_{i,t}$ = dummy variable, indicating the post-adoption effects.

$PA_{i,t} = 1$, financial numbers are reported under IFRS in 2007

$PA_{i,t} = 0$, financial numbers are reported under IFRS in 2006

Size: Natural logarithm of market capitalization:

- NAVSH: Net asset value per share

- RESSFU: Reserves to shareholders' funds

Dividend:

- DIVCOV: Dividend cover

- DIVSH: Dividend per share

- DIVYI: Dividend yield.

Growth:

- MVBV: Market value to book value

Profitability:

- EPS: Earnings per share

- NPM: Net profit margin

- ROCE: Return on capital employed

Liquidity:

- CFM: Cash flow margin

- CUR: Current ratio

- OCF: Operating cash flow scaled by total assets

- QUI: Quick ratio

- WCR: Working capital ratio

Leverage:

- DEBTE: Debt to equity

- DSFU: Debt to shareholders' funds

- CGEAR: Capital gearing

$e_{i,t}$ = the error term

The results are reported in table 1.

Balance Sheet effects

Table 1

Denomination	National GAAP employed enterprises		IFRS adopter enterprises	
	Mean	Std. deviation	Mean	Std. deviation
DIVSH	0,0846	0,1986	0,1557	0,2106
DIVYI	17,5764	19,8721	22,8705	25,4457
MVBV	5,8152	7,8125	2,5478	8,1547
NPM	-0,2945	4,5412	-0,1031	7,4581
EPS	0,1987	1,0561	0,1897	1,5061
ROCE	0,2008	0,3051	-0,0081	0,6401
OCF	3,8812	15,4421	4,8512	16,8041
CUR	1,9911	6,9105	2,9814	3,1125
CFM	0,8029	2,3126	-0,0408	1,5974
DEBTE	1,9843	2,3566	2,3099	2,1577
CGEAR	0,3454	0,2325	0,8714	0,3115
DSFU	0,3258	0,1353	0,5469	0,8540

(Source: Author's own constructions)

It is provable by the table 1 that the average index of dividend, share (coming from earnings after tax) is more prosperous at companies which already adapted the international financial reporting standards (IFRS) than in case of others. However, the relative average value (DIVYI) contains a high deviation (the deviation value is almost 30 in case of companies operating with IFRS).

The companies applying the national accounting standards are gaining more than double (5,8152) in terms of growth, measured by market value of assets to historical value of assets, respect to other enterprises. In this sense the IFRS user companies' average index is much lower.

The monitored enterprises had a negative average net profit value (loss) in both group in the covered period. However the return on equity and the average return on capital employed give better results in case of national accounting standards users. The latter index showed a declining tendency (-0,0081) at companies which adapted the IFRS.

The examined national accounting standard user companies' average indexes, measuring solvency (OCF, CUR, CFM) and leverage were more prosperous than the other ones'. The Cash Flow, for instance, decreased (-0,0408) at IFRS user companies, though around the relative average value of Operating Cash Flow on assets the deviation is quite high (it is between 15 and 17). As the indebtedness of companies accounting according to national regulation was lower, the leverage indexes (DEBTE, CGEAR, DSFU) were better than the other companies which adapted IFRS.

To sum up, it can be stated that the Balance Sheet indexes deteriorated especially regarding solvency and prosperity after adaptation of IFRS in the examined companies' case.

V. ACCOUNTING METHODS AND EARNINGS MANAGEMENT

The first earnings management test measured the volatility of the change in net profit scaled by total assets, ΔNP , and the volatility of the change in net profit to the change in operating cash flows, ΔCF for the national GAAP employed and the IFRS adopted enterprises.

The second earnings management test examined the associations between accruals and cash flows. My scientific research evaluated the Pearson correlation between accruals and cash flows separately in the pre-official, official and post-official adoption periods. Then the author employed an Ordinary Least Square (OLS) regression, followed Iatridis, G. and Rouvolis, S. (2010) researches, to analyse the associations between accruals and cash flows, profitability, leverage and size. The regression model that is used is as follows (3):

$$\begin{aligned}
 ACCR_{i,t} = & a_0 + a_1FRS_{i,t} + a_2FRSOCF_{i,t} + a_3FRSLNMV_{i,t} \\
 & + a_4FRSOPM_{i,t} + \\
 & + a_5FRSTLSFU_{i,t} + e_{i,t}
 \end{aligned}
 \quad (3)$$

Where:

$ACCR_{i,t}$ = Accruals scaled by total assets.

$FRS_{i,t}$ = Dummy variable indicating the financial reporting system in use.

$FRS_{i,t} = 1$ for firms reporting under IFRS in 2007,

$FRS_{i,t} = 0$ for firms reporting under the National GAAP in 2006.

OCF = Multiplication of IFRS and operating cash flows.

$FRSOCF_{i,t}$ = Variable used to examine the impact of IFRS on the association between accruals and cash flows.

$LN MV$ = Multiplication of IFRS and the natural logarithm of market value.

$FRSLNMV_{i,t}$ = Variable used to examine the impact of IFRS on the association between accruals and size.

OPM = Multiplication of IFRS and operating profits margin.

$FRSOPM_{i,t}$ = Variable used to examine the impact of IFRS on the association between accruals and profitability.

$TLSFU$ = Multiplication of IFRS and total liabilities to shareholders' funds.

$FRSTLSFU_{i,t}$ = Variable used to examine the impact of IFRS on the association between accruals and leverage.

The results of the previous regression model (3) the author summarized in table 2.

Earnings management effects

Table 2

Denomination	National GAAP followed enterprises	IFRS adopter enterprises
ΔNP volatilitása	4,1581	6,1021
$\Delta NP/\Delta CF$ volatilitása	11,4401	12,0120
FRSOCF	-1,21**	-0,7145**
FRSLNMV	-0,025**	-0,014*
FRSOPM	0,5541**	0,2145**
FRSTLSFU	-0,2574**	-0,1941**
R^2	0,784	0,815
* Statistical significance at 10% level (two-tailed), ** Statistical significance at 1% level (two-tailed).		

(Source: Author's own construction)

According to the results of the table it can be stated that the companies which adapted IFRS reached a higher volatility in Net Profit value change (ΔNP) and in Net Profit value change/Operating Cash Flow value change ($\Delta NP/\Delta CF$). Being so, the volatility did not decline after the standard adaptation, contrary to the companies using national accounting standards. The coefficient of correlation between deferred items, namely Accrued Charges and Cash Flow (FRSOCF) had a negative value in a significance level of 5 % in both group, even so, the leaders of the national accounting principle user companies gained higher income (-1,21).

The coefficient showing correlation between deferred items (accruals) and size of the company (FRSLNMV) was also negative: (-0,025) in a significance

level of 10%, (-0,014) in a significance level of 5%; accordingly even the bigger companies using IAS/IFRS could not insert totally the principles of accounting accruals in their system yet. Similarly, the companies which already adapted IFRS did not increase their Accrued Charges as a consequence of high indebtedness, which is showed by the coefficient of correlation between deferred items (accruals) and leverage (FRSTLSFU) being (-0,1941).

The coefficient of correlation between deferred items and profitability (FRSOPM) is significantly positive in both groups of companies. However, it is worthy of note that the companies achieving lower profitability are less willing to adapt accrual principles into their accounting policy. As a conclusion, it is my conviction

that the practical results for instance, in case of FRSOFC, have proven my assumption that the income level of concerned leaders of companies which adapted the IFRS is decreased in a significance level of 5 %.

VI. CONCLUSION

My study scrutinized the consequences of the IFRS adoption. The practical results showed an unpleasant picture regarding solvency and profitability at the examined companies. My analyses have proven that the internal efficiency measured by accounting indicators of the concerned companies depended on their financial situation, their capitalization also after IFRS adaptation. As stated before, the IFRS adaptation had an influence on decreasing income of leaders/managers too. In my previous assumptions I have already supposed that the adoption of the IFRS can cause a change in the internal evaluation methods of the accounting indicators regarding the concerned companies. In fact, these changes are correlating with the impact on management fluctuation and cut-back of reported profitability. According to the previously quoted studies and researches, the reported accounting results after IFRS adaptation are no more flexibly changeable and as a consequence of cost-benefit accounting, they are transparent too. Being so, the IFRS are becoming one of the most efficient tools for internal performance measurement and evaluation. I have examined the practical realization of the assumptions supposed, through accounting data of national companies (in the sample) and I found that – except for some case – the results were in correlation with my previous statements. As a consequence of the IFRS adaptation the policy and requirements became gradually more transparent and bright, so as became the application of the standards and the implementation process more user friendly. The author can advise for international management researchers to employ these methods and measure their effects on practical management functions.

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Retention Of Generation Y's Insurance Agent : Mediating Role Of Communication Satisfaction An Empirical Study

By Nader Sh. Kandelousi, Neoh Kim Seong

Azad University, Chalous, Iran

Abstracts - This research attempts to examine the relationship between insurance agents' retention and leadership preferences. Furthermore, the mediating role of communication satisfaction on the relationship between leaders' preferences and retentions is investigated in the present study. SPSS statistical software was used extensively throughout the research to test all the identified hypotheses. This research found that leader preferences are great predictors of retention and communication satisfaction is mediating the relationship between these two variables. The implications of these results for enhancing interpersonal communication satisfaction between leaders and agents are discussed.

Keywords : Leadership, Gen Y or Generation Y, Generational cohort, Retention, Insurance Agent

GJMBR-A Classification : JEL Code : G22



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Retention Of Generation Y's Insurance Agent: Mediating Role Of Communication Satisfaction An Empirical Study

Nader Sh. Kandelousi^α, Neoh Kim Seong^Ω

Abstract : This research attempts to examine the relationship between insurance agents' retention and leadership preferences. Furthermore, the mediating role of communication satisfaction on the relationship between leaders' preferences and retentions is investigated in the present study. SPSS statistical software was used extensively throughout the research to test all the identified hypotheses. This research found that leader preferences are great predictors of retention and communication satisfaction is mediating the relationship between these two variables. The implications of these results for enhancing interpersonal communication satisfaction between leaders and agents are discussed.

Keywords : Leadership, Gen Y or Generation Y, Generational cohort, Retention, Insurance Agent

I. INTRODUCTION

Insurance agency forces, particularly the insurance agents, play a vital role in the sales of insurance policies. They are considered the face of the insurance company who are the key contributors to the success of an insurance company. However, the retention rate is relatively low in this industry. The situation is getting worse today, when they are more and more new generation of people, namely Gen Y, entering into the work place. Few decades ago, "generation gap" was the term that was commonly used whenever conflicts happened between parents and their children. Today the gap has evolved into several gaps and has shown its strong presence in the workplace, where employees from different generations are finding it difficult to work side by side because their experiences, goals and expectations differ.

Presently, there are four generations in the workplace; with Gen Y members appear to be the youngest. Although demographers disagree on the exact time frame of each cohort group, most agree within a few years (Martin & Tulgan, 2001). However, Robert K Critchley in 'Ageless Wisdom' (Critchley 2006) stressed the potential side effect of generational myopia for focusing too much on age boundary:

"I think the terms are useful for understanding the differences between people. The most important

thing is not to run your life by 'I'm a Gen X and I must live this way'. Understand that people are thinking differently, because so often the generational myopia is such that we think everyone thinks like we do. There is value in understanding the way different generations think and act – understand but don't try to typecast."

In order for an individual's birth date to acquire full meaning within a generational cohort context, it is important to establish an order of generational succession (Marias 1970). Schlesinger (1986) stressed that this was not an exact science: "A generation is a rough, not an exact unit; almost a metaphor" (p. 30). Strauss & Howe (1991) wrote that the age units are "suggestive" but the "borders" for each must be well-defined (p. 61).

a) Baby Boomers (1946-1964)

The Baby Boomers are those individuals that were born after the end of World War II, specifically between the years of 1946 and 1964. It's the period that represented a significant boom in the population, prompting the name of this generational cohort (Meredith, Schewe & Hiam 2002).

Members of this cohort are currently predominant in most well-established companies and have been the prevailing influence for the last decade. This trend will continue but most of them are retiring between 2010 and 2020. Baby Boomers have been the people who have stayed with their organizations. Now middle-aged and approaching retirement Baby Boomers are re-evaluating. In the wake of large-scale retrenchments, stock market fluctuations, war, high levels of divorce and accelerating change, Baby Boomers have discovered a future that they did not contemplate and do not desire (MacKay 1999).

The Baby Boomers, who sacrificed themselves to the ideals of a materially rich existence, live for "the now". They want work that will give them recognition, praise and fame (Kogan 2001). "In cultural and political terms, the social consequences of the Baby Boomers or sixties generation could not be ignored" (Edmunds & Turner 2002, p. 3). This cohort impacted social norms and family composition, as well as changed the workforce into increasingly technological and service-oriented places to conduct business (Edmunds & Turner 2002).

About^α: School of Management, Azad University, Chalous, Iran.

About^Ω: Nottingham Trent University, UK

b) *Gen Y (1977-1997)*

Gen Y is a term used to describe the generational cohort after Gen X. Members of Gen Y are often referred to as "Millennials" or "Echo Boomers" or "Net" Generation. There are no precise dates for when Gen Y starts and ends. Most commentators use dates from the early 1980s to early 1990s. In Asia alone, Gen Y represents nearly 30% of the world population and the percentage is expected to increase following the demographic shift when they are getting older.

This generational cohort also rivals the Boomers in its control of the media and market (Mitchell 2002). The increasingly popularity of blogs, social networks, chat rooms, podcasts, on line videos, and other means of communication channels have changed the mindset and behavior of Gen Ys. They have used computers since a young age and are e-learners (Allerton 2001). Internet is no longer a tool but more towards a lifestyle and profession. They live to be trained, enjoy the challenge of new opportunities, seek work-life balance and like to be involved in decision making (Allerton 2001).

With parents who were very focused on this generation, these children grew up with busy schedules; sports, music lessons, and scheduled play-dates occupied much of their time. Raised by parents who communicated with their children, this generation has always had input in family decisions (Lancaster & Stillman 2002). As a matter of fact, Gen Y children and youth appear to be stressed with managing all of the demands placed upon them. There are researchers speculate that the rise in suicide rates and school violence among teens is related to the high expectations

placed on this cohort (Hicks & Hicks 1999; Zemke, Raines & Filipczak 2000).

A 1997 study by the Barna Research Group found that this cohort possesses high self-esteem. They described themselves as happy, responsible, self-reliant, and optimistic about the future, trusting, intelligent, and physically attractive. Moreover, this same study revealed that Gen Y members have a sense of what previous generations think about them: lazy, rude, sloppy, dishonest, and violent. The report concluded that "Without a sense of acceptance and respect, young people are not prone to submitting themselves to the leadership of people or organizations that have failed to embrace them" (Hicks & Hicks 1999, p. 269).

Researchers still have much to learn about this generation. However, it appears that Gen Y members value education, with 90% planning to attend college and 40% of college freshmen contemplating going to graduate school. The oldest members of this cohort, now entering the workforce, value lifelong learning; they view education as a tool for professional advancement (Martin & Tulgan 2001, as cited in Dulin 2005).

Table 1 summarizes the key differences between Gen X and Gen Y. A good understanding of their characters differences would serve as a good foundation for an organization to get along better with Generation Y thus able to motivate them to stay long in the organization. While many multinational companies are beginning to take into account changes in behavior in their HR practices and marketing, it should also be applied to insurance companies and agencies to adapt their leadership styles to meet the expectations of younger generations.

	Gen Xs	Gen Ys
Traits	Eclectic; resourceful; comfortable with change; self-reliant; adaptable; skeptical about relationships and distrust institutions; high divorce rate; info-highway pioneers; entrepreneurial and independent; innovative; full of energy; fun at work; the generation that "got rid of the box"	Aka "The Digital Generation"; globally concerned; integrated; cyber literate; media and technology savvy; expected 24-hour info; realistic; probably have too much stuff to sort through; acknowledge diversity and expect others to do so; environmentally conscious; will try anything
Values	Be my own boss; team environment contrasted with entrepreneurial spirit; advancement opportunity	High value on education; high value on life style balance; work is not the most important thing; stepping stone for future opportunities; high tech, innovative; diverse workforce; be my own boss
Recruitment, engagement, management, and retention	Respect their skepticism; establish your credentials; show you have a sense of humor; let them know you like them; talk about how training applies to their careers, not just their jobs	Don't assume they are all the same level in training; expect to do more remedial training; teach in shorter modules; testing often and making it fun; help them visualize how the training applies to their jobs; understand they learn best by collaborating
Improving feedback and communication	"So how am I doing" Give feedback all the time and to the point be available; allow freedom to keep them learning and focused on career paths; immediate and regular feedbacks; tell it like it is	"I want it with the push of a button. Let's all talk about it" Initiate the connection; consider electronic connections and newsletter; make it visual; allow them an active role in creating their own education and work plans.

Table 1 : Key differences between Gen Xs and Gen Ys (source: www.executiveforum.com)

II. WORKFORCE RETENTION

Retention is very commonly referred to as simply the inverse of turnover, in actual fact it's not right as "retention rate measures what is wanted rather than what is undesirable" (Waldman & Arora 2004). For at least 30 years, we were suggested to look at the wrong things by studying turnover (Van der Merwe & Miller 1971). When we just look at turnover data, it will tell us when separations are occurring but we are unable to distinguish between did someone leave who was on the job for three months or did someone leave who was on the job for three years. Strictly speaking, retention literally is the percentage of a group of new hires who are still on the payroll after a specified period of time. However, the combination of retention rate and turnover allow us to have a more complete view of worker movement that either does alone. It can tell us exactly who leaves, and from that we learn more about why they leave, what it really costs the organization, and what to do about it (Waldman & Arora 2004).

The survey result conducted by the Life Insurance and Market Research Association (LIMRA) in the U.S. on the Insurance Agent Production and Retention Survey, revealed that only 19% of male and 15% of female agents make it to their fifth year in the insurance business. This low retention rate may indicate two things (a) the failure rate for agents is high, and (b) successful agents frequently become dissatisfied and seek for employment from another insurance company. "The failure rates of newly contracted insurance agent retention lose an average of 44% of their new agents in the first contract year" (Lombardi, Boyce, & Gopalan, 1985, cited in Dalessio, 1994).

III. LEADERSHIP

Leadership is one of the most important subjects in the area of Organizational Behavior. And yet there is no one definition of what the leadership is, or who the leaders are, that is generally and universally recognized by all students of the subject, whether practitioners or scholars. A good leader do not just command excellence, they build excellence continuously. Excellence is "being all you can be" within the bounds of doing what is right for your organization. To reach excellence a leader must first possess a good character.

Leader of good character coupled with applying the right leadership style for the situation and individual would ensure effective communication between stakeholders. Hamson, et al. (1997) stressed the need for precise and effective communication in the design and implementation of quality systems. Without an effective means for communication to flow between

organization stakeholders' attitude, morale, productivity, and quality are all at risk.

Dulin (2005) suggested that "the more attracted a follower is to specific leadership qualities and traits, the more committed, satisfied, and motivated the employee will likely be within the organization". In her research, Dulin (2005) carried out qualitative analysis on leadership preferences of a Gen Y cohort, five core themes were identified, depicting leadership preferences of a Gen Y cohort:

- Competence
- Interpersonal Relations
- Self Management
- Management of Others
- Communication

Also, from the research, Interpersonal Relations correlated highly with Competence and Self Management, thus they can be combined (Dulin 2005, p. 81). Though Dulin (2005) made no recommendation to combine these three factors, however, for the relevancy of present research on insurance agent retention, especially for servicing industry, the author thinks that these three factors can be combined into just the Interpersonal Relations big factor alone, making the data collection process simpler. Some jobs, such as sales, put a premium on interpersonal skills and goal orientation; whereas manufacturing jobs put more of a premium on planning and abiding by safety and productivity rules (Hughes, Ginnett & Curphy 2006, p. 168). Finally the five core themes as suggested by Dulin (2005) are further streamlined into three main factors for the present study: (a) Interpersonal Relations, (b) Management of Others, and (c) Communication.

a) *Interpersonal Relations*

Leadership has once been defined as "An interpersonal relation in which others comply because they want to, not because they have to" (Merton, 1969). Bowers (1969) defined leadership as an activity process of interpersonal relationship; other's behavior is influenced through this process to achieve the set target. This demonstrated the importance of Interpersonal Relations in making a person to be a good leader.

Dulin (2005), through her interview on the focus group of Gen Y cohort, managed to group together 11 qualities that best described a leader with strong Interpersonal relationship: (i) provides constructive feedback, (ii) good listener, (iii) treats others with respect, (iv) manages conflict effectively, (v) fosters fun, (vi) friendly, (vii) has a good sense of humor, (viii) approachable, (ix) positive attitude, (x) provides praise, and (xi) encourages others. The participants said it was

very important to work for a leader whom they respect and trust. They prefer "a leader with whom they can connect. Their ideal leader is one whom they feel comfortable talking to and who really listens and values what they have to say" (Dulin 2005, p. 56).

Leaders with good interpersonal skills are those that involve direct interaction, such as communicating and building relationships with others. Most of them have the competencies of communication skills and aligning people & processes which they developed from their past experience (Hughes, Ginnett & Curphy 2006, p. 122).

On the other hand, leaders who are poor in building relationships with others may increase the intention to leave among the peoples. Negative corroboration of this relationship was found in the Towers Perrin survey, which revealed that "while many people are keen to contribute more at work, the behavior of their managers and the culture of their organization is actively discouraging them from doing so" (Alimo-Metcalfe 2008). Therefore, this leads us to propose as:

Hypothesis 1a (H1a)

Interpersonal relationship is positively and significantly related to Agent Retention.

b) Management of Others

Managing people is much more of an art than it is a science. There is no clear definition, set of rules, or secret formula to follow. Usually it takes personal style and a relentless commitment to developing the skills. Leaders' success highly depends on their relationships with others. "The myth of individualism can negatively affect our chances for success" (Agno 2010).

According to the research done by Dulin (2005), the Gen Y cohorts described management of others as the leader's ability to create a positive work environment for employees. Ten competencies define positive management of others: (i) cultivates diversity, (ii) considers employee needs, (iii) seeks employee input, (iv) provides rewards, (v) is family-centered, (vi) sets realistic expectations, (vii) provides mentoring, (viii) unites people, (ix) provides professional development, and (x) encourages creativity. Therefore a good leader should not treat their subordinates solely as their resources and human capital. They need to treat everyone equal regardless of their title or position and they are fully aware of their people with families, feelings, and problems. They should always be passionate about their people, making them feel as if they are important to the organization and create conducive working atmosphere where their people are able to flourish and perform well.

