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By Jagwinder Singh
Dr B R Ambedkar National Institute of Technology

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PREFERENCE OF RETAILERS - A COMPARISON OF RURAL AND URBAN HOUSEHOLDS

Strictly as per the compliance and regulations of:

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Jagwinder Singh

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I. Introduction

One-sixth of the world's population lives in India. Therefore, India is an attractive market (Ling and Dawn, 2004). The economy witnesses increased potential for consumption, increased competition, availability of products both availability of products both in terms of quality and quantity, and the increased level of awareness among consumers. A large urban middle class and upper class, which constitutes one-third of the population, is a huge market for branded goods. The market for branded goods is increasing at 8 per cent per annum and in certain consumer goods, it is increasing at even 12 per cent. The Indian economy is the third largest in Asia. It is expected to grow at 7 per cent. The decrease in import tariffs has allowed large inflow of products from the other nations. Besides this, the Indian companies are entering into strategic alliances with the foreign reputed brands (Kinra, 2006). It has been forecasted that elderly population by 2010 will only be 9 per cent of the population as against 19 per cent of US and 30 per cent of Japan. This implies that the Indian consumers are comparatively younger as compared to the consumers of other nations including developed ones (Ling and Dawn, 2004).

Besides urban and semi-urban areas, rural India has a huge potential. Indian corporations have now recognized the importance of rural markets. It is evident from the efforts made by the companies like Coke, ITC and Hindustan Lever limited. According to Rajan (2005); Coke, in India has doubled the number of outlets in rural areas from 80,000 in 2001 to 160,000 in 2003, and increased market penetration from 13 per cent to 25 per cent. ITC and Hindustan Lever Limited (now Hindustan Unilever Limited) initiated rural approach through e-choupals and Project Shakti initiatives. The reasons are obvious. The competition has tremendously increased in urban areas due to the emergence of more players and they are battling for market share in terms of gaining or regaining by reducing prices. But there have been several flaws in the implementation of such projects. Some products have been dumped in the rural areas, which rural people may not want. The prime reason behind the non-tapping of potential rural markets was the lack of adequate knowledge about rural consumer and consequently failure of the companies to develop sustainable strategies. Rural consumers have also suffered at the hands of less ethical marketers due to their illiteracy. The spread of 25 per cent Indian population is in about 4000 cities and towns in India and the rest is in about six lakh villages. Any market that exists in an area with a population of less than 10, 000 and where the density of population and infrastructure is low is a rural market. Agriculture and related activities contribute about 75 per cent of the total income. The living standard of the rural households has changed considerably with the increase in yield of crops and better prices of crops than ever before. There is a tremendous potential in the rural areas as 31 per cent of total colour televisions, and 10 per cent of the washing machines have been found in the rural areas. The change in focus of the marketers has taken place as their cost in competing saturated urban markets is regularly escalating. However, meeting the needs of rural markets is also a challenging task. Poor literacy rate, seasonal demand for goods, lack of infrastructure (rail, road, communication etc.), traditional

About- Dept. of Management, Dr B R Ambedkar National Institute of Technology Jalandhar-144011, Punjab, India Tel: 91- 95011- 03708
E-mail: jagwinpandher@yahoo.co.in

life, different dialects and languages, and cautious buying are the obstacles for the marketers in promoting their products in the rural areas. Rural people give greater importance to experience than formal education (Krishnamoorthy, 2000). A product being treated as a gift item in an urban area may be perceived as a necessity item in the rural area. It may happen that the urban consumer buys any item out of impulse and for rural consumer it may be a planned activity to buy the same. The urban consumer may not depend upon the dealer for obtaining useful information about the product, but a rural consumer may heavily depends upon the dealer for getting assurance about the product. Urban consumer may look for exclusiveness of designs in the products and on the contrary rural consumer may be more concerned about the core functionality of the product, which he intends to buy. Narasimhan (2005) presented NSSO consumer data collected between January-June, 2004, which revealed that the monthly per capita consumption expenditure of average urban household was 88 per cent greater than that of rural household. The data further revealed that the difference had been persisted consistently over a period of time. In order to get success in the rural markets, marketers need to conduct deep study of the behaviour the rural consumer. The rural India may be culturally different from urban India. Different cultures may produce different attitudes.