Fleishman and Harris (1962), in their study on the relationship between various leadership styles and turnover & complaint rate revealed that consideration for

subordinates is negatively connected with turnover, but positively connected for initiating structure. Taking good manner to manage others will create a positive atmosphere in the organization which arguably increases the rate of retention in the organization. As Huang (1984) proposed consideration leadership has negative connection with turnover. Also, Ke (1989) found that in leader behavior, consideration has negative connection with turnover intention and the initiating structure is negatively connected with turnover intention. Therefore, it gives rise to following hypothesis:

Hypothesis 2a (H2a)

Management of others is positively and significantly related to Agent Retention.

c) Communication

Communication refers to the process by which information is transmitted and understood between two or more people (McShane & Von Glinow 2003). The power of communication with others and having good manner and behavior and the way a person interact with people are more important and worthwhile than ones' knowledge and skills (Mirkamali 1999, p. 16). "How an employee perceives a supervisor's communication style, credibility, and content as well as the organization's communication system will to some extent influence the amount of satisfaction (morale) he or she receives from the job" (Pettit, Goris & Vaught 1997).

Leaders must really be effective communicators, good at getting their message across to, and at drawing the best out of, people. Communication skills in all forms, including non-verbal communication, need to be worked at and improved to ensure you understand people and they understand you (Thomas (ed.) 2004, p. 178). A leader who has poor leadership communication will find leading far more challenging than a great communicator.

Carriere and Bourque (2009) identified significant and positive relationships between internal communication practices and communication satisfaction. Likert (1967) conceptualized a causal sequence in which communication can lead organization towards achieving better productivity, satisfaction, labor-management relations, and profit. Swenson (2010), author for the book 'Managing People in the 21st Century', has conducted some survey and noticed that the most frequent criticism of management, in every 360 survey we've done is either "I don't get enough feedback from my boss" or "My boss (es) is/are not good at communicating." This really shows how important and crucial communication is when managing people, particularly younger generation.

Interview result by Dulin (2005) revealed that an ideal leader is one who uses language to project credibility and confidence. Communication was described through five competencies: (a) ability to

persuade others, (b) speaking clearly, (c) speaking with passion, (d) speaking with confidence, and (e) possessing communication versatility.

Communication in an organizational setting was found to be related to turnover rate (Hargie, Tourish, & Wilson, 2002). Also, Brownell (1990) found a strong relationship between communication and turnover rate. The process of communication among individuals is vital in all organizations. Organizational communication usually is being used to accomplish two common goals. First goal is information sharing (Griffin & Moorhead, 2004). Information sharing aims to inform employees about the policy and other issues of the organization (Griffin & Moorhead, 2004). In this category, some information is related to the organizational objects, which gives member a sense of purpose, direction, and how their activities fit into the overall pictures. In fact, the information in this category are parts of the information that gives specific task directions to individuals, which tell them what their job duties are and what are not (Griffin & Moorhead, 2004). Task clarity and knowing how their activities fit into the overall pictures will make employees to stay longer in the organization.

The second goal of communication is to create a community within the organization (Griffin & Moorhead, 2004). By participating in communication, individuals will take part in a group activity. They experience some sense of belongings and relatedness to others that this sense is shaping a community. This characteristic also would prevent employees to leave the company which reduce the rate of turnover in organizational settings. All these will lead us to hypothesize:

Hypothesis 3a (H3a)

Communication is positively and significantly related to Agent Retention.

IV. COMMUNICATION SATISFACTION

Communication satisfaction in an organization can be described as a person's satisfaction with information flow and relationship variables within an organization (Nakra 2006). Communication satisfaction typically refers to the "effective response to the fulfillment of expectation-types standards" in message exchange processes and "symbolizes an enjoyable, fulfilling experience" (Hecht 1978, cited in Mueller & Lee 2002). Downs' (1990) and Downs and Hazen's (1977) research indicated that communication satisfaction is a multidimensional construct. These researchers defined the term as an individual's satisfaction with various aspects of communication in the organization. The "multidimensional definitions" of communication satisfaction guide the present study in explaining and examining this variable.

Anderson and Martin (1995) defined communication satisfaction as a relational need, which if met properly, employees' satisfaction will be an important outcome variable. In addition, communication satisfaction produces psychological adjustment while dissatisfying communication is seen as a symptom of pathological states (Hecht, 1978). Pincus (1986) carried out survey on 327 hospital nurses, with the results showed that employee perception of organizational communication satisfaction related significantly to both job satisfaction and job performance. The major contributors to both the organizational communication-job satisfaction relationship and the organizational communication-job performance link were supervisor communication, communication climate, personal feedback, and top management communication (Pearce & Segal 1998).

Previous researchers have done extensive studies between leader's communication effectiveness brings to communication satisfaction. Likert (1967) is one of them who have conceptualized a causal sequence in which communication can lead organization towards achieving better productivity, satisfaction, labor-management relations, and profit. Besides leader's communication, the author has yet to find any researches on the relationship between leader's interpersonal relation and management of others capability and communication satisfaction. Therefore, it would be the contribution of this research to find out the validity of such relationship. It is highly believed that if satisfied employees in term of communication will participate more on OCB (Kandelousi, Anees, & Abdollahi, 2010) and of course will stay longer in the organization. This episode means if employees are satisfied with the communication practiced in the organization they will reply to the organization by staying longer and not to leave the organization. Social exchange theory (Blau, 1964) articulates that people will reciprocate the benefits they receive from the organization. Therefore, if leader preferences goes to communication satisfaction, then communication satisfaction will encourage employees to not to leave the company since they observe the situation pleasing and acceptable. Having this in mind and using the variables identified, we therefore hypothesized the relationship as following:

Hypothesis 1b (H1b)

Interpersonal dimension of communication satisfaction is mediating the relationship between interpersonal relationship and retention.

Hypothesis 2b (H2b)

Interpersonal dimension of communication satisfaction is mediating the relationship between managing of others and retention.

Hypothesis 3b (H3b)

Interpersonal dimension of communication satisfaction is mediating the relationship between communication and retention.

Hypothesis 4b (H4b)

Group dimension of communication satisfaction is mediating the relationship between interpersonal relationship and retention.

Hypothesis 5b (H5b)

Group dimension of communication satisfaction is mediating the relationship between managing of others and retention.

Hypothesis 6b (H6b)

Group dimension of communication satisfaction is mediating the relationship between communication and retention.

V. METHODOLOGY

a) Participants and Procedure

Questionnaire was the main source of survey which was distributed among 400 young insurance agents; those Gen Y members who are born after year 1977, from few top insurance companies in Malaysia such as Great Eastern, Prudential, HLA, Allianz, AIA etc. The sample population was selected through the combination of convenience sampling method and judgment sampling method. Convenience sampling was selected and used initially followed by judgment sampling methods, both of them are non-probability sampling techniques in which sample members because they are easily accessible. 168 questionnaires were returned of which we were able to use 122 (46 questionnaires were discarded because of missing data). During collection of data anonymity of respondents was assured. A total of 52% were male and 48% of respondent's gender was female. 39% of the respondents were 21 to 25 years old which followed by 32% of 25 to 30 years old. 22% of the respondents were in the category of 31 to 35 years old and finally 7% of them were categorized as 20 years old and below. Participants have different educational levels: secondary school/SPM/STPM 34%, certificate / diploma, 25%, and bachelor's degree/professional qualification, 41%.

b) Measure

The survey was questionnaire based which consisted of 37 self reported likert style questions. The questionnaires were sent to the respondents through E-mail.

(i) Retention

The scale was extracted from Tan Lee Fen (2009) to assess retention. It consisted of 5 items. The participants were asked to answer all items on a 1–5 Likert scale. 1= "Strongly Disagree" and 5= "Strongly Agree". These items ask about: 'I plan to continue with

my present job for as long as possible' and 'I feel my role is important towards the success of my agency' and 'I feel insecure and frequently think of resigning and go else where. The Cronbach's alpha for agent retention was $\alpha = .72$

(ii) Communication Satisfaction

Eleven questions are about communication satisfaction. The scale is adaptation from Downs and Hazen (1977). The original questionnaire of communication satisfaction (Downs & Hazen, 1977) consists of eight dimensions that later Mueller and Lee (2002) categorized them into three dimensions namely, interpersonal dimension, group dimension, and organizational dimension. However, the present study has used just two dimensions out of three since the third dimension which is organizational dimension does not fit to the present research. Six items measure interpersonal dimension and five items measure group dimension of communication satisfaction. We measure it on the scale from 1= "Very Dissatisfied" to 7= "Very Satisfied". Sample items for Communication satisfaction were: 'Extend to which my leader is open to ideas' and 'Extend to which my leader know the problems faced by agents' and 'Extend to which the amount of supervision given to me is about right'. The Cronbach's alpha for Interpersonal Dimension was $\alpha = .90$ and for Group Dimension was $\alpha = .79$

(iii) Leader Preferences

The part of the questionnaire which measures leader preferences is adopted from a study of Dulin (2005). The items included in this scale are based on the definitions of the three dimensions of leader preferences described Dulin (2005), namely, (a) Interpersonal Relations, (b) Management of Others, and (c) Communication. In total 15 items are measuring leader preferences, 5 items for each dimension. All the items of this questionnaire are rated by using a 5-point Likert-scale ranging from 1 (strongly disagree) to 5 (strongly agree). Examples of the items of the measurement are; "My leader always provides constructive feedback", "My leader always treats everyone with respect", "My leader always takes into consideration the impact of his/her decisions on agents", "My leader set realistic expectations for agents", "My leader always communicates with clear expectation", and "Very often my leader communicates with no confidence." The Cronbach's alpha for different dimensions of Leader Preferences are as: Management of Others ($\alpha = .88$), Communication ($\alpha = .88$), and Interpersonal Relation ($\alpha = .84$).

VI. RESULTS

a) Factor Analysis on Communication Satisfaction

Two of Mueller & Lee's classification of communication satisfaction dimensions (2002), namely interpersonal and group, was adopted in this research to explore their relationship against agent retention. For the present research, these two dimensions have a total of 11 items of measurement. All the items will be tested using factor analysis. Results for this factor analysis are summarized as in Table 2.

b) Factor Analysis on Leadership Preferences

Three leadership preferences developed by Dulin (2005) was adopted for this research, they are interpersonal relations, management of others and communication. For the present research, these three dimensions have a total of 15 items of measurement. Results for this factor analysis are summarized as in Table 3.

Table 2 : Factor Analysis on Communication Satisfaction

Item	Measurement	Component 1	Component 2
Factor 1 (INTERPERSONAL DIMENSION)			
I2	Extend to which my leader know the problems faced by agents	0.858	
I1	Extend to which my leader is open to ideas	0.844	
I3	Extend to which the amount of supervision given to me is about right.	0.814	
I4	Recognition of my efforts.	0.749	
I6	Reports on how problems in my job are handled.	0.651	
Factor 2 (GROUP DIMENSION)			
G3	Information about benefits and pays		0.839
G4	Information about agency policies and goals		0.742
G5	Extend to which my work group is compatible		0.729
G2	Information about my progress in my job		0.632

Table 3 : Factor Analysis on Leadership Preferences

Item	Measurement	Component 1	Component 2	Component 3
Factor 1 (MANAGEMENT OF OTHERS)				
M3	My leader set realistic expectations for agents.	0.903		
M1	My leader always takes into consideration the impact of his/her decisions on agents.	0.879		
M4	My leader never concerns about agents' work-life balance.	0.822		
M5	My leader provides good mentoring for agents.	0.813		
M2	My leader fails to implement family-friendly policies.	0.741		
Factor 2 (COMMUNICATION)				
C4	My leader is good at adapting his/her communication style to fit the occasion or person.		0.881	
C2	When necessary, my leader communicates with passion.		0.877	
C1	My leader always communicates with clear expectation.		0.854	
C5	My leader always projects his/her authority.		0.821	

Factor 3 (INTERPERSONAL RELATIONSHIP)

IR4	My leader has created a fun working environment.	0.895
IR3	My leader always treats everyone with respect.	0.881
IR1	My leader always provides constructive feedback.	0.816
IR5	My leader does have a good sense of humour.	0.721

c) Correlation Analysis

The Pearson's correlation is used to find a correlation between at least two continuous variables. Among the two dimension of communication satisfaction (interpersonal dimension & group dimension), only Interpersonal dimension is positively correlated with agent retention but only significant at the 0.05 level whereas group dimension is correlated

positively but insignificant. As for leadership preferences, all three variables are positively and strongly correlated with agent retention, with only management of others variable turned out to be less significant at the 0.05 level. The correlation analysis with multiple variables was done and Pearson coefficient result was tabulated in Table 4.

Table 4 : Pearson Correlation Analysis Result

Variables	R	I	G	IR	M
Agent Retention (R)					
Interpersonal Dimension (I)	.19*				
Group Dimension (G)	.15	.62**			
Interpersonal Relation (IR)	.28**	.42**	.31**		
Management of Others (M)	.21*	.19*	.18*	0.09	
Communication (C)	.26**	.17	-0.01	.19*	.11

*d) Regression Analysis**(i) Leadership Preferences to Agent Retention*

In this regression analysis, the leadership preferences variables are tested against dependent variable of agent retention. The result is tabulated in table 5. From the data, all the three leadership preferences variables are positively and significantly

connected to agent retention. Beta coefficients for these three variables are: interpersonal relationship with Beta equal to 0.224 ($p < 0.05$), management of others with Beta equal to 0.173 ($p < 0.05$) and communication with Beta equal to 0.202 ($p < 0.05$). Thus all the hypotheses for this variable are accepted.

Table 5 : Beta Coefficient for Leadership Preferences to Agent Retention

Dependent Variable (Agent Retention)	Independent Variables			R ²	F
	Interpersonal relationship	Management of Others	Communication		
Standardized Beta	.224	.173	.202	.154	7.187
SIG. (p)	.011	.045	.021		

(ii) Verification of mediating effect

In order to test the mediating effect of communication satisfaction on leadership preferences and agent retention, multiple regression analysis on all

the variables of communication satisfaction and leadership preferences to agent retention. Result summarized as in table 6.

Table 6 : Beta Coefficient for Leadership Preferences and Communication Satisfaction to Agent Retention

Dependent Variable (Agent Retention)	Independent Variables					R ²	F
	Interpersonal Dimension	Group Dimension	Interpersonal relationship	Management of Others	Communication		
Standardized Beta	-.008	.73	.204	.162	.210	.398	4.373
SIG. (p)	.948	.515	.035	.067	.020		

The Beta coefficient for table 6 and table 5 is plot into table 7 (as below) to determine the mediation effect of communication satisfaction. According to Baron and Kenny (1986), if one obtains a significant drop in beta for the relationship, then one has obtained significant

mediation. Using table 15 for beta comparison, it shows that significant mediation effect of communication satisfaction happen between leadership preferences (interpersonal relationship and communication) and agent retention.

Table 7 : Determining Mediating Effect

Independent Variables	Dependent Variables		Conclusion
	Without Mediator	With Mediator	
Interpersonal Relationship	.22*	.20*	<i>Significant Mediation</i>
Management of Others	.17*	.16	
Communication	.20*	.21*	<i>Significant Mediation</i>
Interpersonal Dimension		.00	
Group Dimension		.07	

VII. DISCUSSION AND CONCLUSION

The outcome of this study showed that there is a strongly and direct causal link between leader's leadership style and employee's retention, especially on Gen Y members. Different leadership style has different impact on the subordinate's work willingness. Fleishman & Harris (1962), in their study on the relationship between various leadership styles and turnover & complaint rate revealed that consideration for subordinates is negatively connected with turnover, but positively connected for initiating structure. Hsu (1986)

conducted a research on 222 operators of China Steel Company in Kaohsiung on the relationship among leader's personality characteristic, the leader behavior, the staff's job stress and job satisfaction. The result concluded that consideration leadership had significantly negative connection with job stress, but the

initiating structure positively connected with job stress (Chuang & Lee 2008).

The finding of the present study is mostly in line with the previous researches which are conducted in this area. The present study highlighted that leaders' characteristics has significant and valuable effects on retention rate of agents. Managers and practitioners of the insurance industry in Malaysia should bear in the mind that their behavior and attitudes towards agents will affect them directly. This finding is significant enough to tell us the important of leadership style change to improve the employee retention; it may turn out to be an expectation from the younger generation, particularly Gen Y members.

Based on some empirical studies we propositioned the relationship between communication satisfaction and agent retention. For example, Pincus (1986) in his survey on 327 hospital nurses has revealed that employee perception of organizational communication satisfaction related significantly to both job satisfaction and job performance. Carriere & Bourque (2009), in their recent study, confirmed that communication satisfaction is positively related to job satisfaction.

Although in correlation analysis it has been found that interpersonal dimension of communication correlated at 0.19 with agent retention, however it doesn't mean that communication satisfaction has any causal link with agent retention in the present study. While correlation does not directly establish a causal relationship, it may furnish clues to causes (Glass & Stanley 1970). One interesting point to note is that even though there is no causal linkage between the two, however, from the multiple regression analysis to test for mediation effect of communication satisfaction, result as in table 6, showed that communication satisfaction does play the role of mediating the interpersonal relationship of the leadership style to agent retention, therefore the causal effect would happen only when the independent variable (interpersonal relationship) is there.

Therefore based on the finding, it's interesting to find out that a person who is satisfied does not mean that he or she will continue to stay long with the present job. However, the person may stay if he or she is satisfied because of leader's leadership preference on interpersonal relationship and communication of the leader. The result has ruled out the author's earlier assumption that job satisfaction has a causal linkage with retention. However, this finding may only valid for younger generation as no similar research can be found on different generation of people. It's worth for future scholar to understand the causal link between job satisfaction and agent retention across different generational group.

In total, it is expected to see that leader's interpersonal relationship and management of others style to be the preferences of Gen Y insurance agents and it appears that these are the factor that are able to bring them communication satisfaction. The reason is because Gen Y are not only energetic, they are the group of people who can and do work very hard, provided if they found a leader who can found their terms. They want jobs where they can make an impact, where their skills and knowledge will be put to the test in organizations that are driven by leading-edge thinking. When they find such a leader or manager, they'll give them all of what they have in their own way. On the other hand, those leader or manager who uses the traditional way or uses autocratic style will not be able to

meet and satisfy this young group of people. Therefore the skill of manage others and also interpersonal relationship skill are crucial to bridge the generation gap which in a way bring communication satisfaction in the organization.

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Mobile Phone Usage Habits Of Students Commuting From Rural Areas To Nearby Town - An Exploratory Study Of Visnagar (Gujarat-India)

By Atul Patel, Dr.Harishchandra Singh Rathod

Nootan Sarva Vidyalaya Campus, Visnagar,Gujarat(India)

Abstracts - Mobility, user-friendliness and convenience of communication has made mobile phone an integral part of human life. Past research related to mobile phone reveals that mobile usage pattern varies from one group to another. Hence, by considering these issues relating to the usage pattern of different age-groups, researchers have attempted to carry out an exploratory study of rural youths pursuing graduation from Educational Institutions located in a nearby town- Visnagar in Gujarat State (India). Opinions of students regarding various brands of mobile handsets, mobile operators and functions of mobile phones are being investigated in this paper. The paper emphasizes on different influential factors affecting mobile purchase. If different rural segments are systematically studied and analysed, organisations willing to enter the emerging rural market will be able to promote their products and services in a much better manner leading to higher customer satisfaction and in an increased market size.

Keywords : Rural India, Adolescents, Undergraduate Students, Gender, Consumer Behaviour, SMS, satisfaction, service provider, Nokia, Vodafone.

GJMBR-A Classification : JEL Code : D83



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Mobile Phone Usage Habits Of Students Commuting From Rural Areas To Nearby Town- An Exploratory Study Of Visnagar (Gujarat-India)

Atul Patel^α, Dr.Harishchandra Singh Rathod^Ω

Abstract : Mobility, user-friendliness and convenience of communication has made mobile phone an integral part of human life. Past research related to mobile phone reveals that mobile usage pattern varies from one group to another. Hence, by considering these issues relating to the usage pattern of different age-groups, researchers have attempted to carry out an exploratory study of rural youths pursuing graduation from Educational Institutions located in a nearby town- Visnagar in Gujarat State (India). Opinions of students regarding various brands of mobile handsets, mobile operators and functions of mobile phones are being investigated in this paper. The paper emphasizes on different influential factors affecting mobile purchase. If different rural segments are systematically studied and analysed, organisations willing to enter the emerging rural market will be able to promote their products and services in a much better manner leading to higher customer satisfaction and in an increased market size.

Keywords : Rural India, Adolescents, Undergraduate Students, Gender, Consumer Behaviour, SMS, satisfaction, service provider, Nokia, Vodafone.

I. INTRODUCTION

Rural India is expected to fuel the growth in mobile phone services in the coming years. Mobility, accessibility and convenience of communication have made it an unavoidable part of life. As India is still struggling for smother infrastructure, mobile phones can be used to deliver content and services that can help cultivate inclusive growth in India by digitally empowering citizens across all cross—sections of society, both urban and rural. The next mammoth growth in subscriptions will come from semi—urban and rural areas. The rural segment services can benefit selling and procurement of information and support for farm commodities, educating farming community on best practices, delivery of healthcare and education to

remote village via the mobile services. Increasing awareness of education in India bring many rural youth to nearby towns to pursue their studies. Past research related to mobile phone usage reveals that mobile usage pattern varies from one group to another. Hence, by considering these issues relating to the usage pattern of different age-groups, researchers have attempted to carry out a study of rural youths who are pursuing graduation either in management (Bachelor of Business Administration) or computer science (Bachelor of Computer Applications) from an adjacent town named Visnagar in Gujarat State (India).

II. LITERATURE REVIEW

Several parameters are significantly related to the patterns of mobile phone use. Research carried out in the past revealed the associations of demographic factors such as sex, age, and psychographic factor like self-esteem with mobile phone use. Thus the following review of literature focuses mainly on the relationships between personal factors and young students' from rural area. Researchers attempted to find out previous research on youth and adolescents in Indian context but much research related to it has not been carried out. Bianchi & Phillips (2005) states that technical applications like MP3 players attracts more male users while for female users mobile phones are mere tool of mingling with friends and relatives. Bianchi and Philips (2005) also found that females use the mobile phone for social reasons while males called more people on a regular basis. Bianchi and Philips assumed that males used their phones frequently for business purposes and not for socialising. However, Bianchi and Philips did not find any significant relationship between gender and the patterns of mobile phone (i.e. SMS usage and time spent). Moreover the study predicted that gender did not predict overall use of the mobile phone.

In addition, study carried out of Bianchi and Phillips also pointed out that age played a significant role in determining the total time spent on the mobile phone usage. Older respondents were found to use the mobile phone more for business purposes while younger students used it to socialise. Further findings from their study revealed that younger users were

About^α : Assistant Professor (Statistics Area) at Smt. S.B. Patel Institute of Business Management, Nootan Sarva Vidyalyaya Campus, Visnagar - 384 315, Gujarat (India) (Contact no: +91-9978163331 Email:atulpatel_108@yahoo.com)

About^Ω : Associate Professor (Marketing Area) at Shri Jairambhai Patel Institute of Business Management and Computer Applications (NICM Campus), Nr: Indroda Circle, Gandhinagar-382 007, Gujarat (India) (Contact no: +91-9727786108; Email: drhsrathod@gmail.com)

more obsessed to the mobile phone use.

Ito and Okabe (2004) also came out with similar findings for their study on Japanese adolescents. Japanese adolescents were preoccupied with their mobile phone because they had flexible time, vigour and mobility compared to older users. Adolescents used the mobile phone for emotional and social communications specifically in building and sustaining relationship with friends (Ling & Yittri, 2002). Furthermore, adolescents viewed the mobile phone as an outstanding, prominent and liberating personal tool that allowed them to have a better social position in life. In addition to this, adolescents' level of self-esteem and its influence with mobile phone usage has also been studied by them. Individual with high self esteem are understood to use less of the mobile phone for communication compared to those with low self esteem. Low self-esteem users were assumed to use the mobile phone for reassurance and not mainly for social purposes.

Ling (2001) in his study found that young adult men spent more time on the mobile telephones compared to adolescent girls. Men reported to begin spending more time in their late adolescence and peaks in the mid 20's. Their high level of use extends into their early 30's after which their length of usage drops. In addition to this, Ling also noted that although women spend more time on their mobile phones during their late adolescence, their length of use is lower than the men as they prefer more face to face communication compared to their male counterparts. One such research also stated that young mobile phone users tend to demonstrate appropriate monthly expenditure. School-going mobile phone users in Europe spent approximately 25 Euro a month on their mobile phone (Clonen, 2002). Another study revealed that a large proportion (66%) of Australian adolescents preferred to use the mobile phone pre-paid system (Australian Psychological Society, 2004). This system allows adolescents and their parents to monitor and control the mobile phone cost. Furthermore, more than half (57%) of adolescents claimed that they were very careful in spending money on their mobiles. However, a small number (38%) of them reported that they tend to overspend on their mobile phones due to peer expectation of receiving a reply SMS (Short Message Service) from them. A considerable proportion (13%) of adolescents even had to buy additional credit without their parents knowing and 8% borrowed money from their parents to pay their bills.

Mobile phones are equipped with various features that enable communication and entertainment for its young users. Ling (2001) clearly states that Previous study found that the most popular feature used among young users were text messaging. Nurvitadhi

(2003) in her study of mobile phone usage of adolescents in Japan and USA found that a large proportion (69.53%) of Japanese adolescents preferred using the text messaging service while American adolescents (35.5%) favored the game features of the mobile phone. Japanese adolescents (40.21%) were also found to use more of MP3 (MPEG-1 Audio Layer 3) features of mobile phones as compared to other features. Ling (2001) in his study on female adolescents and young adult men found that female adolescents sent more text messages compared to adult men. Ling further noted that there is a transition periods in patterns of mobile phone use among adolescents. Text messaging was found to be gradually replaced by voice calling when the adolescents were in their early 20's. Supporting Ling's findings, Lie (2004) found that there is a certain pattern in mobile voice telephony among young adults. Men were seen to use their mobile phone more compared to women. They additionally make more business oriented calls since they are more often in managerial positions. On the other hand, women used the fixed line telephony more than men do to maintain their social network and other social co-ordination task. Women choose the fixed line telephony to socialize because it is more cost effective compared to mobile phones. Similar findings were seen in a study investigating patterns of mobile phone use amongst secondary-school students (Madell & Muncer, 2004). Zulkefly and Baharudin (2009) found that age of the students also played a factor in determining patterns of using the mobile phone. Younger students were found to be more inclined to use the additional features of the mobile phone such as, MMS and GPRS, while older users preferred to use the conventional voice calls. The amount of time spent on the mobile phone and enthrallment with the features of the mobile phone would make some students easily more attracted and obsessed with the mobile phone. Females used more of the SMS feature while boys were more interested with other technological features of the mobile. Zulkefly and Baharudin's study also revealed that students frequently contacted their friends more compared to their parents.

III. OBJECTIVE OF THE STUDY

- To examine overall usage pattern of mobile phone among students of rural areas pursuing their studies in Business Management/Computer Applications disciplines.
- To evaluate the impact of monthly income of family and Gender on the usage of mobile phones.
- To find out the frequency of usage of mobile phones by the students
- To identify brand preferences of mobile handsets and service operators.

IV. RESEARCH METHODOLOGY

Exploratory research design was employed to carry out this survey. For the collection of primary data, well structured questionnaire was used which was checked by the subject experts and then it was pre-tested to avoid confusing and duplicated questions. Scientific method (according to the proportion) was used to determine sample size of the survey work. Firstly, researchers estimated the average sample proportion of who possessed mobile phone in Visnagar area. Then a sample size were calculated by considering confidence level of 95%, a margin of sampling error (or precision) of $\pm 5\%$. Thus, the final sample size was calculated to be 196. Thus, the study attempted to attain sample reliability within $\pm 5\%$ per cent margin of error at the 95 % confidence level. As the population was heterogeneous (students were studying in various classes) researchers apply stratified sampling method. To apply Stratified Sampling Method, students were classified according to their class (First Year, Second Year & Third Year) then from the classified groups, with the help of random number table sample were drawn according to the class size. The Primary data was collected through structured questionnaire in which two types of questions closed ended and open ended were used. None rate of response rate were found to be 12% so to reach to 196 respondents as researchers had undertaken the study of 223 samples. Secondary data was collected from journals, magazines, reports, research studies, government publications, professional publications, research organizations and websites.

V. ANALYSES

Cross tabulation mentioned in Exhibit-1, showcases Gender and use of mobile phone among 196 students. A Mere, 4 % of the students did not use mobile phone which indicates the growth in the usage of mobile phones amongst students commuting from rural areas. The survey also revealed that majority of the students came from middle class families. 119 college students stated that their family's monthly income ranged between Rs.5000 to Rs.15, 000

Cross-Tabulation				
	Do you use a mobile phone?			
		Yes	No	Total
Gender	Male	112	3	115
	Female	76	5	81
Class	First Year	56	3	59
	Second Year	67	4	71
	Third Year	65	1	66

Exhibit 1 : Gender & Class v/s Use of mobile phone

A very remarkable finding of the study revealed that 62.8% of the college students' monthly expenses were less than Rs.100. H01 mentioned below was framed so as to check association between monthly income of students and the expenses incurred by students on mobile phone (especially for recharging the prepaid services, internet usage, subscribing to caller tunes, etc.)

H01: There is no significant association between the family's monthly income and the monthly expenses of the undergraduate management and computer programme students. In Exhibit.2 chi-square asymptotic significant value is 0.09 which implies that monthly family income and expenses are not strongly associated with the family monthly income, since the degree of association is only 21.5 %.

Chi-Square Test (Family monthly income vs. Students' monthly Expenses)		
	Value	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.728	0.095
Contingency Coefficient (Symmetric Measure)	0.215	

Exhibit 2 : Family's monthly income vs. Students' monthly Expenses

Male Students usually spend more as compared to their counterparts. In rural areas, parents rather prefer to restrict pocket money to a few rupees only. Researchers wanted to find out whether Gender and Monthly expenses on mobile phone were associated or not. Hence, the H02 was tested.

H02: There is no significant association between the Gender and the Monthly expenses of the undergraduate management and computer programme students.

Chi-Square Test (Gender vs. Monthly Expenses)		
	Value	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.945	.139
Contingency Coefficient (Symmetric Measure)	0.189	

Exhibit 3 : Gender vs. Monthly Expenses

Here, as per Exhibit-3 the Chi-square asymptotic significant value 0.139 is greater than p-value (i.e. 0.05). Hence, there is no significant association between the Gender and the monthly expenses of the undergraduate college students. Symmetric measure for these two variables is 0.189 which indicates that the degree of

association between Gender and monthly expenses are only 18.9%.

a) Preferred Brand of Mobile Handsets

Study revealed that there is strong brand awareness and usage of Nokia mobile phones in rural areas as 66.43% of the undergraduate college students used Nokia mobile handsets while only 18.88% of the students used other brands.

To test the hypothesis Binomial test has applied. Binomial Test is the available statistical tool which tests the proportionality of the variable.

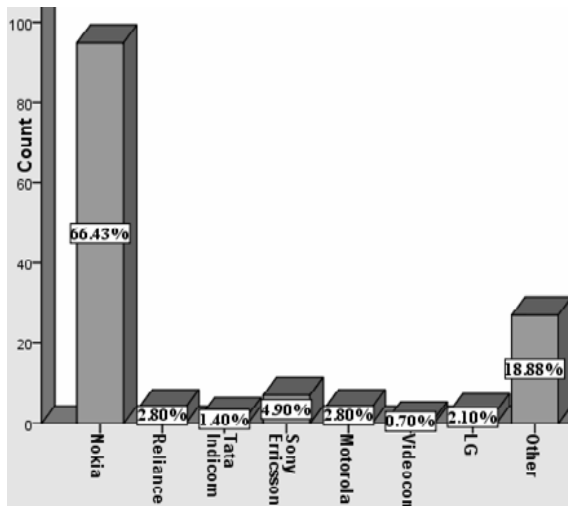


Fig. 1 : Brand Preferences of Mobile Handsets

Exhibit-4 shows that Binomial Test asymptotic significant value is 0.000 which is less than 0.05 (p-value). Thus; there is no statistical evidence to accept the null hypothesis. But if we look at the observed proportion (i.e. 0.68) which is significantly higher than the test proportion (0.5), which demonstrate that more than 50% of the college students use Nokia as their mobile handset. The same can be witnessed in Fig 1 also.

Binomial Test				
	Category	N	Obs. Prop.	Asy.Sig. (2-tailed)
Use of mobile phone	Nokia	128	0.68	.000a
	Others	60	0.32	
	Total	188	1.00	
a. Based on Z Approximation				

Exhibit . 4 : Brand Preferences of Mobile Handsets

b) Preferred Service Provider

Fig 2 points out that 28.67 % respondents used Idea and Vodafone mobile services, while 16.78 % and 13.99 % of the students used Airtel and BSNL's

services. Better coverage, good recall value and positive word of mouth has created a good image of Idea and Vodafone among rural youths of Visnagar area.

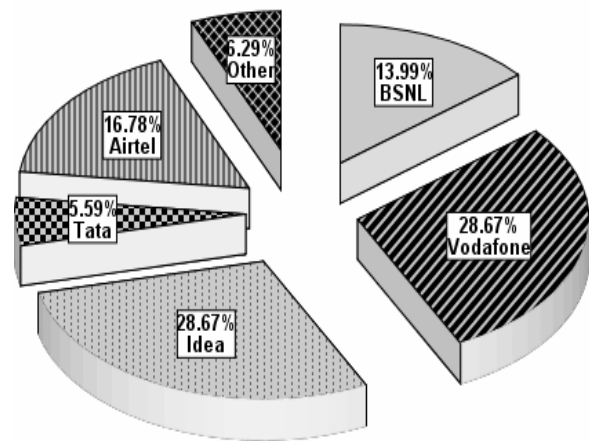


Fig. 2 : Brand Preferences for Service Operators

c) Perceptions Regarding Service Quality of the Operators

H03: More than 85% of the undergraduate college students believe that the quality of services provided by their service provider is good enough. In Exhibit-5, Binomial test statistics asymptotic significant (1-tailed) value is 0.228 which is more than 0.05; hence the null hypothesis is accepted supporting the statement that more than 85% of the respondents believed that the quality of services provided by their mobile operator was good enough.

Binomial Test				
	Category	N	Obs. Prop.	Asy.Sig. (1-tailed)
Quality of services provided by mobile operator	Good	164	.87	.228a
	others	24	.13	
	Total	188	1.00	
a. Based on Z Approximation				

Exhibit .5 : Perception Regarding Service Quality of the Mobile Operators

d) Usage Pattern:

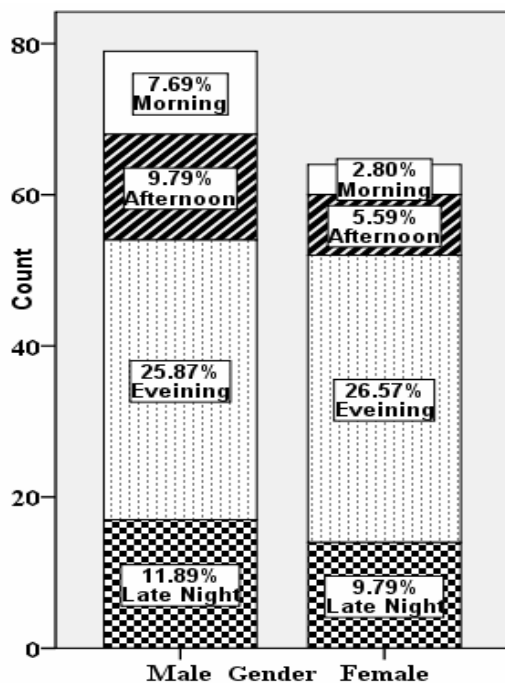
Most of the respondents used mobile phones during evening. Moreover 62.8% of the students replied their monthly expenses were less than Rs.100.

H04: Rural Students use text messaging (SMS) multiple times a day.

t- test	Statistics				One-Sample Test				
					Test Value = 4 (Multiple times a day)				
	N	Mean	Std. D.	t	d.f.	Sig. (2-tailed)	Mean Difference	95% C. I.	
Use of text messaging or SMS service	188	2.97	1.192	11.867	187	.000	-1.032	Lower	Upper
								-1.20	-.86

Exhibit .6 : Use of Text Messaging Services (SMS)

Exhibit-6 indicates that t-test sig. (2-tailed) value is 0.000; hence H04 cannot be accepted. On Further analysis it was revealed that 60.7% female students and 39.3% male students sent SMS just once in a day while 66.7% male students and only 33.3% female students agreed to be using SMS-tool upto five times a day. Hence, it can be generalized that male students send more text messages (SMS) than their female counterparts in rural area of Visnagar.

*Fig .3 : Usual Times for Using Mobile Phone*

Here Fig 3 indicates the time of using mobile phone. It indicates that 37.76% male students and 36.36 % female students used mobile phone in evenings and late nights. However, only 2.8% female students used mobile phone in morning which is very less compared to the male students.

e) Reason for Buying a Mobile Phone

Exhibit 7 illustrates that the rural youths consider mobile phone as an excellent tool for socialising with friends and relatives.

Reason for Buying Mobile Phone Rank	
For Personal safety	Second
Tool for Socialising	First
For Information Access	Third
For Status	Fourth
To impress people	Fifth

Exhibit 7 : Reason for Buying Mobile Phone

This is the primary purpose for using a mobile phone. Female students rated it as a tool for personal safety as one can avail help of parents and relatives incase one is late in returning home in the evening or during the breakdown of the vehicles through which they commute to Visnagar town for their studies.

Analysis also reveals that more female students (56.5%) ranked Personal safety as number 1 as compared to the male students (48%). Moreover, 69% of the female students gave fifth rank to factor 'impressing people'; as compared to male students (59%).

Factors considered while purchasing a mobile phone	Responses	
	N	Percentage
Durability of Battery	102	0.154
Appearance	33	0.05
Price	83	0.125
Additional features available	98	0.148
Resale value	28	0.042
Quality	125	0.189
Service from the company	61	0.092
Availability of service center	37	0.056
Image of company	54	0.082
User-Friendliness	41	0.062
Total	662	1

Exhibit .8 : Factors Considered While Buying Mobile Phone

f) Factors Considered While Buying Mobile Phone

Exhibit 8 indicates that 18.9% of the students consider Quality, 15.4% consider Battery Durability and

14.8 % of the students considered Features available while 12.5 % of the college students considered price, the most desirable factors while purchasing a mobile phone.

g) Common Usage Pattern

As mentioned in Exhibit 9; a majority of the respondents considered mobile as socialising tool so that they can be in touch with their friends and relatives. Students also opined that mobile phones are not just a communication tool but a wholesome entertainer. Study revealed that students considered mobile phones as a multipurpose gadget as they use it for listening to preloaded songs or for watching videos and using Alarmclock given in their mobile phone.

Common mobile usage pattern:	Responses	
	N	Percentage
For Staying in touch with friends /family	167	30.8
Shopping or paying bills	8	1.5
Accessing sports news and current affairs	14	2.6
For Purchasing tickets (movies, sports, etc)	10	1.8
For discussing study related matter	118	21.8
Clock and alarm	86	15.9
Check email and web browsing	41	7.1
Listen to music or radio and video (pre-loaded)	98	18.1
Total	542	100.0

Exhibit .9 : Common Mobile Usage Pattern

VI. CONCLUSION

Mobile phone usage in the rural areas of Visnagar has been hugely accepted by students pursuing their graduation. Data obtained from the study provided baseline information regarding usage patterns and preference for mobile handsets and service operators. Family's income and gender were not the influential factors in mobile phone usage as most of the students spend a meager amount of just Rs. 100 per month. An extremely strong brand preference of Nokia existed in this market which could be a learning lesson for the follower brands like Sony Ericsson, LG and other Indian brands of Mobile handsets. The most used feature of the mobile phone was SMS and the most credible explanation for usage of SMS is that it's cheaper and students with limited financial resources can communicate effectively. These findings are consistent with previous study reported by Bianchi & Phillips

(2005). Findings from the present study also showed that Male students send more text messaging than the female students. Idea and Vodafone have created a good image among the undergraduate management and computer students by providing good services.

VII. MANAGERIAL IMPLICATIONS

The study can help mobile services operators and marketers in positioning their services effectively to the rural population of India. Research of this type is relevant as marketers are always in search of possible factors that may influence consumers of mobile services. The preferences of rural youths studied can be helpful for investigating influence of various parameters for effective positioning and promotion of Mobile handsets and mobile services. The study was carried out before Mobile Number Portability was introduced in India. If the same had been carried out in current context, brand preferences about service operators could have been more specific. Moreover, the findings of this study are very specific and could only be generalised to population with the same characteristics. Despite the limitations, the current study provides scope for new investigations to refine the understanding of mobile phone usage. Further research could investigate other underlying factors that exist within the rural population that could shape their mobile phone usage behaviour. In addition, the consequences of intense mobile phone use could be further explored in terms of aesthetic appeal (shape, colour, external features etc) and overall quality of service operators in India.

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Sustainable Growth Rate Of Textile And Apparel Segment Of The Indian Retail Sector

By Ms. Nirali Pandit, Ms. Rachana Tejani

Chimanbhai Patel Institute of Management and Research, Ahmedabad, India.

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Keywords : *Textile and apparel retail sector, retention rate, profit margin, financial leverage, sustainable growth rate.*

GJMBR-A Classification: JEL Code: L67



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Keywords : Textile and apparel retail sector, retention rate, profit margin, financial leverage, sustainable growth rate.

I. INTRODUCTION

For many years now, evaluators have been considering profits as the key tool to measure business performance. However, next to profits, is the growth rate (a more wholesome tool) which is becoming more famous as a measuring device for financial fitness of an organization. And related to this is the Sustainable Growth Rate (SGR) which is used in mainstream finance to analyze the maximum growth rate in sales that a firm can achieve while maintaining a relatively stable set of financial policies (Higgins, 1977). Sustainable growth rate model can provide an excellent structure to describe the growth path of private retail businesses. In pursuit of the same, the current paper first describes in detail the textile and apparel segment of the Indian retail sector followed with the meaning and utility of sustainable growth rate. The third section of the paper reviews the growth rate in retail sector at global and Indian level. And the last section analyses SGR of selected companies of apparel segment of retail sector in India followed with the discussion of analysis and conclusion drawn on the basis of the same.

About^α : Assistant professor, Chimanbhai Patel Institute of Management and Research, Ahmedabad, India.
(Telephone: 98253 41336 e-mail : niralipandit@gmail.com)

About^Ω : Assistant professor, Chimanbhai Patel Institute of Management and Research, Ahmedabad, India.
(Telephone: 98984 25559 e-mail rachana.101@gmail.com)

II. TEXTILE AND APPAREL SEGMENT OF THE INDIAN RETAIL SECTOR

Traditionally retailing in India can be traced to the emergence of the neighborhood 'kirana' stores catering to the convenience of the consumers. However, in 1980s, India experienced a slow change as it began to open up the economy. During this decade, retailing through big showrooms was only limited to textile and electrical items. But in the latter half of the 1990s, Indian economy saw a fresh wave of entrants with a shift from manufacturers to pure retailers. For example, Food World, Subhiksha and Nilgiris in food and FMCG; Planet M and Music World in music; Crossword and Fountainhead in books plunged into pure retailing. Post 1995 onwards, there was seen an emergence of shopping centers, mainly in urban areas, with facilities like car parking and refreshments, that targeted to provide a complete destination experience for all segments of society. Then there was an emergence of super and hyper marts and at the end of the year 2000 the size of the Indian organized retail industry was around Rs. 13,000 crore. Today, with about 300 new malls, 1500 supermarkets and 325 departmental stores currently being built in the cities across India, the sector contributes 10% of the GDP, and is estimated to show 20% annual growth rate by the end of the decade as against the current growth rate of 8.5%. Some of the players present in the industry are Archies, Bata India Ltd, Big Bazaar, Crossword, Ebony Retail Holdings Ltd., Fabmall, Food Bazaar, Globus Stores Pvt. Ltd., Health and Glow, Liberty Shoes Ltd., MTR Foods Ltd., Music World Entertainment Ltd., Pantaloon Retail India Ltd., Shoppers Stop, Style SPA Furniture Ltd, Subhiksha, Titan Industries, Lifestyle, etc. And yet, there are new entrants like Reliance Retail Ltd, Wal-Mart Stores, Carrefour, Tesco, Boots Group, etc. waiting to penetrate the market. This retail sector comprises of various segments like textile and apparel, food and beverages, consumer durables, home solutions, jewellery and watches, books, music and gifts, pharma and other similar small segments. **But textile and apparel dominates this retail sector with a contribution of 38.9% output.**

With this state of growing textile and apparel retail sector, it becomes important to study whether the retailers in this segment through their malls and hyper marts will survive in the Indian market where the

customer base is still composing of 300 million middle class Indians. The current paper reflects the financial sustainability and sustainable growth rate of the textile and apparel segment of the retail sector of India. This analysis has been done with the help of comparison of profit margin, earning retention rate and financial leverage of retail firms like Trent, Pantaloons, Koutons Retails, Kewal Kiran, Provogue, Vishal Retail, Shoppers Stop and Brandhouse Retails for the duration of last five years from 2005-06 to 2009-10.