II. Literature Review

The major source of consumer information is a shop in the trading areas at some distance from their residences. Majority of the bulk goods are purchased locally. However studies have found that consumers frequently shop out-of-area and they can be distinguished from non-out- shoppers by demographic and psychographic characteristics. The location of the shopping center is not nearly as important as other variables such as price, value, variety of products and stores, store quality and cleanliness, and friendly sales personnel (Louden and Della Bitta, 2002). Retailers always have a tendency to attract customers from distant areas so as to encourage them to shop outside their local markets. Out-shopping was earlier a rural practice because the rural retailers have only limited assortment. On the other hand, city people can buy from a walking distance where they can get better choice as well. Increase mobility due to increased public transportation and increase in ownership of cars have encouraged the consumers for out-shopping. The consumers also do not mind in paying additional secondary costs that are incurred by travelling outside to buy the goods. The tendency to shop outside is inversely related to price, quality, services, convenient store hours, merchandise selection and more exciting shopping environment. Out-shopping also depends upon the types of products purchased, motivation for out-shopping, and profiles and typology of out-shoppers. Out-shoppers are generally have higher educational and income levels, higher occupations and exposure to non-local media. Many are young and unmarried. Out-shopping expenditures are often incurred on durable goods rather than non-durable goods (Choe *et al*, 1997). Reardon and McCorkle (2002) have found that consumer direct order buying is increasing at the faster rate. Direct order buying provides convenience and time saving against conventional retailing channels. Consumers are willing to trade their time and effort for value differentials. Some consumers seek pleasure in shopping. It generates psychic income for them. Consumers may switch channels when they find utilities derived from one channel relative to the cost are more than the other one. The consumer who saves two hours by shopping online can devote this time to leisure or work. In direct marketing, the total cost may reduce but the psychic income of the consumer may also reduce. To cover a wide range of consumers, the marketers may consider both the channels simultaneously. In a study conducted by Blommestein *et al* (1980) in the small Dutch town, both consumers and the entrepreneurs had to rate their preferences for attributes of both daily and non-daily goods. These attributes were: (i) the average relative price level at the shopping center as compared to the competing shopping centers; (ii) the varieties of the commodities at the shopping center, (iii) the quality of service, (iv) the accessibility of the shopping center; (v) the atmosphere and the attendance at the shopping center; (vi) the parking facilities; (vii) the quantity and quality of complimentary services (such as post office, banks, medical service etc.); and (viii) traffic safety for consumers. The data were collected on the ordinal scale: (good satisfactory, less good, unsatisfactory, and bad). The items (i), (ii) and (iii) have been classified as direct shopping center attributes; (iv), (v) and (vi) have been classified as spatial attractiveness of the shopping center; and items (vii) and (viii) reflect the indirect attractiveness of the shopping center. The consumers of non-daily goods attached very high priority to all items of direct shopping center attributes and items (iv) and (vi) of the spatial attractiveness items. Entrepreneurs gave high priority to items (ii), (iii), (v) and (vi); intermediate priority to (i) and (iv); and no importance to (vii) and (viii). The image of the shopping center may differ substantially between consumers and entrepreneurs; therefore, socio-psychological disequilibrium between demand and supply side may exist. Though the packaging and branding of goods have reduced the advisory role of the retail outlets, yet in case of durables, the role of retailers is retained to some extent (Downham and Treasure, 1956). Most of the consumers shop out-of-town or out-shop for the reasons of better price, product variety and quality. These attributes influence consumers' decisions to patronize different store types. It is important to consider store patronage and lifestyle variables in the analysis of consumers' shopping behaviour. Consumers seek convenience, price, merchandise assortment, value for money, current styles, merchandising and sales service at the stores. Some studies have found that the affluent rural shoppers those who own car, prefer out-of-town shopping; and those who do not own car prefer in-town shopping. Many studies have given importance to store attributes, psychographics and