III. MEANING AND UTILITY OF SUSTAINABLE GROWTH RATE

The sustainable growth rate model (Higgins 1977) is used in mainstream finance to analyze the maximum growth rate in sales that a firm can achieve while maintaining a relatively stable set of financial policies. Literature in past researches prove that sustainable growth is the rate of growth that is most realistic estimate of the growth in a company's earnings, assuming that the company does not alter its capital structure. In a nutshell, sustainable growth rate, or SGR, is the maximum pace at which a company can grow revenue without depleting its financial resources.

SGR is calculated by multiplying ROE, or return on equity, (using beginning-of period equity) by the company's earnings retention rate (1 – dividend payout ratio). This can be expanded as follows:

$$\begin{aligned} \text{SGR} &= \text{ROE} * \text{Earnings Retention Rate} \\ &= (\text{Profit Margin} * \text{Asset Efficiency} * \text{Capital Structure}) * \text{Retention Rate} \\ &= [(\text{Net Income/Sales}) * (\text{Sales/Assets}) * (\text{Assets/Beginning of Period Equity})] * (1 - \text{Dividend Payout Ratio}) \end{aligned}$$

This metric assumes that over the evaluation period: (1) the company will grow sales as rapidly as market conditions permit; (2) management is unwilling to sell new equity; and (3) the company maintains its current capital structure and dividend policy. As growth requires commensurate increases in assets for support — without equity issuance, any asset increases must be funded with added liabilities or from retained earnings. Thus if financial policies are unchanged, the rate of shareholder equity growth will limit sales growth. The sustainable growth rate is particularly valuable because it combines companies' operating (profit margin and asset efficiency) and financial (capital structure and retention rate) elements into one comprehensive measure. Using SGR, managers and investor can begin to gauge whether the firm's future growth plans are realistic based on their current performance and policy or not. In this way, SGR can provide managers and investors with insight into the levers of corporate growth. Industry structure, trends, and competitive positioning

can then be analyzed to find and exploit specific opportunities.

IV. REVIEW OF GROWTH RATE IN RETAIL SECTOR AT GLOBAL AND INDIAN LEVEL

There is hardly any literature related to an empirical analysis of the potential differences in internal financial ratios across different sized private retail firms using the sustainable growth model (Higgins 1977) as a structural framework. Research work related to retail sector is hindered by the retail industry's lack of definitions. There is no single definition of retail format (Reynolds, 2003) – the term is used both in a generic sense and also to describe the specific offer of a particular retailer. Brown (1986) suggests that retailing as a sector lacks a single common basis for classification. For example, Retail Intelligence gives the following definition of department stores:

"Stores selling a wide range of goods including significant proportions of clothing and household goods, usually on several floors within one building, with sales area over 2,000 sq. m and at least 25 sales employees." (Retail Intelligence, 2000)

As development proceeded in the currently developed world and is proceeding in the developing countries of the world, markets shifted from fragmented local markets to larger centralized markets. The intermediaries or the channels between the customer and the manufacturer started diminishing. It was the beginning of the introduction of a new sector in an economy called the "Retail Sector". It started first in food industry and now can be seen worldwide even in the apparel segment.

The concept has its roots in the government intervention policy in grain wholesale and even retail marketing, such as Fair-Price shops in India and the Foodstuff Stores in China (Reardon et al, 2003). This intervention gradually continued till it developed into the recent rise of supermarkets to be dominated by Mom and Pop stores, street fairs, central markets and now huge shopping malls, each covering more than hundreds of acres of land. Supermarket operators are often perceived as the easiest to classify retail sector since they have been one of the most familiar retail formats around and appear to lend themselves readily to analysis (Reynolds et al., 2003). However there are various retail-formats of a single firm too, for example, Tesco. Supermarkets of retail business has become very famous across the globe because of its distinct winning features like 'one-stop shop' criterion, convenience, service, low-price offers and the like.

From the earliest to the latest adopters of supermarkets the regions range from Latin America to Asia to Africa, roughly reflecting the ordering of income,

urbanization and infrastructure and policy that favour supermarket growth. However, the performance and growth of retail sector in the apparel segment has hardly been empirically analyzed. For example Reynolds et al. (2003) studied the consequences for the measurement of efficiency and performance of retail sector through an interview with UK clothing-retailer, who pointed out that, "Isn't efficiency (and productivity) all wrapped up in your brand positioning and therefore not really something for anyone to comment on? If French Connection wants to sell higher-priced things and spends lots of money on advertising – that's one brand positioning. If we are a value retailer – that's another brand positioning. Then perhaps it makes sense to disaggregate very simply by looking at higher-priced brands separately from value-priced brands? That might help to see whether selling more things at lower prices generates more efficiency than selling fewer things at higher prices". Several recent studies have made cross country comparisons of retail sector productivity. Most of the efficiency measurement studies related to retail sector have used labour productivity as a main tool to study the sector's efficiency. According to official Bureau of Labor Statistics' (BLS) statistics, the retail trade sector exhibited robust labor productivity growth over the 1990s (about 14 percent over a 10 year horizon). This labor productivity growth could reflect common productivity gains shared by all or most businesses in the sector so that reallocation dynamics are not particularly important.

Another robust international comparison of productivity in retail sector is the use of Purchasing Power Parity (PPP). But it had its own limitations of differences in service levels of various countries. Moreover, differences in labour productivity in different countries may be affected by differences in the use of other inputs or investment in physical capital etc. Thus, a broader approach to making retail sector productivity comparisons attempts to define and measure differences in the various inputs which contribute to output either at the individual firm level or in an aggregate of firms. The economic value of a sector's output is defined explicitly, as is (ideally) the economic cost of buying the inputs which generate that output (Reynolds, 2003). Recently economists and statisticians have taken to using firm-level data in an attempt to understand aspects of the retail productivity 'problem' that appear in top-down approaches. However, the quantity and quality of information available to measure firm or establishment productivity in the retail sector is much poorer than in manufacturing (Doms, Jarmin & Klimek, 2001). Another criteria used to assess retail sector efficiency is based on entry and exit of the firms. At the store level (rather than at the level of the firm), early studies in the US seemed to show that virtually all of the productivity growth in US retail trade during the 1990s was accounted for by more productive entering

establishments over much less productive exiting establishments (Foster, Haltiwanger & Krizan, 2002).

However, from the retailer's or stakeholder's point of view, the efficiency and growth assessment of the retail sector should be by targeting sales, product range, service levels, availability, customer satisfaction (price-value-service-convenience components), employee contribution (often measured in terms of labour turnover) and operating & financial performance. Recent research by Vos et al (2007) suggests that, in general, enterprises whether belonging to retail sector or not, do not seek growth beyond their ability to control and sustain the business. Ou and Haynes (2003) found that most medium sized enterprises rely on internal sources of funds as opposed to external capital in financing their businesses operations. But one of the most important concepts spread through the corporate finance and strategic planning communities is the self-sustainable rate of growth. That is, the maximum rate at which the firm can grow without sales of new common equity. More than growth, the concept of sustainable growth rate has gained special prominence as an indicator of a firm's strategic robustness. A firm that has a high sustainable growth rate can execute its business strategy without having to dilute the interests of existing shareholders, and depicts how well a particular company manages its total investment or assets in pursuit of its strategic objectives. Sustainable organizations in the retail sector have the structure and incentives to repeat transactions.

Ahmed (2001) has suggested some indicators of financial sustainability like ratios, operating efficiency ratios and portfolio quality ratio. Most of the literature on financial sustainability deals with sustainability of MFIs, NGOs or immunization financing. Not much work has been done related to financial sustainability or sustainable growth rate related to retail sector or manufacturing sector or corporate service sector.

To bring about growth, The McKinsey Global Institute (2001) attributes much of the drive to adopt new technologies and organization practices in retail trade to the influence of one company, Wal-Mart. McKinsey finds that the competitive pressure of Wal-Mart encouraged other retailers to adopt its technological and organizational best practices. This growth performance is related to the combination of profitability, retention rate, asset turnover and financial leverage. If all these are stable and then show an upward movement over a period of time then it can be said that the company is utilizing its assets to the fullest and is being able to convert its earnings into more and more sales, thus, experiencing a sustainable growth rate. Thus, in order to bring about a sustainable growth in a business, generally there were many ideologies and strategies adopted by the firms. A few of them were joint ventures, increasing sales in existing markets, franchising, attracting angel investors, creating an international

market plan, explode sales with internet marketing campaign, innovate the product or service, diversify or export. These somewhere involved more of equity raising. While there were other strategies that involved more of debt raising and not liquidating the ownership of the firm. But it has always been up to the entrepreneur to choose an appropriate strategy for maintaining a sustainable growth rate in accordance to his/her size of the business.

Thus, the review of the past work that has been done by various researchers highlights many financial as well as non-financial parameters to assess the growth and efficiency of the retail sector. But it is practically quite impossible to get the required data, as most data related to small and medium sized firms of

retail (or any other sector), is grossly under-documented or not documented at all. Thus, keeping in mind such limitations the current paper uses SGR as the assessment tool for judging sector-efficiency and performance.

V. ANALYSIS OF SUSTAINABLE GROWTH RATE OF APPAREL SEGMENT OF RETAIL SECTOR IN INDIA

Analysis of seven retailing companies of the retail sector has been done here. This analysis is based on sustainable growth rate analysis.

Table 1: Particulars Of Sustainable Growth Rate Of Retail Companies For A Period Of March 2005-06 To March 2009-10

PARTICULARS	TRENT	PANTALOON S	KOUTON S	KEWAL KIRAN	PROVOGU E	SHOPPER S STOP	VISHAL RETAIL	BRANDHOUS E RETAILS
Sales (S) (Net Sales after excise)	477.53 2	4725.66	720.93	140.31 4	313.73	1100.052	878.98 2	316.514
PAT (Reported net profit)	30.794	126.052	55.708	19.664	23.064	9.358	-75.478	8.592
Dividend (DIV)	11.568	10.726	0.734	4.192	2.908	4.17	0	0
Retained Earnings (RE)	19.226	115.326	54.974	15.472	20.156	5.188	-75.478	8.592
Net Worth (NW)	503.04	1698.87	292.59	142.26 4	416.706	280.756	83.026	76.926
Debt (D)	122.61 2	1665.87	392.56	20.814	124.194	148.758	469.62 2	71.006
Net Asset (NA) = D+NW	625.65 2	3364.75	685.14	163.07 8	540.9	429.514	552.64 8	147.932

(Source: www.moneycontrol.com)

Table 2: Calculation Of Sustainable Growth Rate Of Retail Companies For A Period Of March 2005-06 To March 2009-10

	TRENT	PANTALOON S	KOUTON S	KEWAL KIRAN	PROVOGU E	SHOPPERS STOP	VISHAL RETAIL	BRANDHOUS E RETAILS
ACTIVITY	0.8160 6	1.45866	1.2727	0.85146 4	0.677022	2.50538088 3	1.74183 6	2.14258543
LIQUIDITY	6.4853 4	2.82792	8.0124	13.7975 8	7.545515	1.30193590 1	- 5.38828 5	2.765516548
LEVERAGE	1.2366 7	2.05509	2.5616	1.14904 1	1.336145	1.53881376 4	2.11799 7	1.617510767
ROE	0.0658	0.08537	0.2834	0.13546 2	0.069702	0.02038567 8	0.30763 3	0.103105172
PROFITABILITY	61.933 3	91.4004	99.082	79.1385 1	86.83374	75.1149776 4	100	100
SGR	4.1104 4	7.80232	28.168	10.7109 9	5.986997	0.61073023 4	30.7632 6	10.31051716

(Authors calculations)

The above table shows the SGR of eight Indian retail sector companies from apparel segment. Each company reflects its own peculiar growth rate. But each firm of the sector can be considered to have a sustainable growth rate only if the profits, activities, leverage, and liquidity are managed in such a way that they grow at the rate of the growth rate of SGR. Otherwise, their assets and funds are either over or underutilized, which is unhealthy for the survival of the firm and thus the sector. For example, sales of the firms in this sector are above the SGR. It means that the funds are excess and may lie idle. They should be channelized into higher activity or leverage.

Consistently SGR exceeding actual sales growth rate can prove to be detrimental to the company's health. The options available to them are either they decrease their actual growth rate or they work on improving the SGR by increasing profitability, leverage, retention rate or operational efficiency by improving the asset utilization or decreasing costs. For example, the sales growth of firms like Shoppers Stop, Brandhouse Retail and Provogue is almost more than 50 times higher than their SGR while this difference is narrower in case of the remaining. It means these still can rectify on management of liquidity by optimum asset utilization or investments and asset building and grow at a sustainable rate.

In order to move up the ladder, firms in retail sector can even plough back more profits than they are doing currently. This will give the firm an opportunity to survive on internal funds without looking at outside equity. Though asset turnover ratio is sound in case of most of the firms, it needs to improve its asset utilization by various innovative business management practices. In case of Pantaloons and Provogue, though their sales have increased, assets also have steadily increased. Hence, the asset turnover ratio is low, which means that assets are underutilized for sales. Efforts should be made to increase sales with the same level of asset base. Remaining components of leverage, profit margin and retention rate are quite in line of growth with the industry standards. However, all these firms can grow at sustainable rate by a planned expansion of business with wide network of exclusive brand outlets, low-cost sourcing abilities, merchandising expertise; wide apparel range, IT infrastructure and robust growth in terms of regions covered.

VI. CONCLUSION AND RECOMMENDATIONS

The firms in the retail sector are experiencing quite a robust growth rate. But this growth can be considered to be positive only if the overall growth is increasing at the rate of SGR. If it is not the case then the unrestrained growth may lead to less than optimal

performance or even financial distress in the firms. Therefore, to survive this growth as well as sustain it, they need to concentrate on factors that have an effect on increasing sales even in the longer run. Retail – is a sector where the key business attributes are manpower (as it is a service industry) and customer satisfaction. The firms can experience growth by increasing manpower productivity. This in turn will increase the sales. The earnings from revenue should be utilized for further investment in increasing more number of retail outlets, providing a higher variety of products or brands under the same roof, improving infrastructure in terms of wider space and appealing ambience. This will attract more customers and improve the sales number thus, in turn, increasing profitability and growth. However, the fact that their SGR is growing to meet this standard calls upon their effort to make appropriate changes in the components of SGR. But this is possible only in case the firms identify the fact that there is an abnormal gap between SGR and sales growth and this gap needs to be narrowed more effectively by maneuvering asset activity and leverage.

If the firms want to maintain an orderly growth then there should be a consistent level in profit margins, asset turnover, leverage, and retained earnings and they should grow their sales by the SGR. If sustainable growth is less than actual growth over a protracted period, the company cannot sustain such activity without "funding" that growth. Either they need to plough more profits into the company, increase net profit margin or turnover performance, or "fund" from risky sources, such as increasing the debt level. When sustainable growth is greater than actual growth, the company has the potential of boosting growth by diverting the share of profits to stakeholders. Another view point of performance assessment of the sector is number of new firm entries into and exit from the market. The Indian retail scenario is such in the last five years there have been exit of firms like Subhiksha, Spencer, More For You (Aditya Birla group) and Vishal Retail is almost on the verge of exit. On the other hand, there is only one firm that is Brandhouse Retail that has been in new entrant in the last six years. Thus, it will not be unsafe to say that Indian retail sector is highly competitive and the member firms have to struggle hard to survive in the same. From the sector point of view, 2009 Global Retail Development Index findings, A. T. Kearney Study, India is ranked number one followed by Russia and China for being the most attractive country for retail investment. Thus, it tops the list of the most attractive emerging markets. Thus looking at the overall upbeat industry performance in terms of higher profit margins and increased investments the firms in this industry are also expected to have higher SGR and perform well.

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The Assessment Of Company's Information Usefulness To Receive Bank Facilities

By Akbar Allahyari, Hassan Heidari Bali, Morteza Ramazani

Payame Noor University, Zanzan, Iran.

Abstracts - In this research we have studied the effective factors which Iranian banks consider them as a source of granting bank facilities in which four independent variables (general information of the companies, audit report, reserve fund and the activity continuance of companies demanding bank facilities) have been used in the research process. The research method is descriptive – survey in order to gather data we distributed special questionnaire among management and experts who grant bank facilities. Then to test the research hypothesis we used T test, Friedman to get uniformity of the variables importance and Pearson correlation test. In final section some recommendations have been presented to facilitate the granting process of bank facilities.

Keywords : *Facilities, general information, audit report, reserve fund, Iran.*

GJMBR Classification: *JEL Code: G20, G21, G24, G33*



Strictly as per the compliance and regulations of:



The Assessment Of Company's Information Usefulness To Receive Bank Facilities

(Case Study of Iranian Banks)

Akbar Allahyari^α, Hassan Heidari Bali^Ω, Morteza Ramazani^β

Abstract : In this research we have studied the effective factors which Iranian banks consider them as a source of granting bank facilities in which four independent variables (general information of the companies, audit report, reserve fund and the activity continuance of companies demanding bank facilities) have been used in the research process. The research method is descriptive – survey in order to gather data we distributed special questionnaire among management and experts who grant bank facilities. Then to test the research hypothesis we used T test, Friedman to get uniformity of the variables importance and Pearson correlation test. In final section some recommendations have been presented to facilitate the granting process of bank facilities.

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1. INTRODUCTION

Competition between companies for developing process of performance has made it difficult to control the process in which banks and companies have interaction it each other in granting and receiving facilities. This is a problem which banks are married about, because first, they are not able to control the companies which receive facilities and secondly, it is difficult for them to predict and evaluate the financial conditions of these companies or it is impossible for them. Then it is defiant to make decision in this situation in this study we utilized four variables which have great importance for banks in granting facilities, these variables are as follow:

1. The general information of companies

The general information of company includes financial position statement, the relation between banks and companies, the nature of companies activities, the managers performance quality, the view, submit to the banks in turn of granting facilities are evaluated based on companies performance. In this study we reviewed the general information of companies demanding bank facilities, from the view point of Iranian banks.

About^α : Faculty Member of Payame Noor University, Abhar Center, Zanjan, Iran

About^Ω : Faculty Member of Payame Noor University, Kalebast Branch, Mazandaran, Iran

About^β : Islamic Azad University, Zanjan Branch, Zanjan, Iran, E-Mail: Mortezaramazani@ymail.com

2. The Audit Report of Companies

The audit report demonstrates the accuracy of company's financial statements which the banks use them to grant facilities the satisfactoriness of this report has great importance in this research in which we have listed four items to obtain the satisfactoriness of the audit report. These items are as follow:

- Accuracy and correctness
- Detailed description of the report
- Report details
- Designed data

Banks dissatisfaction with audit report relates to the less of four items as follow in which we have shown the importance of these items in table (1) from the view points of Iranian banks.

Table, NO.1				
Description Factors	Frequency	Percent	Valid Percent	Cumulati ve Percent
Accuracy and correctness	47	31.33	31.33	31.33
Detailed description of the report	17	11.33	11.33	42.67
Report details	58	38.67	38.67	81.33
Designed data	28	18.67	18.67	100.00
Total	150	100	100	

3. Reserve Fund

The Reserve fund should be considered in order to reinforce the financial basis in protection of the company against possible and exceptional losses in future. In general, the Reserve fund are not obligatory in comparisons with legal reserve then the rate of this fund is defined in constitution or general association of stock owner, therefore it is enforceable. An account set aside by an individual or business to meet any unexpected costs that may arise in the future as well as the future costs of upkeep. In most cases, the fund is simply a

savings account or another highly liquid asset, as it is impossible to predict when an unexpected cost may arise. However, if the fund is set up to meet the costs of scheduled upgrades, less liquid assets may be used.

Reserve funds are also established by governments, financial institutions, and private households. The size of such a fund can vary, but the general goal is to deposit funds into the reserve on a regular basis so that they will accrue interest and allow the fund to grow with time. When expenses arise, they can be paid out of the reserve fund, rather than forcing people to struggle to meet expenses with general funds.

II. LITERATURE REVIEW

According to economic theory the demand for accounting and financial information arises from information asymmetry and agency conflicts between managers and outside investors. Firms provide disclosure especially through annual reports and interim reports. In the most developed and efficient financial markets there are many ways to enhance the credibility of reported financial statements, such as regulation and private information production – engaged by standard setters, auditors and other information intermediaries (financial analysts, rating agencies and so on). But the credibility of financial statements is not sufficient; information's have to be also relevant, that is useful for the investor's portfolio choices. Accounting research agrees that regulated financial reports provide new and relevant information to investors. Several studies document that the value of regulated accounting data varies systematically based on the firm and country characteristics.

Moreover, according to Raffournier (1990), it's easy in this conditions to show that creditors and shareholders are also committed in a contractual relation because the first ones confide to the second resources in exchange of promise of payment and refund when due.

The reason that many empirical studies (Chow, 1982; Alice, 2005), were able to explain the demand of the audit by the importance of the costs of agency and the resolution of those conflicts within the firm. During the evaluation of the file of credit of the company applicant for a loan, the bank takes several types of risks to lead analysis of the company concerned, before and after the execution of the loan agreement through its various sources of available information (Diallo, 2006). Besides, the synthesis of results and the newest studies which are made showed that a qualified audit report indicates a high risk and reflect a doubt concerning the financial contents which can influence the evaluation of users and lenders (Fargher and Wilkins, 1998; Melumad and Ziv, 1997; Seipel and Tunnel 2000; Sharma and Sidhu, 2001). Finally, other researches like Ball et al. (1979), Mittelstead et al. (1992)

and Pucheta et al. (2004), show no particular reaction of markets to the publication of audit reports with qualification. Even, Jun Lin et al. (2003) show that the qualification of audit report has weak informative contents for the Chinese users and it is necessary to improve the principles and standards practices of the profession. Also, Estes and Reimer (1977) their empirical results prove that the credit officers are not influenced by the opinion of audit "expect for". In fact, Bessell et al. (2003) argue that a qualification of auditor opinion does not increase in a significant way the risk perceived by neither financial analysts nor the financial decision-making.

III. HISTORY OF BANKING IN IRAN

Documents that government ownership of banks is pervasive worldwide. In 1995 state ownership in the banking industry around the world averaged about 41.6% percent (38.5% if we exclude former socialist countries). Mayer (1990) shows that bank financing is the main source of outside financing in all countries. Yet despite the prevalence of government-owned banks in many countries, the prominent role of bank financing, and the importance of efficient financial markets for growth, there is very little evidence on how government ownership affects bank lending.

Banking operations had been carried out in Iran by temples and princes before the advent of Achaemenid dynasty by government. In that period, trade boomed in the country, thus giving a boost to banking. Before a bank in its present form was established in the country, banking operations had been carried out in traditional forms in the form of money changing. Money changing began to decline with the establishment of New East Bank, an originally British owned bank in the country in 1850. Bank Sepah was the first bank to be established with Iranian capitals in 1925 under the name of Bank Pahlavi Qoshun, in order to handle the financial affairs of the military personnel and set up their retirement fund. The primary capital of the bank was 388,395 Tomans. In the spring of 1979, all Iranian banks were nationalized and banking laws changed with the approval of the new interest free Islamic banking regulations. Before a bank in its present form was established in Iran, banking operations had been carried out in traditional form, or in other words in the form of money changing. Simultaneous with promotion of trade and business in the country, more people chose money changing as their occupation. Following a boost in trade and use of bank notes and coins in trade during the Parthian and Sassanian eras, exchange of coins and hard currencies began in the country. Some people also managed to specialize in determining the purity of coins. Bank notes and gold coins were first used in the country following the conquest of Lidi by Achaemenid king Darius in 516 B.C.

At that time, a gold coin called Derick was minted as the Iranian currency. During the Parthian and Sassanian eras, both Iranian and foreign coins were used in trade in the country. However, with the advent of Islam in Iran, money changing and use of bank notes and coins in trade faced stagnation because the new religion forbade interest in dealing. In the course of Mongol rule over Iran, a bank note which was an imitation of Chinese bank notes was put in circulation. The bank notes, called Chav bore the picture and name of Keikhatu. On one side of the bank notes there was the following sentence: "Anybody who does not Besides Chav, other bank notes were used for a certain period of time in other Iranian cities and then got out of circulation. Before the printing of first bank notes by the Bank Shahanshahi (Imperial Bank), a kind of credit card called Bijak had been issued by money dealers. As mentioned before, money changing got out of fashion with the advent of Islam under which usury is strictly forbidden.

The New East Bank establishment 1850 and it was in fact the first banking institute in its present form established in Iran. It laid the foundation of banking operations in the country. It was a British bank whose headquarters was in London. The bank was established by the British without receiving any concession from the Iranian government. The New East Bank allowed individuals to open accounts, deposit their money with the bank and draw checks. It was at this time that people began to draw checks in their dealings. In order to compete with money dealers, the bank paid interest on the fixed deposits and current accounts of its clients. The head office of the bank in Tehran issued five 'qeran' bank notes in the form of drafts. According to a concession granted by the Iranian government to Baron Julius De Reuter in 1885, Bank Shahanshahi (Imperial Bank) was established. This bank purchased the properties and assets of the New East Bank, thus putting an end to the banking operations of the former. The activities of Bank Shahanshahi ranged from trade transactions, printing bank notes, and serving as the treasurer of the Iranian government at home and abroad in return for piecemeal wage. In return for receiving this concession, Reuter obliged to pay six percent of the annual net income of the bank, providing that the sum should not be less than 4,000 pounds, and 16 percent of incomes from other concessions to the Iranian government. The legal center of the bank was in London and it was subject to the British laws but its activities were centered in Tehran.

In 1209 (lunar hejira), the right of printing bank notes was purchased from Bank Shahanshahi for a sum of 200,000 pounds and ceded to the Bank Melli of Iran. Bank Shahanshahi continued its activities until 1948 when its name was changed into Bank of Britain in Iran and Middle East. The activities of the bank continued until 1952. In 1269 (l.h.), a Russian national by the name of Jacquet Polyakov, received a concession from the

then government of Iran for establishment of Bank Esteqrazi for 75 year. Besides, banking and mortgage operations, the bank had an exclusive right of public auction. In 1898 the Tzarist government of Russia bought all shares of the bank for its political ends. Under a contract signed with Iran, the bank was transferred to the Iranian government in 1920. The bank continued its activities under the name of Bank Iran until 1933 when it was incorporated into the Bank Keshavarzi (Agriculture Bank).

Bank Sepah was the first bank to be established with Iranian capitals in 1925 under the name of Bank Pahlavi Qoshun, in order to handle the financial affairs of the military personnel and set up their retirement fund. With Bank Sepah opening its branches in major Iranian cities, the bank began carrying financial operations such as opening of current accounts and transfer of money across the country. The Iran-Russia Bank was formed by the government of the former Soviet Union in 1926 with an aim of facilitating trade exchanges between the two countries.

The headquarters of the bank was in Tehran with some branches being inaugurated in northern parts of the country. The bank dealt with financial affairs of institutes affiliated to the government of the former Soviet Union and trade exchanges between the two countries. The activities of this bank, which were subject to Iranian banking regulations, continued until 1979. In that year, this bank along with 27 other state-owned or private banks was nationalized under a decision approved by the Revolutionary Council of the Islamic Republic of Iran.

The proposal to establish a national Iranian bank was first offered by a big money dealer to Qajar king Nasereddin Shah before the Constitutional Revolution. But the Qajar king did not pay much attention to the proposal. However, with the establishment of constitutional rule in the country, the idea of setting up a national Iranian bank in order to reduce political and economic influence of foreigners gained strength and at last in December 1906 the establishment of the bank was announced and its articles of association compiled.

In April 1927, the Iranian Parliament gave final approval to the law allowing the establishment of Bank Melli of Iran. But, due to some problems the Cabinet ministers and the parliament's financial commission approved the articles of association of the bank in the spring of 1928. The Central Bank of Iran was established in 1928, tasked with trade activities and other operations (acting as the treasurer of the government, printing bank notes, enforcing monetary and financial policies and so on). The duties of the CBI included making transactions on behalf of the government, controlling trade banks, determining supply of money, foreign exchange protective measures and so on.

In June 1979, Iranian banks were nationalized and banking regulations changed with the approval of the Islamic banking law (interest free), and the role of banks in accelerating trade deals, rendering services to clients, collecting deposits, offering credits to applicants on the basis of the CBI's policies and so on was strengthened. In short now days there are currently around seventeen commercial banks in Iran, of which eleven are state-owned and six are privately owned which all the banks must follow Islamic banking principles whereby usury is forbidden and, rather than AIRs, profit rates are set on deposits and expected rates of profit on facilities are set on loans. In terms of both assets and capital, the banking sector is dominated by Bank Melli Iran (National Bank of Iran). In recent years, six privately owned banks, Bank Kafarin, Bank Parsian, Bank Eqtesad-e-Novin Bank Saman, Bank Pasargad and Bank Sarmaye have commenced operations in Iran for the first time since the nationalization of the Iranian banking sector in 1952.

IV. ECONOMIC AND FINANCIAL ENVIRONMENT IN IRAN

Iran is situated in west Asia, in a region commonly referred to as the Middle East, and has a population of over 60 million. It is relatively rich in natural resources with large oil and gas reserves. However, it remains a developing country.² At the time of the 1979 Islamic revolution, Iran had enjoyed almost two decades of rapid economic growth as well as huge changes in its social structures. The country attracted a number of multinational companies, some of which were listed on the Tehran Stock Exchange. After the Islamic revolution occurred, Iran changed course dramatically and established new social, economic and political structures. Instabilities arose in the redirection of political power with the overthrow of the Shah's regime and the installation of the Islamic Republic of Iran. Under the Islamic regime, developmental policies have sought to achieve the multiple objectives of social justice, modernization, and 'politically correct' Islamic institutions. These changes provide the background for the study of environmental factors on the accounting profession and practice in Iran (Dehesh, 1994).

High quality accounting systems provide comparable, reliable and relevant information for decision makers and are vital in opening emerging economies and gaining access to global capital markets (Saudagaran, 2004). Unlike the accounting systems of most developing countries, which were once ruled by a colonial power, the Iranian accounting system was influenced by Germany, the UK, and the US. According to Khodadoust (1975), the accounting systems of many Iranian industrial enterprises generate a huge amount of financial information that is rarely used for anything but annual reports for shareholders and tax authorities.

Post-revolution, Iran faced two different processes of structural change – nationalization immediately following the 1979 revolution and privatization later in the 1980s.³ financial reporting has gained importance in Iranian companies following international pressures from the World Bank and the IMF in connection with privatization. Though the working of the stock market is essential to facilitate increased private sector participation in Iran's economic development and growth, the stock market has so far failed to restore the role of the private sector. Akhavi-Pour (1994) explores the reasons for the failure of the stock market in post-revolutionary Iran. He cites information asymmetries resulting from the lack of adequate disclosure by companies as crucial factors. In recent years, privatization of economic entities in Iran has enhanced the need for publicly available financial information. If firms are looking for capital from the public they need to provide adequate levels of disclosure in their financial reports to inspire investor confidence. Therefore, an important research issue on Iranian accounting is to identify financial reporting variables that are considered essential for economic decision making by a broad spectrum of financial statement users in Iran. Given the paucity of accounting research on Iran, we provide evidence on the perceptions of these users.

Prior to 1979, financial reporting in Iran was influenced heavily by Anglo-American practices. There were no national accounting standards and disclosure requirements were based on tax law, corporate law, and stock exchange regulations. The tax law required firms to prepare a balance sheet, income statement, and a list of shareholders (with their holdings). The tax law also prescribed a set format for reporting tax-deductible expenses, computing depreciation, and accounting policies related to certain expenses. The main disclosure requirements of the corporate law were contained in Section X of the 1969 Amendment to the Commercial Code with Articles 232–242 specifying the rules for preparing financial statements, disclosing any changes in accounting methods, contingent expenditure and the required methods of depreciation. In 1970, the Iranian Official Accountants Institute was decreed by the tax law, and Official Accountants were in charge of verifying the tax liability reported in financial statements. From 1966 to 1978, there were requirements for corporate financial statements to be audited. For example, the regulations of the Tehran Stock Exchange required that publicly traded companies have their financial statements audited by Official Accountants. Therefore, all the Big Eight international accounting firms in Iran had Official Accountants in their employ. In the 1960s and 1970s, the public accounting profession in Iran was dominated by the Big Eight. While there was an emerging cadre of local and Western trained Iranian accountants, the Big Eight tended to be dominated by

expatriates from the United Kingdom, United States, and South Africa. This contributed to accounting and auditing in Iran being influenced by foreign practices. However, these developments were ad hoc and there was no systematic structure in place either for setting national accounting standards or for adopting International Accounting Standards.

In 1980, following the Iranian revolution, an amendment to the Direct Tax Law disbanded the Official Accountants Institute. The public sector's control and ownership of previously private enterprises made necessary the establishment of audit enterprises for managing business entities expropriated by the government. Therefore, during 1980–1982 audit enterprises like the Budget, Planning and National Industries Organization were established by the government. These new organizations recruited a large number of accountants who were previously employed with private auditing firms. In 1987, following the merger of the public sector audit entities, the Audit Organization was established as the sole auditor of organizations with public ownership and also as the only regulatory body for national accounting and auditing standards. The Research Centre of the Auditing and Accounting Profession (RCAAP) within the Audit Organization is an official body that has taken a leading role in shaping the regulatory environment. RCAAP has started the translation and publication of selected International Accounting Standards (IASs) and International Standards on Auditing (ISAs).

Since 1997 there have been some changes in the accounting environment. The Audit Organization formulated accounting standards on the basis of IASs. One of the responsibilities of the Audit Organization was to release a comparative table that presents National Accounting Standards (NASs) with IASs. It also specifies NASs that have minor departures from IASs. By 1997, the Audit Organization had codified and published National Standards on Auditing (NSAs) based on ISAs. The Iranian Association of Certified Public Accountants (IACPA) was established in 2001 as an independent professional body.

V. RESEARCH HYPOTHESES

1. In view of Iranian banks, the general information of company demanding facilities has great importance decision making process to apply bank facilities!
2. In view of Iranian banks, the audit report of company demanding facilities has great importance decision making process to apply bank facilities!
3. In view of Iranian banks, the Reserve fund of company demanding facilities has great importance decision making process to apply bank facilities!
4. In view of Iranian banks, the activity continuation of company demanding facilities has great importance decision making process to apply bank facilities!

5. Four research independent variables have the same degree of importance in the process of decision making to great facilities made by Iranian banks!
6. There is a direct correlation among four variables of research!
 - 6.a- There is a direct correlation between the first variable (general information) and other three variables!
 - 6.b- There is a direct correlation between the second variable (audit report) and other three variables!
 - 6.c- There is a direct correlation between the third variable (Precautionary Saving) and other three variables!
 - 6.d- There is a direct correlation between the forth variable (activity continuance) and other three variables!

VI. RESEARCH OBJECTIVES

This research tries to assess the importance of companies' information in decision making process to grant bank facilities performed by Iranian banks. The objectives of this research as follow:

1. To determine the banks information needs which must be obtained from facilities demanding companies.
2. Providing suitable audit report of the companies in order to make decision on granting banks facilities.
3. Providing suitable solution to accelerate banks facilities received by companies.
4. Providing suggestions for auditors to compile as suitable audit report to make decision on granting facilities.

VII. RESEARCH METHODOLOGY

The research method in this paper is descriptive – survey and in general, the main in dependent variables are as fallow: general information of company, audit report, reserve fund, activity continuance all the above mentioned variables have been winder field studying to achieve the objectives of the research. The present research is applied one, because it investigates the way in which each of the in dependent variables facilitates the process of receiving banks facilities by Iranian companies.

a) *Data gathering method*

In this research two kinds of data, primary and secondary, have been utilized as a source of data gathering. For secondary data, all documents, registered statistics, books, articles, specialized journals and associated web sites have been used. Two technical, questionnaire and interview, have been used simultaneously in gathering primary data and meanwhile to verify and assert data accuracy.

b) *Statistical Society*

The statistical society in this research includes banks and credit institutions. They were selected based on non-random sampling and judgment methods in terms of 150 banks and credit institutions.

c) *Data Analysis Method*

In this research the data processing is done based on descriptive statistic method. To analyze data some deductive statistic methods have been in research variable testing, the correlation between independent variables and their equality are evaluated of Friedman test in which this correlation is associated with Pearson Correlation coefficient.

d) *T Test*

Based on uni-sample T-test, all research hypotheses have been tested. In this test we considered the theoretical and practical comparison. The theoretical mean is the average of the codes 3 pacified to the options of any question in which this average value is equal to 3. If the observed mean is meaningful less than theoretical mean, then the test formula as follow:

$$t = \frac{\bar{X} - \mu_0}{S_{\bar{X}}}$$

Where \bar{X} is Sample - Mean $S_{\bar{X}}$ the Standard Error of \bar{X} which measured as $S_{\bar{X}} = \frac{s}{\sqrt{n}}$

e) *Friedman Test*

This test used to compare group based on their mean degrees and determine that F these groups are obtained from one society or not? The scale in this test must, at least, be in grade. This test is the non parametric corresponding type of Friedman test and typically is used instead of F in grade scales and replaces it. There is some homomorphism of variances which is considered less in the grade scales.

f) *Pearson Correlation Test*

This test means the determination of statistical fool correlation to define the type and degree of a quantitative variable with other quantitative variable (with other one). The coefficient of correlation is one of the standards used to determine correlation. The coefficient of correlation indicates the intensity of the relation and also the type of relation (direct and reverse). This coefficient varies between 1 and -1 mean while it is equal zero if there is not any relation between two variables Pearson correlation coefficient (r) is formulated as follow:

$$r = \frac{\sum xy - \bar{n}xy}{\sqrt{\sum x^2} \sqrt{\sum y^2 - ny^2}}$$

VIII. RESULTS AND ANALYSIS

Testing of First Hypothesis

$$H_0: \mu \neq 3$$

$$H_1: \mu = < 3$$

Considering the statistical value (T), -35.459, df 149 and P-Value= 0.000 less than 5%, the assumption of H_0 is reject and the assumption of H_1 is accepted in meaningfulness level of 5% (Table, No.2).

Testing of Second Hypothesis

$$H_0: \mu \neq 3$$

$$H_1: \mu = < 3$$

Considering the statistical value (T), -19.651, df 149 and P-Value= 0.000 less than 5%, the assumption of H_0 is reject and the assumption of H_1 is accepted in meaningfulness level of 5% (Table, No.2).

Testing of Third Hypothesis

$$H_0: \mu \neq 3$$

$$H_1: \mu = < 3$$

Table, No.2

Table, No.2							
Description Hypotheses	Test Value = 3						Result
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference		
					Lower	Upper	
H1	-35.459	149	.000	-1.28111	-1.3525	-1.2097	Accept
H2	-19.651	149	.000	-.69444	-.7643	-.6246	Accept
H3	-22.885	149	.000	-.98500	-1.0700	-.9000	Accept
H4	-19.814	149	.000	-1.04333	-1.1474	-.9393	Accept

Considering the statistical value (T), -22.885, df 149 and P-Value= 0.000 less than 5%, the assumption of H_0 is reject and the assumption of H_1 is accepted in meaningfulness level of 5% (Table, No.2).

Testing of Fourth Hypothesis

$H_0: \mu \neq 3$

$H_1: \mu = < 3$

Considering the statistical value (T), -19.814, df 149 and P-Value= 0.000 less than 5%, the assumption of H_0 is reject and the assumption of H_1 is accepted in meaningfulness level of 5% (Table, No.2).

Testing of Fifth Hypothesis

In order prioritize the importance (Significance rate) of each variable the Friedman test has been used. This test is used when the statistical data are in ordinal type or they can be classified reciprocally based on ordinal features. Friedman test indicates that if there is a variable to be important than other variables or if they are the same in importance.

As you see is table No.3, the statistical value, chi-square= 60.089 with df = 3 and P-value =0.000, less than 5%, H_1 rejected and the H_0 acceptance is valid in trust level of 95%.

Table No.3

N	Chi-Square	df	P-value	Result
150	60.089	3	0.000	accept

Table No.4

Independent Variables	Mean Rank
General Information	2.04
Continuity of Activity	2.32
Reserve fund	2.50
Audit Report	3.14

Testing of sixes Hypothesis

$H_0: \rho \neq 0$

$H_1: \rho = 0$

Considering table No.5, there is a meaningful correlation between first variable (general information) and other three variables. The second variable has no correlation only with third variables (audit report) but have a meaningful correlation with first and forth variables. The third variable (reserve fund) has a meaningful correlation

with the first variable (general information), but has no correlation with the second variable (audit report) and forth variable (activity continuation). There is a meaningful correlation between forth variable (activity continuation) and two other variables, the first variable (general information) and the second variable (audit report), but there is not any correlation between forth variable and third variable (reserve fund).

Table, No.5

Variables		General Information	Audit Report	Reserves Fund	Continuity of Activity
Description					
General Information	Pearson Correlation	1	.208(*)	.234(**)	-.360(**)
	Sig. (2-tailed)		.011	.004	.000
	N	150	150	150	150
Audit Report	Pearson Correlation	.208(*)	1	-.159	-.217(**)
	Sig. (2-tailed)	.011		.052	.008
	N	150	150	150	150
Reserve fund	Pearson Correlation	.234(**)	-.159	1	-.060
	Sig. (2-tailed)	.004	.052		.468
	N	150	150	150	150
Continuity of Activity	Pearson Correlation	-.360(**)	-.217(**)	-.060	1
	Sig. (2-tailed)	.000	.008	.468	
	N	150	150	150	150

* Correlation is significant at the 0.05 level (2-tailed).

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

IX. CONCLUSIONS

Depending on research findings asserting the importance of four research variables in view of Iranian banks, some recommendations are provided to facilities the process of receiving bank facilities by Iranian companies from the banks providing facilities.

- The companies must submit transparently their desirable condition to the banks identify banks information needs.
- The auditors of companies must be justified clearly to provide suitable transparent and need accountancy report of the banks.
- Companies must develop their relation whit the banks network and attract their trust.

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Stress And Depression Experienced By Women Software Professionals In Bangalore, Karnataka

By N.Mohan , Dr.J.Ashok

Paavai Engineering College, Namakkal.

Abstracts - Our study explores the influences of age and experience on stress and depression and the relationship between stress and depression among the women information technology (IT) professionals in Bangalore, Karnataka. The present study aimed at i) To find out the level of stress and depression experienced by women IT professionals ii) To understand the impact of age and experience on stress and Depression iii) to study the relationship between Stress and depression. iv) to know the factors causing of stress in software companies. The study was conducted in Bangalore , Karnataka with a sample of 250 women software professionals. The sample selection was done by convenience sampling method. The data was analyzed using descriptive one way analysis of variance and Pearson's correlation test . Results showed that the women software professionals experienced moderate level of stress and stress dimension. This study reveals that 85 percent of the respondents experience medium level of depression and also suggested the age and experience significantly influence the over all stress and depression experienced by the employees. Our study shows that there might be a strong relationship between over all stress and depression.