demographics that influence consumers' market behaviour. Factor analysis of store patronage orientation yielded 12 factors. These were shopping environment, price, rich mix of commodities and services, errand shopping, focused shopping, leisure activities, impulsive shopping, proximity and familiarity of shops, family shopping, services, interesting shopping, and brand name (Sullivan *et al*, 2002). Retailers in both urban and suburban areas attempt to attract both out-shoppers and retain their hold on the shoppers of their own trade areas. The researchers from different dimensions have studied out-shopping. Some have related it to demographics and lifestyles, whereas others have considered it situation-specific and/or product-specific. According to Thompson (1971), race, income level, and age are very important determinants of out-shopping. The length of residency in a community, presence of children, age of children, and the occupation of the head of the family were not found to be the important determinants. Reynolds and Darden (1972) observed that the frequent out-shoppers were in the age group of 25-54 years with head of the household being college educated and enjoying relatively higher household income. The authors did not find any significant influence of occupation, household size, and number of younger and older children. However Hermann and Beik (1968) noted that out-shoppers did not have younger children in the household. There are studies that found that out-shopping for expensive home products were made in the earlier stages of family life-cycle. One study found that the out-shopping is generally made for semi-durable goods, which are less bulky and do not involve heavy monetary expenditure. The products that are generally bought in-town belong to those categories in which service element has a significant influence (e.g. major appliances, automobiles, furniture and jewelry). The other reasons for out-shopping may be high local price, lower quality local merchandise, limited assortment, discourteous sales persons, ease of getting downtown, store hours, and retail facilities. City and suburban households differ in the dimensions of store type patronage and store type satisfaction. The sub-urban consumers shoppers tend to patronize department stores than city counterparts whereas city shoppers liked large discount specialty stores. City households in general, show a greater willingness to do most of their shopping in wholesale discount stores and large discount specialty stores. On the other hand, suburban households show greater willingness to do most of their shopping at department and specialist stores. City residents are more satisfied than suburban residents (Smith, 1999). Rural consumers rate value as most important shopping criteria, followed by price, good service and convenience (Johnson *et al*, 2006). Urban consumers are more sophisticated shoppers as compared to rural consumers as they were likely to shop at well-known stores. The probable reason was lack of infrastructure in rural areas necessary for sophisticated commercial activities (Sun and Wu, 2004). Broadbridge and Calderwood (2002) investigated the shopping behaviour of respondents in rural communities; identified the factors and attitudes that influenced consumers' store choice decisions; examined local and out-shoppers' attitudes to local shops; and compared the demographic features of respondents according to their main shopping activity. The study was carried out in Scotland over a period of three years from 1997 to 2000. The independent shops in the rural areas were found performing social and community function and relied on basic general products and services. On the other hand a small shop located in urban area was found operating as a provider of a specialist or differentiated product or service. Consumers want high value products readily available. Multiple retailers are growing at the expense of the independent and co-operative retailers and these multiple retailers cater to the hassle-free and time-efficient shopping needs of the consumers. Out-shoppers rate importance to convenient car parking and a wide range of products. The local shoppers consider ease of access to location of the shop and friendly staff as important to them in their choice of outlet. The local shoppers perhaps due to community and social functions of local retail outlets are less likely to find local shops boring as compared to out-shoppers. Over these three years the importance to 'saving time' decreased against 'wider choice'. Out-shoppers were significantly more likely than local shoppers combining their shopping activity with another activity. However they were found significantly less likely than local shoppers to prefer well-known brands. Both local and out-shoppers importantly considered the friendly and convenient aspect of shopping locally. Range, price, and stock-outs were the main reasons were not buying locally. It was observed that the out-

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shoppers held a more negative view of local shops. The study further finds that from 1997 to 2000, some out-shoppers though very few turned into local shoppers and similarly some local shoppers turned into out-shoppers. By looking closely, it was found that the new out-shoppers had access to car, but it was not a determining factor as the former out-shoppers also had an access to car. Age, education, and gender too did not appear to be the determining factors. The changing behaviour was due to the change in their personal circumstances. The former local shoppers continued to consider local shops as convenient, and easy to approach, but the issue was overall offer. The attitudes towards local shops had been hardened by both former local shoppers as well as new local shoppers due to high price and limited assortment. Though the profile of local shoppers revealed that these shoppers had annual income less than 10,000 pounds, did not own a car, single and older in age, and out-shoppers were younger and married or co-habiting; yet the study did not find any significant bearing of gender, income levels, marital status, and household composition.

III. Methodology Adopted

Different product categories Television (entertainment product), Refrigerator (home appliance), and an Automobile (two-wheeler, motorcycle and car/jeep) have been selected for study. A sample of 411 (204 from urban and 207 from rural areas) households across the state have been selected on the basis of non-probability convenience sampling. The data about current ownership or likelihood of purchases in the next 24 months on the select durable goods (television, refrigerator and any type of automobile) were obtained. In case of additional purchase/replacement or their likelihood in near future about the select items, the respondents were asked to give their responses only to the latest/likely buying. All respondents had been found possessing at least one item of each select product.

The study has been based on both primary as well as secondary data. In-depth interviews have been conducted to look into insights of the consumers' behaviour with the help of a pre-tested bilingual questionnaire that was served to the respondents to obtain important information as regards to the prime objectives of the study.

H1: Rural and Urban consumers differ in terms of preference for retail/dealer outlets.

H2: Rural and Urban consumers differ in terms of preference for local vis-à-vis out-of-town / city retailers / dealers.

The hypotheses have been constructed on the basis of literature reviewed and the observations of the researcher. The p-values have been calculated for all the variables / statements and on comparing with central value (3 representing indifference to the statement) their significance has been checked at 95% confidence level. Similarly, p-values have also been calculated to observe the significance (95% confidence level) of differences between the responses of rural and urban consumers. Discriminant analysis has also been carried out to observe the differences between rural and urban consumers. Two-way ANOVA (Analysis of Variance) has been applied to test the independent effects and the interaction effects of habitat (rural or urban) and income, and habitat and select durables.

IV. Limitations of the Study

The sample size is too small to generalize the findings. Moreover only three products (only one product from three categories) have been selected. However, there are large number of consumer durables such as washing machines, water purifiers, air conditioners, generator sets, and kitchen appliances etc. There is again a variety of items within a product category and they carry different utilities at different values for different strata of consumers. The study needs to be further extended in terms of other variables such as differences in the behaviours of different socio-economic groups of rural and urban consumers and other demographic considerations. Also more predictors can be added in further studies. Also only those households have been considered for study that had either all the three items (television, refrigerators and any type of automobile) or they were likely to buy in near future. There are many households, which may have not any one or more of these, select items and they were not likely to buy in near future. Some households had possessed some of the select durables for a long time. The consumers' preferences, considerations, and family life cycle since then might have changed and the behaviour particularly as regards to the influences within the household might be different as compared to the time of acquisition of that durable. Therefore, the likely buying of next 24 months has been made the part of the study to minimize the impact of this limitation.

V. Data Analysis and Results

The results are summarized here as under:

1) *Television*

Table T 1 Preference for Retail Outlets (Mean values).

S. No.	Variables	U	p (1 t) U	R	p (1 t) R	U-R	p (2 t)
X 1	Preference to retailers who offered/will offer attractive prices irrespective of their location.	3.45	<0.0001	3.97	<0.0001	-0.52	<0.0001
X 2	Preference to retailers with sales people guiding better.	3.93	<0.0001	3.97	<0.0001	-0.03	0.6458
X 3	Preference to retailers having a wide range of products.	4.05	<0.0001	3.89	<0.0001	0.16	0.0462
X 4	Preference to retailer keeping high quality products.	4.09	<0.0001	3.98	<0.0001	0.11	0.1171
X 5	Preference to the retailer that is easily accessible.	3.70	<0.0001	3.73	<0.0001	-0.04	0.6529
X 6	Visit only well known retailers irrespective of distance.	**3.68**	**<0.0001**	**3.72**	**<0.0001**	**-0.04**	0.6103

U = Mean Urban, R = Mean Rural, p (1 t) = p value one tailed, and p (2 t) = p value two tailed.