Keywords : *Age , Experience stress , depression , women software professionals.*

GJMBR-A Classification : *J24, J23*



Strictly as per the compliance and regulations of:



Stress and Depression Experienced By Women Software Professionals in Bangalore, Karnataka

N.Mohan^α, Dr.J.Ashok^Ω

Abstract : Our study explores the influences of age and experience on stress and depression and the relationship between stress and depression among the women information technology (IT) professionals in Bangalore, Karnataka. The present study aimed at i) To find out the level of stress and depression experienced by women IT professionals ii) To understand the impact of age and experience on stress and Depression iii) to study the relationship between Stress and depression. iv) to know the factors causing of stress in software companies. The study was conducted in Bangalore , Karnataka with a sample of 250 women software professionals. The sample selection was done by convenience sampling method. The data was analyzed using descriptive one way analysis of variance and Pearson's correlation test . Results showed that the women software professionals experienced moderate level of stress and stress dimension. This study reveals that 85 percent of the respondents experience medium level of depression and also suggested the age and experience significantly influence the over all stress and depression experienced by the employees. Our study shows that there might be a strong relationship between over all stress and depression.

Keywords : Age , Experience stress , depression , women software professionals

I. INTRODUCTIONS

Today in modern economy stress is the latest killer. Stress is defined as an adaptive response to an external situation that results in physical, psychological and or behavioral deviations for organizational participants stress can manifest itself in both positive and negative ways stress is said to be positive when the situation offers an opportunity for one to gain something. Depression is a type of mental disorder that affects a anxiety , anger and depression. Parsons investigated the impact of group counseling and stress management on reported depression , anxiety , attitude towards Divorce , school functioning and behavioral in children's , aged 8 to 11 years. Female are divorce support group (DSG) and male in Stress management group (SMG) reported significantly past changes in school functioning compared to others. The majority of findings suggested that , compared to

the depressive and control individual , suicidal individuals reported more stressful life events , which includes marital discord conflict with in laws or family problem , problems in love, illness , Death in family , and unemployment. In Karnataka software companies either stress or depression causes rather than the effect of several physical, mental and emotional problems. When such situations prevails in the software companies , a woman and software professionals has to face all these situations problems in addition to that she often to take care of kith and kin, elders and other responsibilities in the family. Maintaining the work and life becomes a tough task. Based on these factors the current studies was designed. It is negative when stress is associated with heart disease, alcoholism, drug abuse, and marital breakdown, physical organizational and emotional problems. Stress is associated with constraints and demands can lead to potential stress. Stress is high when there is an uncertainty of outcome and hence outcome is generated significant streets are from individual, group and organizational sources.

In a Software companies a causes of stress are task demands, role demands, interpersonal demands, organizational structure, organizational leadership and the organizations life cycle. Task demands are factors related to a person's job. This includes the design of the individual's job working conditions and the physical work layout. The more independence between a person's tasks and the tasks of other the more potential streets there is jobs where temperature, noise or other working conditions are dangerous or undesirable can increase anxiety.

Role demands includes role conflict, role ambiguity, role conflict occurs when an women professionals receives competing and conflicting expectations from others. Role ambiguity results from having unclear expectations. All these role demands are stressors. Interpersonal demands are pressures created by other employees lack of social support from colleagues and poor interrelationship can cause considerable stress, especially among women software professionals with high social needs. Life and career changes can also be stress and depression producing life changes may be slow or sudden. These changes have dramatic effect on people sudden changes are highly depression and stressful; career changes may also be stressful.

About ^α: Asst.Professor/MBA Paavai Engineering College, Namakkal - 637018. Ph:09865066433 E-mail Id: lionmohan26@yahoo.co.in

About ^Ω: Associate Professor/MBA Bannari amman institute of Technology, Sathyamangalam, Tamilnadu. E-mail Id : ashokmgmt@gmail.com

II. REVIEW OF LITERATURE

Beehr and Newman (1978) define occupational stress as “ A condition arising from the interaction of people and their jobs and characterized by changes with in people that force them to deviate from their normal functioning.

According to French and caplan (1975) “ pressure of both qualitative and quantitative overload can result in the need to work excessive hours , which is an additional source of stress “. Having to work under time pressure in order to meet deadlines is an independent sources of stress. Studies shown that stress levels increase as difficult deadlines draw near.

Stress is often developed when an individual is assigned a major responsibility without proper authority and delegation of power . inter personal factors such as group cohesiveness , functional dependence , communication frequency , relative authority and organizational difference between role sender and focal persons are important topics in organizational behavior.

Stress and depression found that , it is related to exhaustion and work load factors in various organization. Stress on the job is costly for employers , reflected in lower productivity , reduced motivation and job skills , and increased and accidents.

The present studies is an attempt to investigate and to compare the level of stress experienced by the women software professions in Bangalore of Karnataka. The study aims to ascertain the level of stress and coping strategies adopted by the software companies .

III. METHODOLOGY

a) Research design

The study explores the organizational role of stress and depression among the women employees in the software company based on various factors. The study uses the research design. A survey was conducted among the women software companies with the help of questionnaire.

b) Sampling Techniques

The sampling population of this research includes 250 women employees of software companies in Bangalore . In this , the authors adopted a convenience sampling techniques for selecting the sample. Researcher generally uses convenience samples to obtain the large number of completed questionnaire quickly. There will be no bias in the responses in using the convenience sampling since the respondents mutually participated in this survey.

c) Sample Area

The study was conducted in Bangalore, Karnataka. Bangalore has the large number of software companies in south India. The software industry has extended their business in all areas namely software testing, development programming import and export and maintance of project.

d) Data collection

The primary data (respondents' opinion about stress and depression) were collected through questionnaire. Secondary data was collected through magazines, journals and other publishes sources.

e) Objectives

1. To analyze the level of occupational stress and depression experienced by women software professionals.
2. To identify the causes of stress and depressions among the women software professionals.

f) Hypothesis

1. Stress and Depression will be higher among the women software professionals compared to other women professionals.

IV. TOOLS FOR COLLECTION

A multi dimensional analysis of job stress and coping patterns of women employees is the primary focus of this research. A methodology adopted for this research is given. The variable selected for this study is Role conflict, Role overloaded, role ambiguity, lack of group cohesiveness, lack of superior support, job difficulty, constraints of changes rules and regulations and job requirement capability mismatch. The collected data have been analyzed by using the following tools.

- a) Chi-square test.
- b) Co-relation method.
- c) Weighted average method.

a) Chi-Square(X^2)

Null hypothesis H0: The women pressure is independent from uncomfortable work.

Alternate hypothesis H1: The women pressure is depending on uncomfortable work.

Pressure	Observed (o)	Expected (E)	(O-E) 2	(O-E) 2 / E
Strongly Agree	5	6.6	2.56	0.39
	3	1.86	1.31	0.70
	2	1.53	0.22	0.14
Agree	24	26.4	5.76	0.22
	13	7.47	30.58	4.09
	3	6.13	9.80	1.59
No Opinion	15	13.2	0.64	0.05
	2	3.73	2.99	0.80
	4	3.07	0.86	0.28
Disagree	35	33	4	0.12
	7	9.33	5.43	0.58
	8	7.67	0.11	0.01
Strongly Disagree	21	19.8	1.44	0.07
	3	5.6	6.76	1.21
	6	4.6	1.96	0.43

H0: There is no significant relationship between uncomfortable work and Women Pressure.

H1: There is significant relationship between uncomfortable work and women Pressure.

Uncomfortable Pressure	Interested to Work	Not Interested to Work	Fear	TOTAL
Strongly Agree	5	3	2	10
Agree	24	13	3	40
No Opinion	14	2	4	20
Disagree	35	7	8	50
Strongly Disagree	21	3	6	30
Total	99	28	23	150

Total 10.68

$$\text{Chi-Square} = \frac{(O_i - E_i)}{E_i}$$

O_i = Observed Frequency

E_i = Expected Frequency

χ^2 Calculation = 10.68

χ^2 5% is 5.34

Inference:

χ^2 Calculation > χ^2

Since there is no significant relationship between the uncomfortable work and women pressure. So rejects the H0 Null Hypothesis.

b) *Correlation Co-Efficient*

S.No	Response	Number of Response
1	Interested to work	99
2	Not Interested to work	28
3	Fear	23
	TOTAL	150

X	Y	x(x-X)	y(y-Y)	(x)2	(Y)2	xy
1	99	-1	4851	1	9801	99
2	28	0	-616	4	784	56
3	23	3	-621	9	529	69

6 150 14 11114 224

$$\bar{X} = \sum x / n = 6/3 = 2$$

$$\bar{Y} = \sum y / n = 150/3 = 50$$

$$r = \frac{N \sum xy}{\sqrt{\sum (x)^2} * \sqrt{\sum (y)^2}}$$

$$= \frac{224}{\sqrt{14} * \sqrt{11114}}$$

$$= \frac{224}{3.74 * 105.42}$$

$$= \frac{224}{394.28} \quad r = 0.89$$

Inference :

The value of r = 0.89 shows that the two series x and y positive correlation.

It may be noted that this stage that the correlation between -1 and +1. It can never exceed +1 or -1 if small r is "0" it is clear that there is no relation between two series.

c) *Weighted Average Method*

Using weighted average method for level of stress and depression among bank women software professionals.

No of Respondent (X)	Rank (W)	XW
26	3	78
40	1	40
38	2	76
20	5	100
26	3	78

14 372

$$= \frac{WX}{\sum W}$$

$$= \frac{372}{14} = 26.5$$

V. FINDINGS

1. The over all stress level and depression experienced by women employees based on their experience. Analysis of over all stress level finds that over all stress is high among the women employees with more than Five years and low among the employees less than three years.
2. There is a significant difference in the level of stress and depression compared to other women professionals.
3. Among the difference occupational stress variables role overload, role authority, role conflict and lack of senior level support contribute to the occupational stress among software professionals to other professionals.
4. 87% of the employees Disagree about the policies and strategies, 27% of the employees are strongly agree and 13% of the employees Strongly Disagree.
5. The researcher refers that 72% of the employees do not consider the stress will happen due to organizational changes and 28 % of the employees consider the stress.

VI. IMPLICATIONS

1. physical problems and health problem like heart diseases, ulcers, arthritis, cardio vascular, gastrointestinal, depression and other stress related factors.
2. Psychological and behavioral problem like mood changes, inferiority complex, reduced aspirations, reduced motivation, job skills and self esteem.
3. organizational factors like job dissatisfaction, behavioral problem, increased absenteeism, production turn over and lower productivity.

VII. RECOMMENDATIONS

In software companies the negative consequences of stress more effort on the part of the policy makers, practitioners, and organizational management envisaged. The researcher there by making few efforts to suggest some effective measures, that can alleviate stress of women software professionals and lead to the better adjustment with in the organization. They can be explained as fallows.

1. Organizing stress management program that focuses on different categories of employees at all hierarchical level.
2. Many situational observations of employee employer interaction identified with in the organization can lead to depression and stress at work place. Such as relationship with co worker, unsupportive superiors, fear towards management, lack of communication and consultation, too much interfere with employee family and social life, too much pressure, feeling job

difficulty, lack of control over the way the work is done, insecurity and threat of un employment.

VIII. CONCLUSION

We conclude that women IT professionals experience considerable level of stress and depression in Bangalore, Karnataka. Managers must take essentials measure to help them to over come these health related problems. This would help not only the women employees but also the managers to improve the productivity ratio. The management should provide various types of training and development facilities to the women employees in order to reduce the stress in organization. The management must give more refreshment and motivational program which will reduce the women employees stress.

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WEBSITE

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Corporate Social Responsibility and Management Education: Changing Perception and Perspectives

By Dr (Ms) Ravi Kiran, Anupam Sharma

Thapar University, Patiala, India

Abstracts - Purpose – This paper aims to help understand how Students of Management Education perceive the introduction of Corporate Social Responsibility (CSR) in their Curricula. Design and methodology - The research tried to find out through the curricula of Management Schools to access whether CSR was offered as a coursework in the colleges and universities of North India. Further a survey was also conducted among 100 students of Management Education in Patiala to understand the perception of students of Management Education regarding introduction of CSR in course-work. Findings - The results of factor analysis of survey data highlight that the i) Linkage of CSR, ii) Management Education and Business; iii) Business Responsibility; iv) Philanthropy; and economic Responsibility; are the four important factors for describing the need and importance of the introduction of CSR in Management Education. So, there is a need to introduce CSR as a course-work. Practical implications - With the introduction of globalization and liberalization, the concept of corporate social responsibility (CSR) is gaining importance. In view of the changes in the industrial scenario due to globalisation, it becomes imperative for Institutions to introduce CSR as a course-work to keep the management education in India at par with that in the west. Originality/value – The paper is valuable for management schools undertaking curriculum revisions in the changing global scenario. Catering to the changing business needs is a must for any management School. Although Management schools pursue CSR Research work and CSR is a part of Course of Corporate Governance or Business Ethics, but the results of survey depict that students demand CSR as apart of complete.

Keywords : Globalization, Liberalization, Corporate Social Responsibility (CSR), Coursework.

GJMBR Classification : JEL Code : M14



Strictly as per the compliance and regulations of:



Corporate Social Responsibility and Management Education: Changing Perception and Perspectives

Dr (Ms) Ravi Kiran^α, Anupam Sharma^Ω

Abstract : Purpose – This paper aims to help understand how Students of Management Education perceive the introduction of Corporate Social Responsibility (CSR) in their Curricula.

Design and methodology - The research tried to find out through the curricula of Management Schools to access whether CSR was offered as a coursework in the colleges and universities of North India. Further a survey was also conducted among 100 students of Management Education in Patiala to understand the perception of students of Management Education regarding introduction of CSR in course-work.

Findings - The results of factor analysis of survey data highlight that the i) Linkage of CSR, ii) Management Education and Business; iii) Business Responsibility; iv) Philanthropy; and economic Responsibility; are the four important factors for describing the need and importance of the introduction of CSR in Management Education. So, there is a need to introduce CSR as a course-work.

Practical implications - With the introduction of globalization and liberalization, the concept of corporate social responsibility (CSR) is gaining importance. In view of the changes in the industrial scenario due to globalisation, it becomes imperative for Institutions to introduce CSR as a course-work to keep the management education in India at par with that in the west.

Originality/value – The paper is valuable for management schools undertaking curriculum revisions in the changing global scenario. Catering to the changing business needs is a must for any management School. Although Management schools pursue CSR Research work and CSR is a part of Course of Corporate Governance or Business Ethics, but the results of survey depict that students demand CSR as apart of complete.

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1. INTRODUCTION

“Management is doing things right, leadership is doing the right things.” (Peter Drucker)

The history of business impacts on society and environment has been as old as the existence of the institution of business (Boyce and Ville, 2002; Youd-Thomas, 2005). CSR had already gained considerable interest in the 1960s and 70s, spawning a broad range of scholarly contributions (Cheit, 1964; Heald, 1970; Ackermann & Bauer, 1976; Carroll, 1979). The term CSR has been defined differently and variedly over a period of time and has had various shades of

understanding across commercial activities in different geographic locations. Therefore, CSR lacks any definitive and tight definition primarily because this concept has evolved differently and has had varied forms of existence in different places and business activities. Carroll (1999, 1998, 1993, 1991) was a seminal contributor to “modern” CSR theory with later contributors including authors such as Jenkins (2006, 2004), Fuller and Tian (2006), Maignan, Ferrell, and Ferrell (2005), Matten and Crane (2005), Maignan and Ferrell (2001), Garriga and Mele (2004), Lantos (2001) and Thompson, Smith and Hood (1993). The broad understanding is that it is the scope and the kind of social and environmental obligations which corporations may consider while executing and operating their routine business practices (Shamir, 2005). Corporate social responsibility (CSR) is a field of study with significant implications for academia, industry and society. Baruch and Lemming (1996) suggest that “the aims of Business Administration programs (MBAs) are to prepare graduates for managerial roles, to help them gain a better understanding of the industrial and business world and its needs, enrich their skills and provide them with competencies relevant to their careers.” Flexibility and adaptability are crucial attributes of MBA programs. Masters of business administrator have been a mainstay of management education since their introduction at the beginning of the twentieth century. An effective MBA program is one that changes or continually adapts content and structure according to the needs and demands of the business world.

In this era of globalization it's very important for the business firms to cope up and work with the changing market forces to be ahead of their competitors. In the changing market scenario, it's equally important for the Management School to change their curricula according to the market demands. So the need of the hour is to introduce the concept of corporate social responsibility in Management education. So that future managers are more aware about the concept of CSR. As the implementation of CSR is becoming very necessary for survival in the changing business world, the present paper is an attempt to study the need of introduction of CSR concept in the management curricula and is validated by a survey of the management students.

About ^α : Professor, School of Mgmt. & Social Sciences, Thapar University, Patiala. India Ph. 91-175- 2393080 (O) Fax 91-175-2393005 Email: rkiran@thapar.edu

About ^Ω : Research Scholar, School of Mgmt. & Social Sciences, Thapar University, Patiala. Ph. 91-9855572517 (M) Email: anupam8611@gmail.com

Historically, the practice of management is becoming important with the emergence of the large complex organizations as the predominant institutions in the changing modern world. These organizations are structured around highly competent functional specialist program that prepares individuals with different competencies for facing future business challenges. CSR is strongly anchored in the business ethics literature (Jones, 1991; Donaldson & Dunfee, 1994; Crane and Matten, 2003). CSR involves stakeholder identification, involvement, and communication (Mitchell *et al.*, 1997; Morsing & Beckmann, 2006; Morsing & Schultz, 2006). According to Hockerts (2008) most firms conceptualize CSR primarily as a tool to reduce risks and operational cost. As the needs of markets change the structured programs of the Management School also changes, so that future managers can easily integrate the work in the changing environment. Doing corporate social responsibility (CSR) (Carroll, 1979) activities today, in most parts of the world is becoming a necessity for business organizations rather than just remaining a choice (Moir, 2001; Valor, 2005).

II. LITERATURE REVIEW

According to McWilliams *et al.*, (2006) there is no consensus on a definition for CSR, but despite that diverse interpretations, practice and regulatory mechanisms have emerged. CSR is now a well-known expression for what, in the past, has been a collection of different and yet related terms: corporate philanthropy, corporate citizenship, business ethics, stakeholding, community involvement, corporate responsibility, socially responsible investment, sustainability, triple-bottom line, corporate accountability and corporate social performance. CSR goes beyond the occasional community service action, as it is a corporate philosophy that drives strategic decision-making, partner selection, hiring practices and, ultimately, brand development (South China Morning Post, 2002). The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time (Carroll, 1979). The paper tries to answer whether Business and ethics are positively related. Although a lot of work has been done, but the question is far from being settled yet.

Traditional theories advocate maximization of shareholder value. Friedman (1970) advocated that "the only one responsibility of business towards society is the maximization of profits to the shareholder within the legal framework and ethical custom of the country." Modern theorists advocate "value maximization" as (Jensen, 2002) highlights that certain social activities may contribute to the long-term shareholder value of the corporation. Windsor (2006) identifies ethical

responsibility, economic responsibility and corporate citizenship. Garriga and Mele (2004) identify four groups of CSR approaches: instrumental, political, integrative and ethical. CSR is a powerful way of making sustainable competitive profits and achieving lasting value for the shareholders as well as for stakeholders. Thus, organizations must build on their corporate values to create an organizational culture that is receptive to change and can sustain a corporate social responsibility strategy over the long run. Business and ethics can be located within society. (Maon *et al.*, 2009; Johnson & Smith, 1999). "Corporate philanthropy provides a mechanism whereby businesses and organizations can contribute to and help the communities which have made them successful, and can also provide a powerful mechanism for fostering social change" (Kurtzman, 2004). The CSR concept has been around since the early 1970s, yet it only entered mainstream business about a decade ago (Deri, 2010). Strategically CSR can become a source of tremendous social progress, as the business applies its considerable resources, expertise and insight to the activities that benefit society (Porter and Kramer, 2006).

Corporate Social responsibility is confused with corporate charity, but it is a very different thing. Corporate charity involves the donation of money and the provision of opportunities to members of the community and stakeholders. This is very different to the considerations that a company must abide by to ensure that their actions match with the acceptable corporate social responsibility guidelines that have been established. Pederson (2009) developed a model of how managers perceive the responsibilities of business towards society. Being a good citizen in the community, CSR is about the organization's obligations to all stakeholders and not just shareholders. Government is also adopting new strategies in order to promote and encourage business to adopt, CSR values and strategies (Laura *et.al* 2008). So this raises another equally important research question, "Are Businesses and CSR positively related?" The paper tries to seek an answer to the reason of business men indulging in CSR initiatives.

Hanke and Stark (2009) proposed a conceptual framework to develop a company's CSR strategy. The conceptual framework separates the two factors: legitimation and sense making/sense giving in the one dimension and the organizational system is separated from the organizational environment. The present research builds upon the framework to emphasize the managerial staff's knowledge about the CSR concept that can help in better performance. CSR creates a reputation that a firm is reliable and honest (and) the consumers typically assume that the products of a reliable and honest firm will be of a high quality (McWilliams and Siegel, 2001).

An effort has been made to check whether CSR is a part of curricula in the major universities of North India. All major universities of North undertaken including Chandigarh University (University business school), Punjab Agriculture University, Punjabi University, Lovely Professional University, Punjab Technical University, and Thapar University don't have any CSR course in the curriculum of MBA programs, so there is strong need to start this course. Chandigarh University Management Education (UBS) is teaching corporate planning but corporate social responsibility is not offered till date in any of the above mentioned universities. In some cases CSR is included in business environment or corporate governance but a complete course on CSR is not introduced in the curricula of MBA programs. The present research tries to find out through a survey analysis whether there is a need for introducing CSR as a course work in Management Education.

With the introduction of globalization and liberalization the concept of CSR is gaining increasing importance. In India the term CSR may be new but the concept is not. The present research is an attempt to find out that whether the subject of CSR is being taught in Indian Management Education. CSR is considered to play an important role in contributing to the competitiveness and growth of the country. CSR is a field of study with significant implications for academia, industry and society. (Berle, 1931; Dodd, 1932; Hopkins, 2003) Its early beginnings in academic writing can be traced to an exchange of articles in 1930s between Berle (1931) and Dodd (1932) on the role of corporate managers. Dodd (1932) pointed out that substantial strides were being made in the direction of a view of business as an economic institution with both a social-service and profit-making function. What business enterprises think of corporate social responsibility and how they perceive others who are going for socially responsible behavior, their utility usually comes under scanner. Considering the changing scenario, it becomes very important to introduce the changes in the existing system and introducing CSR in the management curricula is such an effort to meet the changing business world.