Both rural and urban consumers had almost similar preferences for the type of retail outlets of television (X1 to X6). Both these groups preferred retailers offering attractive prices (X1), with better sales people (X2), keeping wide range (X3) and high quality products (X4), and those are easily accessible (X5). Both these groups also liked to visit well known retailers of television sets (X6). The rural consumers in comparison to their urban counterparts had given significantly high consideration to the retailers offering attractive prices whereas; the urban consumers in comparison to their rural counterparts had given greater consideration to retailers keeping wide range of televisions (Table T 1). Two-way ANOVA reveals no interaction between income and habitat of consumers for all other select variables except X1. No differences could be observed among different income groups for all the select variables. There had been significant differences between rural and urban consumers for the variables X1 and X3 with the highest value of X1. This implies the greater preference of urban consumers than the rural ones to the retailers keeping wide range of televisions (Table T 1.1).

Table T 1.1 Preference for Retail Outlets (F ratio).

S. No.	Variables	F ratio R/U (df =1)	F ratio IG (df =4)	F ratio R/U*IG (df =4)
X 1	Preference to retailers who offered/will offer attractive prices irrespective of their location.	10.344*	2.096	**2.942***
X 2	Preference to retailers with sales people guiding better.	0.131	0.429	**0.583**
X 3	Preference to retailers having a wide range of products.	5.011*	0.690	**1.750**
X 4	Preference to retailer keeping high quality products.	1.319	0.922	**0.063**
X 5	Preference to the retailer that is easily accessible.	0.004	0.458	**0.658**
X 6	Visit only well known retailers irrespective of distance.	**0.550**	**1.482**	**0.749**

R/U = Rural-Urban, IG = Income Group, and R/U*IG= Two-way interaction between R/U and IG.

The variable X1 had been found to be the most discriminating variable both on the basis of standardized canonical discriminant function coefficients and structure matrix. Overall both the groups have low differences in their perceptions as revealed by the classification results according to which; 60.8% of original and 59.9% of cross-validated groups have been found correctly classified (Table T 1.2).

Table T 1.2 Preference for Retail Outlets (Discriminant Analysis).

S. No.	Variables	Standardized Canonical Discriminant Function Coefficients	Unstandardized Canonical Discriminant Function Coefficients	Structure Matrix	
1	X 1	0.903	0.965	X 1	0.864
2	X 2	0.132	0.170	X 3	-0.307
3	X 3	-0.496	-0.630	X 4	-0.241
4	X 4	-0.197	-0.272	X 6	0.078
5	X 5	0.175	0.203	X 2	0.070
6	X 6	-0.022	-0.026	X 5	0.069
	Constant		-1.312		

Table T 2 Preference for Local vis-à-vis Out-of-Town Retailers (Mean Values)

z	Variables	U	p (1 t) U	R	p (1 t) R	U-R	p (2 t)
X 7	Saving time is more important to you than a wider choice.	3.32	<0.0001	2.64	<0.0001	0.68	0.0001
X 8	Local shops are convenient and friendly.	3.43	<0.0001	3.41	<0.0001	0.02	0.8416
X 9	Local shops understand needs well and stock what you want.	3.54	<0.0001	3.19	0.0055	0.35	0.0008
X 10	Local shops have limited stock and not offer the latest styles.	2.34	<0.0001	3.42	<0.0001	-1.08	<0.0001
X 11	Local shops are too expensive.	2.77	0.0018	2.94	0.2065	-0.17	0.1082
X 12	Costs you too much to shop out of nearby town/own city.	3.04	0.2559	2.90	0.0676	0.15	0.1268
X 13	Get more for your money in the big city.	3.26	0.0003	3.20	0.0028	0.06	0.5488

U = Mean Urban, R = Mean Rural, p (1 t) = p value one tailed, and p (2 t) = p value two tailed.

In response to their preferences for local vis-à-vis out-of-the-town/city retailers (X7 to X13), it has been observed that saving time rather than a wide choice (X7) was more important for the urban consumer as compared to the rural consumer, who had low onsideration for saving time than a wider choice. Rural consumers had a strong belief that their local retailers located in the nearby places such as towns had limited stock with no latest styles (X10) whereas; the urban consumers had been found strongly disagreed on this issue. However both groups significantly agreed that local retailers are convenient and friendly (X8), and they keep stock as per the needs of the local consumers (X9). The extent of agreement had been found significantly greater among urban consumers than their rural counterparts for the variable X9. However, at the same time both the groups believed that one gets more for his money in the big city (X13). Both groups moderately agreed that it is a costly affair to buy television out of own city or nearby town (X12). Urban consumers did not find their local shops expensive. However the rural consumers had moderately agreed that the local shops in the nearby towns (X11) are expensive (Table T 2). Two-way ANOVA reveals no interaction between income and habitat of consumers for all the select variables. No differences could be observed among different income groups for all other select variables except X9. There had been significant differences between rural and urban consumers for the variables X7 and X10 with the highest value of X10 followed by X7 (Table T 2.1). The discriminant analysis also reveals variable X10 to be the highest discriminating variable followed by X7 both on the basis of standardized canonical function coefficients and structure matrix. Overall both the groups had distinct perceptions as the same is revealed from the classification results according to which; 74.7 % of original groups and 73.2% of cross-validated groups have been found correctly classified (Table T 2.2).