The present study has been taken with the following objectives:

1. To study the importance of CSR in Management Education.
2. To identify the need of introducing CSR as a course work in the Management Education.
3. To study the relation between Business, CSR and Management Education.

III. DESIGN AND METHODOLOGY

The present study uses a self-structured questionnaire. The questionnaire was administrated to collect the view points of students on the subject of

corporate social responsibility. Data was collected from 140 students of Management School (Punjab). All the respondents were briefed on the importance of the study and assured that all the information was strictly confidential. The respondents were asked to indicate on a five-point Likert-type scale the extent of their agreement (1: strongly disagree; 5: strongly agree) with the following statements: CSR and business, CSR and Management School, Introduction of CSR in management course, Role or importance of ethics in business. The mean of each respondent's scores was calculated to arrive at an individual's perception of introducing CSR as a coursework in Management Education. The reliability score, of the questionnaire was tested. The questionnaire has a good reliability score and the Cronbach Alpha is 0.82.

To evaluate the clarity of the question statements and items, the questionnaire was pilot tested. The group comprised of MBA students in an applied statistics class. As a result, several minor problems in the format and wording of the items were found and changes and refinements were made accordingly. Out of 140 questionnaires, there were only 100 questionnaires complete in all aspects and they have been taken up for analysis. The response rate of the survey is 71.4%.

IV. RESULTS

Based on the results three students pursuing masters in management expressed that there is a dire need for business men to implement of CSR with business strategy.

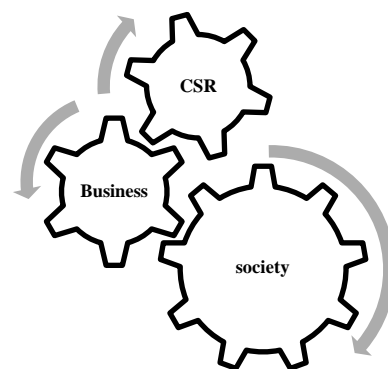


Fig.1 : Need for CSR

In present decade CSR has started fusion and merger with different domains of management in businesses and academics. It started to share close proximity with marketing (Isabelle, 2004), operations, human resources, entrepreneurship (social entrepreneurship) and other domains. However, strategic management proved to be the most probable platform where CSR could gain significant recognition as well as all its probable positive outcomes. Literature saw increased emphasis on aligning philanthropic activities with the

business goals (Smith, 1994; McAlister and Ferrell, 2002). The need to incorporate CSR right in to strategy of firms was intensely felt. Boundaries of strategic CSR and its benefituality for business and society were traced (Lantos Geoffrey, 2001). It became another focus of CSR studies as to find out which the geographical limitations, and how it changes concomitantly with changing territorial boundaries (Maignan et al. 2002). Thus introducing CSR in the curricula will help the future managers in defining priorities, integrating social responsibility throughout the business, and build social and business value. This will also provide the practical knowledge and insight into the need to improve decision making, leverage partnerships, manage risk, and measure performance. So one can strengthen the abilities to define and implement powerful CSR strategies that position the firm including its reputation, and its way of doing business for enduring success.

A number of firms identify CSR practices with the core strategy and policy of the company based on the importance given to (Husted Bryan W. et al. 2007):

- 1) Defining a plan for social action,
- 2) Intensity of investment in social programs,
- 3) Commitment of employees,

- 4) Perceived impact of social action on competitive position, and 22
- 5) Measuring outcomes of programs

Almost all Management School teach about corporate strategy, corporate finance, marketing, organizational behavior, human resource management and international business etc. So why not to introduce CSR course work which the business and market demands?

V. SATISFACTION LEVEL OF COURSES OFFERED IN MANAGEMENT EDUCATION

In response to the question whether the courses offered to students are sufficient for their knowledge enhancements following two options have been chosen by the students. These are: Partially satisfied and Satisfied. The results to the above question highlights that the students want change in the present course-work. Sample results shows that students are not fully satisfied with the courses offered.

Table 1: Factors influencing CSR

Factors	Percentage	Wt. Percentage score
Are you satisfied with the present Course-scheme		
Fully satisfied	0	70.4
Partially satisfied	52	
satisfied	48	
Fully dissatisfied	0	
Partially dissatisfied	0	
Changes in Course-work		72.8
More Practical oriented courses	44	
Increase in training period	0	
Visit to business organizations	32	
Discussion of case studies	24	
New course	0	
Students Awareness level		67.6
Excellent	8	
Good	36	
Fair	42	
Poor	14	
Don't know	0	

From table 1 it's very clear that majority of the students (52%) are partially satisfied with the course they are

offered and others are only satisfied with the course work. Changes in course work: In response to the query,

regarding changes to be introduced in the course work, the students have chosen more practical knowledge technique to be introduced in the course work. Visits to different business organizations and discussion of various case-studies in the class room should be discussed in the Management Education. The following modes or changes can be helpful for the students to beat the competitive race: Majority of the students (44%) want more practical oriented courses like CSR. Next choice is more visits to the organizations (32%) and 24% of respondents want to introduce case-study approach in the management course-work. None of the students opted for increase in training period. Most of the students pursuing masters in Business Management have opted for the choice that they possess a fair knowledge of current affairs. Some of them opted for good knowledge about current activities or about global

environment. Very few responded that they have excellent knowledge about the changing markets. So the results again highlight a revision in the curricula to suit the changing needs. It's very clear from above that some students also access their awareness level as poor. This is an area of concern and can easily be tackled by introducing courses like CSR in the curricula to make these courses globally acceptable.

VI. INTRODUCTION OF CSR IN CURRICULA OF MANAGEMENT EDUCATION

Majority (88 %) of the respondents are of the opinion that CSR should be a part of the curricula of Management Education. Regarding the reasons for introducing CSR, Table 2 represents the options.

Table 2: Reasons for Introducing CSR in curricula of Management Education

Options	N	Mean	Std. Deviation	Rank
Competitive pressure	100	3.30	1.12	5
Improved performance	100	3.54	1.32	4
Need of the hour	100	3.66	1.31	2
Creates more opportunities	100	3.62	1.31	3
Attracts more companies	100	3.68	1.38	1

Need for introduction of CSR in curricula of Management Education is very much clear from above shown ranking as given in table 2. Students gave the second highest priority to CSR as the need of the hour. This proves that our third hypothesis H_3 that students perceive a strong need for introducing CSR as a coursework in Management Education has been

accepted. The results highlight that students also feel a necessity of introduction of CSR as a coursework. This will also help in attracting more companies for campus recruitment and will create more opportunities for them.

Table 3: Factors influencing Business Motives

Factors	N	Mean	Std. Deviation	Rank
Risk	100	4.10	.73	3
Profits only	100	4.62	.49	1
Serving the society	100	3.66	.68	6
Shareholder and stakeholders	100	4.00	.78	4.5
Exchange of goods	100	4.00	.78	4.5
Need for CSR	100	4.18	.66	2

The researchers tried to assess which Factors influence Business Motives. As is evident from the results of table 3, the students rank that business organizations give top priority to profits only. But what is surprising is that CSR is being regarded as the second preferred choice. Serving the society is getting the lowest score. So philanthropy motive is taking a back seat. Hence this analysis proves our second hypothesis H_2 that there is a positive relationship between Business and CSR has also been accepted. In response to question whether business and Ethics can go together, 56 out of 100

respondents accepted this viewpoint. Regarding involvement of Management Education in CSR program, 58 respondents replied in the affirmative. So the students are aware of increasing importance of CSR and Management Education. The results highlight that profits are the major motive for undertaking Business. Ethical perspective like 'Serving the society' is given the last priority. This underscores the urgency of introducing CSR in the program.

VII. RESULTS OF FACTOR ANALYSIS AND REGRESSION

Factors explaining the need of corporate social responsibility in Management School Most important of all is to analyse the factors explaining the need of introducing CSR in Management School. So for analyzing this, factor analysis was conducted. Factor analysis of student's views about the introducing CSR in curricula for enhancing development and sustainability resulted in the following eight factors:

- i. Ethics , CSR and Business
- ii. Business responsibility
- iii. Legal responsibility
- iv. Philanthropy
- v. Importance of CSR in MBA curricula
- vi. Economic responsibility
- vii. Knowledge of CSR, and
- viii. Business and ethics

These eight factors accounted for a total variance of 80.243.

Ethics, CSR and Business factor accounted for 51.653 per cent of variation. This factor includes: i) impact of CSR on business and ii) Management School with respect to CSR and business, iii) Business without ethics, iv) CSR can be replaced with NGO's, v) Ethics in management course-work, vi) Management without ethics, vii) Need for CSR. It also covered CSR in

management coursework and CSR & Management Education. The Business responsibility factor includes: i) Acceptance of risk, ii) Profits only, and iii) Shareholders and stakeholders. The mean of all these are higher than the overall mean score of Business responsibility factor, i.e., 4.690. Legal responsibility factor includes: i) serving the society and ii) Courses offered in Management School are sufficient for the knowledge enhancement of students. This factor explains 4.646 per cent of total variation. Important components of Philanthropy are corporate social responsibility. Till now some entrepreneurs mix the concept of CSR and philanthropy. This factor explains 4.126 per cent of total variation. CSR as Course work in Management schools factor accounted for 4.063 per cent of variation. This factor includes: i) Course work of MBA and ii) Management Schools involved in CSR Activities. Economic responsibility factor includes: i) serving the society and ii) Courses offered in Management School are sufficient for the knowledge enhancement of students. This factor explains 3.855 per cent of total variation. Knowledge about corporate social responsibility factor tries to access the students' knowledge of corporate social responsibility. This factor explains 3.762 per cent of total variation. The Business and ethics factor includes: Business and ethics can go together. This answers that weather business and ethics can go together or not. This factor explains 3.448 per cent of total variation.

Table 4 - Factors Explaining Need of Corporate Social Responsibility In Management School and its Importance:

Fa ct or No	Factor Name	Total % of Variance	Items	Item Loading	Mean	S.D.	Rank Mean
1.	Ethics , CSR and Business	51.653	i. CSR and business	.800	3.40	1.14	7
			ii. Business Vs ethics	.880	3.70	1.34	2
			iii. CSR can be replaced with NGO's	.841	3.62	.94	6
			iv. Ethics in management course-work				
			v. Need for CSR	.896	3.74	1.38	1
			vi. CSR and Management Education	.905	3.66	1.40	4
			vii. CSR in management coursework	.892	3.68	1.34	3
				.879	3.62	1.29	5
Mean of Ethics , CSR and Business						3.63	
2.	Business responsibility	4.690	i. Acceptance of risk	.696	4.10	.73	2
			ii. Profits only	.762	4.62	.49	1
			iii. Shareholders & stakeholders	.602	4.00	.78	3
Mean of Business responsibility						4.24	
3.	Legal responsibility	4.646	i. Serving the society	.689	3.66	.68	1
			ii. Courses offered are sufficient	.840	2.48	.50	2

		Mean of Legal responsibility		3.07		
4.	Philanthropy	4.126	i. Corporate social responsibility	.787	3.92	1.04 1
		Mean of Philanthropy responsibility		3.92		
5.	CSR as Course work in B schools	4.063	i. Course work of MBA	.663	3.54	.83 1
			ii. Management Education involved in CSR Activities	.753	1.58	.49 2
		Mean of Courses in MBA & CSR		2.56		
6.	Economic Responsibility	3.855	i. Exchange of goods	.681	4.00	.78 2
			i. Need for CSR	.810	4.18	.66 1
		Mean of Economic responsibility		4.09		
7.	Knowledge of CSR	3.762	i. Knowledge about CSR	.865	1.14	.35 1
		Mean of Knowledge of CSR		1.14		
8.	Business and ethics	3.448	i. Business and ethics can go together	.834	1.54	.50 1
		Mean of Consumer Welfare and related Services		1.54		
		Overall Mean all Eight Factors		3.21		

The above analyses highlights that the mean score of four factors namely, Linkage of CSR, Management Education and Business (3.608), Business Responsibility, (4.24), Philanthropy Responsibility, (3.92) and Economic Responsibility, (4.09) are higher than overall mean of all factors, i.e., 3.209. Thus these four factors are important factors for describing the need and

importance of the introduction of CSR in Management School. Management Education have to focus upon introducing CSR as a course-work. Legal responsibility, courses in MBA and CSR, Knowledge of CSR and Business and ethics- these factors had relatively lower mean score than the overall mean of all factors (3.209).

Table 5 : Means, Standard Deviations, and Pearson correlation among the Variables in the Data Set ($N = 100$)

C1 to C10 = list of variables, CSR=corporate social responsibility
One-tailed correlations.

	Mean	S.D.	C1	C2	C3	C4	C5	C6	C7	C8	C9	C10
C1	1.14	.348	1									
C2	1.58	.496	-.124	1								
C3	2.48	.502	.189*	.088	1							
C4	2.80	1.71	-.155	.138	-.122	1						
C5	3.48	1.49	.102	.111	.040	.274**	1					
C6	3.40	1.37	-.041	.086	-.092	.124	.766**	1				
C7	3.70	1.33	.048	.2048	.187*	.238**	.852**	.744**	1			
C8	3.74	1.37	.077	.105	-.051	.2178	.877**	.726**	.748**	1		
C9	3.66	1.40	.016	.083	-.139	.240**	.880**	.771**	.743**	.803**	1	
C10	3.62	1.28	.120	.001	.004	.1678	.832**	.713**	.721**	.789**	.847**	1

* $p < .05$ (1- tailed)

** $p < .01$ (1-tailed)

Means, standard deviations, and correlations for all variables appear in Table 5. C1: CSR & Business, C2: Business without ethics, C3: Ethics in management course, C4: Need for CSR, C5: CSR & Management Education, C6: CSR in management course, C7: Courses offered are sufficient, C8: Management Education involvement in CSR, C9: Knowledge about CSR, C10: Business & ethics can go together. There is a positive relationship between CSR in Management Education and need for CSR ($r = .880, p < .01$), which suggests that there is need to introduce CSR in the

curricula of Management Education. CSR in Management Education and ethics in management are positively related ($r = .877, p < .01$). CSR in Management Education and CSR in management course work are also highly related ($r = .832$ and, $p < .01$). These results provided preliminary support for our hypothesis that H_4 : There is a positive relationship between business, CSR and Management Education. Hence, the correlation results prove that there is a requirement of CSR as a course in curricula.

Table 6 : Regression Results

Variable	Coefficient	Std. Error	t- Statistics	Significance
c	.674	.153	4.416	< .001
Need for CSR	.386	.063	6.158	< .001
Business and Ethics	.364	.059	6.162	< .001
Ethics as course work in B Schools	.372	.065	5.772	< .001
R ²	.892			
Adjusted R ²	.894			
S.E of regression	.486			
DW	2.051			
F-statistics	278.78			
Significance(F- statistics)	< .001			

Dependent variable: CSR in Management Education

Regression table shows that adjusted R^2 is 0.894. So the model explains 89.4 percent of total variation. The predictors in the Model are: i) need for CSR, ii) business without ethics and iii) ethics in management and the Dependent Variable is: CSR in Management Education. This shows that need for CSR, business without ethic and ethics in management are the most dominant factors that influence the dependent variable CSR in Management Education. Results of ANOVA are also significant. Several test of differences using the t-test and the one-way ANOVA are also used to see if there existed any differences in terms of the major variables of the present study by the introduction of CSR in Management Education. The results of the analysis are presented in Table 6. The ANOVA results indicate a significant difference among need for CSR, ethics in management and Business without ethics.

The paper tries to find out whether the B school students perceive Business and ethics to be positively. In response to the question whether business and Ethics can go together, 56 out of 100 respondents accepted this viewpoint. Moreover the Business and ethics factor has a factor loading of 3.448. This factor has a mean score of 1.54. This factor doesn't emerge as an important factor in factor analysis.

The next part of research focused on trying to find out the factors why Businessmen undertake CSR activities. Is CSR undertaken for economic purpose only or the ethical and social perspective is also considered. In response to the question of priority of business the students ranked profit only as the topmost priority of business. The amazing fact is that Need for CSR is emerging next on the priority list. In factor analysis also Business and CSR has a high loading of .800. So the results of the present study highlight that there exists a positive relationship between Business and CSR.

The next question the paper tries to answer is whether the B- School Students perceive a strong need for introducing CSR as a course work. Majority of the students (52%) are partially satisfied with the course they are offered and others are only satisfied with the course work. Some students also access their Management Education awareness as poor. Very few respondents are of the opinion that they have excellent knowledge about the changing markets. This is an area of concern and can easily be tackled by introducing courses like CSR in the curricula. So the results again highlight a revision in the curricula to suit the changing needs. Majority of the students (88 %) responded that CSR should be apart of the curricula.

The next part of research focused on the relationship between Business, CSR and Management Education. The factor linkage of CSR, Management Education and Business emerges as an important factor. Linkage of CSR, Management School and Business factor accounted for 51.653 per cent of variation. This factor includes: i) impact of CSR on business and ii) Management School with respect to CSR and business, iii) Business and ethics, iv) CSR can be replaced with NGO's, v) Ethics in management course-work, vi) Management without ethics, vii) Need for CSR. It also covered CSR in management coursework and CSR & Management Education. All these variables have item loading more than (.800). The Mean of CSR and Management Education and Business is 3.63 more than the overall mean of all eight factors, i.e., 3.21. Thus the study highlights a relation between Business, CSR and Management Education.

VIII. CONCLUSION

In the present era Globalization and liberalization are the buzz words. In this age of globalised world, the concept of CSR can't be ignored. By keeping in mind the changing market scenario Management School have to change their courses according to the market demands. Factor analysis of students' views about the introducing CSR in curricula for enhancing development and sustainability highlighted that B- schools have to introduce CSR as a subject in the management curricula, so that students can keep pace with the changing business world. Irrespective of how successful CSR is gauged, several authors accept that CSR as a concept is sometimes perceived as fuzzy, unclear and contested (Amaeshi and Adi, 2007).

From the research its found that mean of Business responsibility is higher than the mean score of all other factors, i.e., 4.690. Factor analysis highlights that the mean score of four factors viz. Ethics , CSR and Business (3.608) , Business Responsibility, (4.24), Philanthropy Responsibility, (3.92) and economic Responsibility, (4.09) are higher than overall mean of all factors, i.e., 3.21. These four factors are considered important for describing the need and importance of the introduction of CSR in Management School. These findings allow us to conclude that Management School have to focus on introducing CSR as a course-work.

Finally, the differences regarding global CSR practices and Management Education course work may reflect a gap between the need of hour and actual courses being offered by Management Education. Compared to global standards Indian Management Education has to strictly focus on different values and concerns of CSR practices. Once again, this might be a reflection of a business education, which integrates a concern for ethical behavior and philanthropic

endeavors with one's managerial responsibilities. Hence it's the responsibility of Management Education to train future corporates regarding social and ethical responsibilities of business.

In conclusion, the findings of this study provide insights into an area of growing concern of corporates towards society and all types of Management Education have to focus upon the introduction of CSR concept as a course work. The numerous managerial ambiguities that are inherent in business decisions are further complicated by growing societal demands on corporations and their increased attention on the ethical and philanthropic dimensions of social responsibility. Thus, any CSR activity which is strategic should be close to the mission and vision of the organization (Yeoh, 2007; Du et al., 2007; Bruch, 2005). This issue is likely to gain increased attention by educators and practitioners of Management Education in the coming years.

IX. LIMITATIONS OF THE STUDY

There are a number of limitations to this research. First, the constraint of our data collection is the time period naturally limits the scope of validity and reliability of data beyond the specific circumstance that is the subject of our analysis. Second, the findings are also limited to India and about Indian Management Education so may not be generalisable to other forms of courses offered and/or in other countries. Nevertheless, we believe our research can be applied to other countries and it will be helpful for those countries as well.

X. FUTURE AREAS OF RESEARCH

Further research could examine why Management Education have to go for CSR as a curriculum subject. Our research could also be extended by conducting a survey at different Management Education, and exploring their results. Finally, it would be interesting to see if similar results appear from other Management Education also. This study has raised the clear question of whether there is a need of CSR as a course in curricula of Management Education.

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The Role Of Service Marketing Mix And Its Impact On Marketing Audit In Engineering And Technical Service Corporations

By Mehrdad Alipour, Elham Darabi

Islamic Azad University, Zanjan, Iran.

Abstracts - Nowadays, the service dynamic environment is considered as a main point in effective marketing. Although, conducting efficient operation is still significant, it is not sufficient for success. It's essential to design service products based on customers needs, pricing programmatically, distributing in the suitable ways and introducing to customers actively. The new competitors in markets have focused their services on the especial parts of market in line the prices, communicative efforts and service delivery. But they have not tried to consider all the people needs. Generally, the service organizations are different from manufacturing occupations in many cases. Also, a various way is needed to plan and execute marketing strategies. So, the service marketing mix as 7p is used to consider the service marketing. In this paper, we have studied these seven factors application and their effects on marketing audit in engineering and technical service corporation.

Keywords : Service, service marketing mix (7p), engineering service corporation, marketing audit.

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The Role Of Service Marketing Mix And Its Impact On Marketing Audit In Engineering And Technical Service Corporations

Mehrdad Alipour^α, Elham Darabi^β

Abstract : Nowadays, the service dynamic environment is considered as a main point in effective marketing. Although, conducting efficient operation is still significant, it is not sufficient for success. It's essential to design service products based on customers needs, pricing programmatically, distributing in the suitable ways and introducing to customers actively. The new competitors in markets have focused their services on the especial parts of market in line the prices, communicative efforts and service delivery. But they have not tried to consider all the people needs. Generally, the service organizations are different from manufacturing occupations in many cases. Also, a various way is needed to plan and execute marketing strategies. So, the service marketing mix as 7p is used to consider the service marketing. In this paper, we have studied these seven factors application and their effects on marketing audit in engineering and technical service corporation.

Keywords: service, service marketing mix (7p), engineering service corporation, marketing audit.