Table T 2.1 Preference for Local vis-à-vis Out-of-Town Retailers (F ratio).

S. No.	Variables	F ratio		
		R/U (df =1)	IG (df =4)	R/U*IG (df =4)
X 7	Saving time is more important to you than a wider choice.	28.469*	0.329	0.487
X 8	Local shops are convenient and friendly.	0.017	0.123	0.865
X 9	Local shops understand needs well and stock what you want.	3.740	2.345*	0.416
X 10	Local shops have limited stock and not offer the latest styles.	77.378*	0.275	0.582
X 11	Local shops are too expensive.	0.780	1.276	0.982
X 12	Costs you too much to shop out of nearby town/own city.	0.008	0.932	1.655
X 13	Get more for your money in the big city.	0.100	1.391	0.350

R/U = Rural-Urban, IG = Income Group, and R/U*IG= Two-way interaction between R/U and IG

Table T 2.2 Local vis-à-vis Out-of-Town Retailers (Discriminant Analysis).

S. No.	Variables	Standardized Canonical Discriminant Function Coefficients	Unstandardized Canonical Discriminant Function Coefficients	Structure Matrix	
1	X 7	-0.530	-0.482	X 10	0.797
2	X 8	0.089	0.083	X 7	-0.471
3	X 9	-0.112	-0.106	X 9	-0.254
4	X 10	0.861	0.832	X 11	0.121
5	X 11	0.077	0.073	X 12	-0.115
6	X 12	-0.244	-0.253	X 13	-0.045
7	X 13	0.007	0.007	X 8	-0.015
	Constant		-0.371		

2) *Refrigerator*

Table R 1 Preference for Retail Outlets (Mean values).

S. No.	Variables	U	p (1 t) U	R	p (1 t) R	U-R	p (2 t)
X 1	Preference to retailers who offered/will offer attractive prices irrespective of their location.	3.50	<0.0001	3.89	<0.0001	-0.39	<0.0001
X 2	Preference to retailers with sales people guiding better.	3.96	<0.0001	3.93	<0.0001	0.03	0.6602
X 3	Preference to retailers having a wide range of products.	4.08	<0.0001	3.86	<0.0001	0.22	0.0050
X 4	Preference to retailer keeping high quality products.	4.11	<0.0001	3.95	<0.0001	0.16	0.0231
X 5	Preference to the retailer that is easily accessible.	3.70	<0.0001	3.73	<0.0001	-0.04	0.6529
X 6	Visit only well known retailers irrespective of distance.	3.68	<0.0001	3.72	<0.0001	-0.04	0.6103

U = Mean Urban, R = Mean Rural, p (1 t) = p value one tailed, and p (2 t) = p value two tailed.

Both rural and urban consumers had low differences in terms of their preferences for the type of retail outlets of refrigerators (X1 to X6). Both these groups preferred retailers offering attractive prices (X1), with better sales people (X2), keeping wide range (X3) and high quality products (X4), and those are easily accessible (X5). Both these groups also liked to visit well known retailers of refrigerators (X6). The rural consumers in comparison to their urban counterparts had given significantly high consideration to the retailers offering attractive prices whereas; urban consumers in comparison to rural counterparts had given high consideration to retailers keeping wide range and high quality products (Table R 1).