I. INTRODUCTION

Whenever we talk over the marketing product, four fundamental factors of marketing is mentioned : product, price, distribution and enhancement which are known as 4p . But the rate of customer participation and also the time are important in service delivery. So, for considering these two factors, other factors in marketing decision of management in the service organization are important that are called "service marketing mix" or 7p. In fact correlation and adhesion of these seven factors are mentioned as a significant and effective element to succeed in each competitive service occupation and the disproportion between these seven factors causes in success in marketing activities. As a result, this disproportion makes some problems like losing customers, dissatisfaction and wasting efforts to consume money, time and energy. Service department is an issue which plays an important role to improve productivity, create occupational opportunity and earn income in different economical dimension and international and national arenas. Meanwhile, because

this part does not offer any physical product, it has some problems in marketing. Also, the technical and engineering service part cannot be an exception. The more complex, specialized and competitive trade and activities, the more improved servicing . Additionally, the managers should be familiar with the service marketing elements for managing their organization better in the active and competitive world and applying service technology for making the customers satisfied is significant for them. However, the services are insensible, the service privilege unclear are caused by functional nature.

II. ABOUT SOCIETY OF IRANIAN CONSULTING ENGINEERS

The society of Iranian consulting engineers has been founded under the name of "Iranian consulting society" in 1352. Thus, the arrangements of this society was provided after approving the qualification diagnosis regulation and classifying the consulting engineers by the council of ministers in June of 1352 . Establishment of this society had been predicted based on the twelfth article of this regulation to cooperate with the budget and plan organization. This society was registered in 07.12.1352 under the number of 1471 and began its activity . The consulting society have been reviewed by itself, approved a new statute and begun to work after Iran Revolution in 1357. This society still works. It's members were at first 54 and had been 158 in 1357. This number has increased to 760 so far. The society executive tasks are being done by its management council has been established and contains the active professional groups agents. It has 17 groups. The board of administrators is composed of five people who are selected among the council members . (www.irsce.org)

III. LITRATURE REVIEW

a) Marketing steps for consultants

The technical and engineering service consulting firms should not waste time because they have lost their main customers, their supportive managers have left their organization or their business has faced with inflation.

About^α : Management Department, Zanjan Branch, Islamic Azad University, Zanjan, Iran

E-mail: mehrdadalipour@yahoo.com

About^β : M.Com student, Islamic Azad University, Zanjan Branch

In especial plans which not only so complicated or complete but also can be countable so easily by one, two, three.

(i) Recognizing situation

Recognizing situation means considering a firm internally and externally. We consider internal situation of firms and external situation of them in regard to their completion and the customers issues. A capable marketing plan should be based upon this roots where they are and where they are going to.

(ii) Marketing a data base from potential customers

Making a data base from potential customers needs doing three key activities. First, analyzing the information that has gathered in recognition stage. Second, preparing a marketing plan and third, recognition and looking for customers or a group of customers. Marketing a data base needs a lot of executive activities.

(iii) Calling the potential customers

This part is a sale executive stage in marketing process. The firm calls their potential customers and persuade them to utilize their services. Getting known and utilizing the marketing intentions like inauguration and end of the sale conversations. In this phase of marketing conception you should know about how to the more customers in the market and sell your services to them several times. (Biech,1388)

b) Service definition :

Service is an activity that is given from one party to another one. Although, this procedure may have a close relationship with a physical product but this activity must be intangible and don't lead to the production factors ownership. Also, the service is a kind of economical activity that makes value for customers to change in the service receiver at particular times and places and provide some benefits. (Lovelock, Wright, 1382)

c) Classifying services:

(i) Classifying services in Iran

Classifying services in our country is more limited than its definition and global general extended classification. Thus, the shortage and obvious differences in service trade statistics can be seen. Recently, the attempts have been done by the central bank L. Iran in the field of classification and presentation of service trade statistics based on the global standards but this classification is different from the international known classification in the field of service trade especially in classifying the trade global organization. The service account in regard to central bank classification is one of the current account. The current account in classifying the national accounts is one of the

most chapters and its subsectors includes the goods exchange accounts(exports and imports), service account(receive or export and payment or import), income account and current transmission.

(ii) Classifying the related services based on the trade global organization division

The service trade general agreement contains all the services which are transfered commercially except some services in government authorities' district. This agreement includes all the services based on the commercial status either with internal competitors or without them. The trade global organization has divided the services to do the negotiation and insert in a chart in 12 main district:

- Business (including professional and computer services);
- Communication;
- Construction and engineering;
- Distribution;
- Education;
- Environment;
- Finance (including banking and insurance);
- Health;
- Tourism and travel;
- Leisure services, cultural, sporting;
- Transport services;
- Other services that are not mentioned elsewhere.

Technical services – The engineering in relation to producing in global trade classification has been divided to five parts

- 1 - General Construction task on housing;
- 2 - General Construction task in Civil Engineering;
- 3 - Installing and mounting tasks;
- 4 – Building accomplishment and complement;
- 5 - etc.

(Alipour, Ghassemlou, 1387)

d) Engineering service companies – Consulting Engineers

The planning and managing organization in regards to engineering and technical consulting services has ranked the consulting engineers companies: (Alipour, Ghassemlou, 1387)

- 1 – Urban Planning and Architecture
- 2 – Transportation
- 3 - Water Engineering
- 4 - Agriculture Studies
- 5 – Energy
- 6 – Telecommunications
- 7 – Technology
- 8 – Mining
- 9 - Oil and Gas
- 10 - Cultural Heritage

- 11 – Statistics
- 12 - Management Service
- 13 - Planning Service
- 14 - shared expertise

e) Service marketing development:

The companies that produce the material and goods have gained more profit than the service providers from marketing ways and professional activities.

Most of the service marketing developments are almost new. Many factors are mentioned in this development:

- Organization structure and size – many service providers are usually small and are active in the professional fields.
- Rules and regulations – most of the service providers are banned legally.
- Service industry growth – the new marketing developments have provided the total service industry growth like banking services, hotel service, food production and tourism.
- Service features – being non-tangible, inseparable and unequal features and using and producing simultaneously are the characteristics of services that are paid attention by the service marketers.
- Buyer/broker engagement – this factor plays a more significant role in service marketing rather than the material goods marketing. Additionally, the service marketing focused more on the education and communication.
- Service quality – the service quality and service quality plans should be considered. The knowledge growth in related to the received service quality and buyer perception about this issue based on the general experience make the quality topics in the service marketing important.
- The particular service parts – the particular service marketing for nonprofit corporations and professional service firm are substantial. The marketers in these fields face with the moral restrictions and other limitations. (Kotler, 1388, Woodruffe, 1385)

f) The main functions of service agencies in marketing

1. The competitive differentiation – in today's world, if the customers suppose that the service being given by the different agencies are equal and pay attention to the service price more than the service providers. So, we should differentiate in the cases of equality, the providing way and the customer's believes from the service for removing the price problem.
2. The service is quality – one of the essential ways that competitors is considered as providing the best service quality rather than the competitors for a long time.
3. Productivity – the service agencies are under extreme

pressure because of the increasing their expenses for enhancing productivity. (Kotler, 1388)

IV. THE MARKETING MIX

The marketing mix for the first time was introduced in an article at Business Review Harward magazine as a title of marketing mix conceptions. Professor Neil Borden who was this article author applied the term of marketing mix for describing the various elements in marketing district. He meant marketing mix or mixed marketing in this way : we should determine how these factors are mixed together. We divide these factor in to four main parts: product, distribution, price and promotion. The marketing strategy means the regulating and applying the marketing mix. Tools and tactics in marketing are the marketing mix. The marketing mix, mixed marketing, marketing tools and marketing tactics are all the words which are used for translating the marketing mix. The intention of this mix is a mix or mixed who should be considered by a systemic and harmonic point of view to be effective in influencing and proving customers. In other words, the good distribution and applying the adequate communicative ways . If each part of these elements is not in harmony with other parts, it will cause decreasing the effects and the collection efficiency and stop the firm from achieving its goal. Tools and tactics of the firms to compete in market and improve are the important factors.

- Jerome Mc Carthy classified the marketing mix to four known variants as four p in the early decade of 1960 they were mentioned in this way product, price, distribution of place and promotion. All of these marketing tools have some subsets.

- Bomz and Bitner differentiated the service marketing or 7p that is related to different decisions rather than the goods. In their mix, 3p includes personnel, physical assets and processes in 4p. (Lovelock, 1382, Dargy, 1384)

V. ADDING THE QUALITY ELEMENT TO THE SERVICE MARKETING MIX

Marketing people should research about their service quality level in relation to needs and demands of customers and how much they can pay. Marketing people should make the consumers familiar with the (service) product level by the service marketing informative media or tools. But what is the need and demand of customers are should be considered as the (service) product with good quality in a suitable and proper situation and in a reasonable price the contemporary marketing people are trying to discover the new ways to improve the (service) product, situation, price and its enhancement and also for gaining the

customers satisfaction from their product quality. (Alipour, 1389)

VI. SERVICE QUALITY

Parasuraman, Amol Zit Vabry offered a service quality model that makes clear the main conditions of service product. He stated that Five distances are mentioned in unsuccessful service:

1. Distance between the management attitude and consumers' expectations: the management doesn't understand the customers' demands.
2. Distance between the management attitude and technical features of service quality: the management may not understand the customers' demands correctly, but a clear functional criterion is not mentioned.
3. Distance between the technical features of service quality and the service delivery ways: the related staffs of service delivery may have not the necessary education or essential skills and abilities. As a matter of fact, maybe they don't desire to the determined standards.
4. Distance between the service delivery and foreign relationships: the corporation brokers and advertisement have in fluencies on the consumer expectation.
5. Distance between attitude toward the service and the expected service: when the consumer doesn't understand the service quality value, this distance is appeared. (Fitz Simmons, mona j., 1382)

VII. MARKETING AUDIT DEFINITION

The first marketing audit definition is still considered as the fundamental from for the most of today's definitions. Shuchman in 1959 and Katler, GreGuro and Rajerz in 1977 and at last Mokoa in 1976 addressed this definition. The marketing audit is comprehensive review and evaluation, systemic, critical, independent and neutral from environment, long time aims, strategies and activities of organizational for determining problems and opportunities, procedures, methods, organizational structure, policies while Shuchman focused his definition on marketing operations in 1959, Mokwa showed in 1986 that the marketing audit in each organization has an extended or wide range. Generally speaking most of the researchers didn't agree with Shuchman. He believed that marketing audit includes: 1-Evaluation plan, 2-Critical evaluation of assumptions, aims and politics, 3-predicting in regard to discrimination, 4-Identifying opportunities and weaknesses, 5-Either factor of prevention or treatment the marketing audit of all the marketing districts involves an occupation and doesn't limit to many points that have made problems. Environment, strategies, organizing, marketing mix,

making and utilizing profits of marketing are evaluated in marketing audit.

Some auditors compare doing marketing audit to taking an organization pulse. The evaluation audit process output is a report containing a business plan in which some suggestions are mentioned to improve each corporation marketing function. Actually, the result of this function maybe surprising or even shocking for each organization manager. Finally, the manager decides what, when and how to do revisory actions. Marketing audit is a kind of strategic control for marketing. As a result, it can be said although the auditing is an activity being mentioned in marketing activities, it plays a supervisory role in all marketing procedure. Marketing audit is the most principal descriptive tool for the organization marketing situation because there are the opportunities and threats in the organization competitive area and also this area shows the weakness strength points. An organization can mention its long time aims imprecisely and clearly based on this analysis to show the organization efforts or attempts and also the certain strength points for registering the obtaining procedures to get successful. Determining these kinds of aims shows what strategies can be selected by a corporation. Marketing audit for recognizing and choosing the technical strategic alternatives is suggested. (Berry, S.conant, A.parasuraman, 1991)

VIII. THE NECESSITY OF MARKETING AUDIT

Generally, because of the marketing audit placement in marketing strategic control level, we can mention to its particular situation in assessment and control process of marketing firms and marketing audit is considering marketing system completely. Philip Katler, the father of world marketing defines the marketing audit in this way:

"marketing audit is a general, systemic and independent test, the period of environment, goals, policies and marketing activities of a company. The goal of this test is determining the problematic districts, obtaining the opportunities and presenting an executive plan to improve marketing of firms".

According to Kutler, the optimal and final goal of marketing audit process is recognizing the marketing opportunity to improve the marketing activities of firms. (Berry, S.conant, A.parasuraman, 1991, Hosseini, 1381, Online Adib, 1379)

IX. MARKETING AUDIT PROCESS CHARACTERISTICS

The marketing audit has four main characteristics which should be paid attention in all stages:

- 1) Generality: the marketing audit covers all the marketing fundamental activities of each occupation and is not limited to some especial point. If the auditing activities just contain sale, pricing or other marketing activities, the auditing should not be considered as an operational auditing. Although the operational auditing are beneficial, they may make the managers devious. For instance, when the sale is not high enough by the sale agencies, its because of the products weakness or the sale promotion policies not for the low education or salary of the staffs. The general auditing can devote the sources to the basic marketing issues better.
- 2) Being systematic: the marketing audit is the ordered revision of an micro and macro marketing environment, long term goal, marketing strategies, marketing systems and the particular activities of this area. The revisory activities are determined by auditing and this procedure effects on the marketing of organizations.
- 3) Independ : the marketing audit can be done in five ways:
 - Self assessment – each manager gives the privilege to his/her own operational area in this way.
 - Audit in width – an organizational until evaluates other units.
 - Top down audit – an organization unit evaluates its subsections and other organization in lower levels.
 - Auditing by auditing organization unit: this organization audits other organizations if they request.
 - External auditing: it's done by a person or an external independent group.

The fifth way will be offered more than other ways if the auditor is experienced and impartial and pays attention a lot to auditing.
- 4) Being periodic: marketing each organization is considered after decreasing the sale content, lowering the sale forces motivation or problems in marketing.
But if the firms don't review their marketing operation when they are successful, keeping them safe will be difficult. So, it's better to audit during 3 or 5 years orderly. (Hamilton Consultants, Cambridge, MA, 2005)

X. MARKETING AUDIT ELEMENTS

The main element at marketing audit starts with the market, place, the changes in progress, opportunities and threats the next step of auditing is making question about the marketing goals, guidelines and organization system and auditor may consider one or two key functions eventually to do marketing by details.

Katler and his coworkers have suggested six marketing audit elements:

1. The environment marketing audit concludes analysis in occupational and massive areas.
2. The marketing strategy audit for evaluating marketing strategy stability with the environmental opportunities and threats.
3. The organization marketing audit for evaluating the interaction between marketing and sale organization has been designed.
4. Marketing systems audit evaluates a way to gain information, planning and marketing operations control.
5. Usage audit is evaluating information to determine efficient profit from the sources and parsimony potential in cost.
6. Marketing operation audit is considering the first rank functions key..(Neil A. Morgan, Bruce H. Clark, Rich Gooner, 2002)

XI. MARKETING AUDIT FUNCTION

Marketing audit is been shown in three steps as following:

The first Step: agreement for the goals and approaches regulating confine.

The second step: Data Collecting

The Third Step: providing and presenting report

The first step – it includes visiting corporations to discover the marketing functions nature and potential value of marketing audit. In this step, the agreement for goals, data sources, report opportunities and audit period of time should be determined. We consultants should know the general function and marketing policies and pay attention to four main goals for the collection auditing:

1. Determining the market points of view and its competitors.
2. Offering pricing policies
3. Developing the product evaluation system
4. Determining the immediate sale system situation to improve the sale activity based on the loss kind and function measurement.

The second step – the mast part of auditing period is devoted to collecting data. Although, we just talk about one audit, an auditing team or group is considered in the projects. A meticulous planner is a person who interviews by the especial questions in one time and situation and minimizes the auditing time and cost. A daily report is written from interviews to help an auditing team or a person for discovering some demands.

The Third Step – the marketing audit extends its findings from the developed data that is obtained by interviewing the firms, members once or twice in office before collecting data to observe the reactions and suggestions for production. When the marketing auditor collects his data is being prepared to give the data in a pictoral and conversational file to the firm members or a small selected group. This file contains the main

findings and fundamental advice. Then, the auditors are ready to write the final report. (Hamilton Consultants, Cambridge, MA, 2005)

XII. METHOD

The method of this research is applicable based on its goals and nature. This research is considered descriptive-survey in regard of collecting data in hypothetical test.

Statistical population-because this research's aim is considering the role of service marketing mix functions and its impact on marketing . It includes all the technical and engineering service consulting firms of car production in Iran Province that are the statistical population of this research .

XIII. RESEARCH QUESTIONS

1. Do the functions of service marketing mix (7p) have any effects on the marketing audit in the technical and engineering service consulting firms?

Table 1: The sample redundancy distribution study is based on the gender

Cumulative frequency	Frequency	Abundance	Gender type
13.8	13.8	9	Female
100	86.2	56	Male
--	100	65	Total

The gender redundancy distribution of respondents to questionnaire (study sample) according to table. 56 or 86.2% men were among 65 participants in this study and others were women.

The dependent and independent variants descriptive indicator are mentioned in the following table:

Table 2: dependent of independent variants descriptive indicators

Variables		Descriptive indicators		
		Sample size	Mean	Standard deviation
Dependent variables		65	3.528	0.3384
Independent variables	Product	65	3.650	0.402
	Price	65	3.346	0.695
	Place	65	3.988	0.376
	promotion	65	3.177	0.562
	People	65	2.738	0.663
	Physical Asset	65	3.711	0.523
	Process Management	65	3.192	0.574

The correlation between independent and different variants comes in the following table :

Table 3: Correlation coefficients between independent and different variants

2. Does the service marketing mix have the same effect on the technical and engineering service consulting firm of car production ?

XIV. DATA ANALYSIS

At first, the correlation has been tested by an especial test in deductive analysis part between the independent and reply variants. Then the regression analysis has a close relationship with correlation coefficient and is generally used in different studies in a simultaneous way and helps the researchers to predict the variable. The more powerful variants we have, the more careful prediction is done. They are different because the regression is considered after prediction while the correlation coefficient is mentioned through the dependence measurement but is being used in data analysis in a supplementary manner.

	Product	Price	Place	promotion
Correlation coefficient with the dependent variables	0.420	0.135	0.129	0.278
P-value	0.000	0.285	0.304	0.025

	People	Physical Asset	Process Management
Correlation coefficient with the dependent variables	0.397	0.411	0.301
P-value	0.001	0.001	0.015

As you can see, all the independent variants have a direct linear relationship with a reply variant and all the relationships are in the error level of 5% except the price variants and meaningful distribution. Also, we can say based on these values that the product variant and the distribution variant have the least and most correlation with the dependent variant. We use the STEPWISE method for finding the best regression model and is entered in dependent variants by applying these variants method in relation to the dependent variant.

This procedure continues until the time that the independent variant gets meaningful. Entering the variant to model is stopped as soon as the variant without a meaningful effect on the dependent variant enters.

The product, physical assets and employee variants have entered to the regression model.

ANOVA table of a model concluding the effective meaningful independent variants for dependent variant comes following:

Table 4: ANOVA

Source Changes	Sum of squares	Degrees of freedom	Mean squares	F	P-value
Regression	2.923	3	0.974	9.130	0
Is needed	6.511	61	0.107		
Total	9.434	64			

As you can see, obtaining F is totally meaningful based on P-Value. In fact, at least one of the dependent variants is effective to predict the dependent variant. So, all the independent variants should be tested by T test.

The next table is related to the independent variants coefficients this table shows the standard and un standard X coefficient:

Table 5: independent variants coefficient

	Not standardized coefficients		Standardized coefficients	t	P-value
	B	Std. Error	Beta		
Constant	1.501	0.420	--	5.151	0.001
(Product) x_1	0.280	0.107	0.293	2.606	0.011
(Physical Asset) x_6	0.176	0.087	0.240	2.027	0.047
(People) x_5	0.128	0.068	0.221	1.872	0.066

The existence of all the coefficients in model on 10% meaning level can be considered based on the meaningful column P-Value.

It's important to mention that the B coefficients are used for predicting the changes, although the Beta coefficients are considered to determine the change

effect value of independent variants on the dependent so, the selected regression model follows :

$$y = 1.501 + 0.280x_1 + 0.176x_6 + 0.128x_5$$

In other words, the following equation

$$y = 1.501 + 0.280 * (\text{Product}) + 0.176 * (\text{Physical Asset}) + 0.128 * (\text{People})$$

Is a suitable linear multi variants regression to show the relationships between the independent and dependent variants.

XV. FRIEDMAN TEST TO RANK THE RESEARCH HYPOTHESES

The Friedman test has been used to prioritize and determine the importance value of the hypotheses. It happens when the statistics data is ordinal or we can rank data bilaterally.

Friedman test talks about whether there is the most important factor among others or all the factors have equal significance. This test has been done individually for two under studied groups.

Following hypothesis are mentioned in relation to ranking research hypothesis:

H0: service marketing mix have the equal status.

H1: service marketing mix don't have the equal status.

Friedman test result summary has been recorded to determine the hypothesis priority in following table:

Table 6: Friedman test results

Sample size	Value test statistics	Degrees of freedom	P-value
65	192.095	6	0.000

As you can see, being in the same rank for the accepted hypothesis in 5% meaning level is refused. So, these seven variables don't have the same importance.

The variables ranks have been recorded in following table:

Table 7: Variants Ranking

Average Votes	As the independent variable
4.75	Physical Asset
4.03	Price
6.09	Product
2.93	promotion
1.82	Place
5.02	Peoples
3.18	Process Management

Prioritizing independent variables is mentioned as following based on Friedman test:

- 1 - Product
- 2 - people
- 3 - physical assets
- 4 - Price
- 5 - Process Management
- 6 - promotion
- 7 - Place

XVI. CONCLUSION

As a matter of fact that the more powerful correlation shows the more powerful prediction and the less scattered answers through the Standard deviation point to the agreement and common ideas in related to this subject.

Because there are some independent variables

and one dependent variables in this research, a questionnaire has designed for each variant. Also, some variables have been used from the regression test for Standard deviation and correlation coefficient to show the correlation value of two variants. We conclude to this fact that the product has the most correlation value with the dependent variables after different processes of activity. So, it has more influence on these variables and less effect on marketing audit. Generally, service marketing mix doesn't have the same effect on marketing audit in engineering service firms and each factor based on the different conditions has the different effect on each other. Additionally, Prioritizing Friedman test has been determined according to marketing mix elements and product, people and physical assets are in higher ranks. Price, process management, promotion and place are rank in the next stages.

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