Two-way ANOVA reveals no interaction between income and habitat of consumers for all other select variables except X1, where the significant interaction had been found. No significant differences could be observed among different income groups for all the select variables. There had been significant differences between rural and urban consumers only for the variables X3 (Table R 1.1). The variable X1 had been found to be most discriminating variable both on the basis of standardized canonical discriminant function coefficients and structure matrix. Overall both the groups had low differences in their perceptions as revealed by the classification results according to which; 63.5% of original and 62% of cross-validated groups have been found correctly classified (Table R 1.2).

Table R 1.1 Preference for Retail Outlets (F ratio).

S. No.	Variables	F ratio		
		R/U (df =1)	IG (df =4)	R/U*IG (df =4)
X 1	Preference to retailers who offered/will offer attractive prices irrespective of their location.	3.324	2.076	3.037*
X 2	Preference to retailers with sales people guiding better.	0.191	0.625	0.382
X 3	Preference to retailers having a wide range of products.	7.969*	0.454	1.428
X 4	Preference to retailer keeping high quality products.	2.810	0.991	0.105
X 5	Preference to the retailer that is easily accessible.	0.004	0.458	0.658
X 6	Visit only well known retailers irrespective of distance.	0.550	1.482	0.749

R/U = Rural-Urban, IG = Income Group, and R/U*IG= Two-way interaction between R/U and IG.

Table R 1.2 Preference for Retail Outlets (Discriminant Analysis).

S. No.	Variables	Standardized Canonical Discriminant Function Coefficients	Unstandardized Canonical Discriminant Function Coefficients	Structure Matrix	
1	X 1	0.740	0.789	X 1	0.704
2	X 2	0.028	0.037	X 3	-0.467
3	X 3	-0.745	-0.949	X 4	-0.377
4	X 4	-0.255	-0.356	X 6	0.084
5	X 5	0.373	0.433	X 5	0.074
6	X 6	0.107	0.124	X 2	-0.072
	Constant		0.081		

In response to their preferences for local vis-à-vis out-of-the-town/city retailers (X7 to X13), it had been observed that saving time rather than a wide choice (X7) was more important for the urban consumer as compared to the rural consumer, who has low consideration for saving time than a wider choice. Rural consumers had a belief that their local retailers located in the nearby places such as towns had limited stock with no latest styles (X10), whereas the urban consumers had been found strongly disagreed on this issue.

However both groups significantly agreed that local retailers are convenient and friendly (X8), and they keep stock as per the needs of the local consumers (X9). The extent of agreement had been found significantly greater among urban consumers than their rural counterparts for the variable X9. However, at the same time they believed that one gets more for his money in the big city (X13). Both groups moderately agreed that it is a costly affair to buy refrigerator out of own city or nearby town (X12). Urban consumers did not find their local shops expensive. However the rural consumers had moderately agreed that the local shops in the nearby towns are expensive (X11). The rural and urban consumers had differed for the variables X7, X9, and X10 (Table R 2).

Two-way ANOVA reveals no interaction between income and habitat of consumers for all the select variables. No significant differences could be observed among different income groups for all other select variables except X9. There had been significant differences between rural and urban consumers for the variables X7 and X10, with the highest F value for X10 (Table R 2.1). The discriminant analysis also reveals variable X10 to be the highest discriminating variable followed by X7 both on the basis of standardized canonical function coefficients and structure matrix. Overall both the groups had distinct perceptions as the same is revealed from the classification results according to which; 71.5 % of original groups and 71% of cross-validated groups have been found correctly classified (Table R 2.2).

Table R 2 Preference for Local vis-à-vis Out-of-Town Retailers (Mean Values).

S. No.	Variables	U	p (1 t) U	R	p (1 t) R	U-R	p (2 t)
X 7	Saving time is more important to you than a wider choice.	3.26	0.0009	2.70	<0.0001	0.56	<0.0001
X 8	Local shops are convenient and friendly.	3.47	<0.0001	3.37	<0.0001	0.10	0.3581
X 9	Local shops understand needs well and stock what you want.	3.59	<0.0001	3.25	<0.0001	0.34	0.0010
X 10	Local shops have limited stock and not offer the latest styles.	2.29	<0.0001	3.32	<0.0001	-1.02	<0.0001
X 11	Local shops are too expensive.	2.75	0.0006	2.91	0.0971	-0.16	0.1082
X 12	Costs you too much to shop out of nearby town/own city.	3.10	0.0892	2.94	0.1924	0.16	0.1149
X 13	Get more for your money in the big city.	3.31	<0.0001	3.16	<0.0001	0.15	0.1318

R/U = Rural-Urban, IG = Income Group, and R/U*IG= Two-way interaction between R/U and IG.

Table R 2.2 Preference for Local vis-à-vis Out-of-Town Retailers (Discriminant Analysis).

S. No.	Variables	Standardized Canonical Discriminant Function Coefficients	Unstandardized Canonical Discriminant Function Coefficients	Structure Matrix	
1	X 7	-0.472	-0.427	X 10	0.822
2	X 8	0.018	0.017	X 7	-0.428
3	X 9	-0.138	-0.134	X 9	-0.276
4	X 10	0.874	0.831	X 11	0.134
5	X 11	0.058	0.056	X 12	-0.132
6	X 12	-0.210	-0.211	X 13	-0.126
7	X 13	-0.059	-0.057	X 8	-0.077
	Constant		0.000		

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Table A 1 Preference for Dealer Outlets (Mean values).

S. No.	Variables	U	p (1 t) U	R	p (1 t) R	U-R	p (2 t)
X 1	Preference to retailers who offered/will offer attractive prices irrespective of their location.	3.13	0.0423	3.50	<0.0001	-0.37	0.0007
X 2	Preference to retailers with sales people guiding better.	4.00	<0.0001	4.06	<0.0001	-0.07	0.3581
X 3	Preference to retailers having a wide range of products.	3.93	<0.0001	3.61	<0.0001	0.32	0.0003
X 4	Preference to retailer keeping high quality products.	4.00	<0.0001	3.84	<0.0001	0.16	0.0284
X 5	Preference to the retailer that is easily accessible.	3.74	<0.0001	3.84	<0.0001	-0.10	0.2898
X 6	Visit only well known retailers irrespective of distance.	3.57	<0.0001	3.95	<0.0001	-0.38	<0.0001

U = Mean Urban, R = Mean Rural, p (1 t) = p value one tailed, and p (2 t) = p value two tailed.

Table A 1.1 Preference for Dealer Outlets (F ratio).

S. No.	Variables	F ratio		
		R/U (df =1)	IG (df =4)	R/U*IG (df =4)
X 1	Preference to retailers who offered/will offer attractive prices irrespective of their location.	0.413	10.471*	0.628
X 2	Preference to retailers with sales people guiding better.	0.456	0.816	0.278
X 3	Preference to retailers having a wide range of products.	15.386*	2.418	1.182
X 4	Preference to retailer keeping high quality products.	0.459	10.659*	2.442*
X 5	Preference to the retailer that is easily accessible.	0.619	0.558	0.654
X 6	Visit only well known retailers irrespective of distance.	17.188*	4.103*	0.332

R/U = Rural-Urban, IG = Income Group, and R/U*IG= Two-way interaction between R/U and IG.

Table A 1.2 Preference for Dealer Outlets (Discriminant Analysis).

S. No	Variables	Standardized Canonical Discriminant Function Coefficients	Unstandardized Canonical Discriminant Function Coefficients	Structure Matrix	
1	X 1	0.402	0.371	X 6	0.540
2	X 2	0.116	0.156	X 3	-0.474
3	X 3	-0.753	-0.863	X 1	0.446
4	X 4	-0.275	-0.364	X 4	-0.286
5	X 5	0.276	0.301	X 5	0.138
6	X 6	0.618	0.668	X 2	0.119
	Constant		-0.830		

3) *Automobiles*

Both rural and urban consumers had low differences in terms of their preferences for the type of dealers of automobiles (X1 to X6). Both these groups preferred dealers offering attractive prices (X1), with better sales people (X2), keeping wide range (X3) and high quality products (X4), and those are easily accessible (X5). Both these groups also liked to visit well known dealers of automobiles (X6). The rural consumers in comparison to their urban counterparts had given significantly high consideration to the dealers offering attractive prices as well as well known dealers. The urban consumers on the other side had significantly preferred dealers offering wide range of automobiles as compared to their rural counterparts (Table A 1). Two-way ANOVA reveals no interaction between income and habitat of consumers for all other select variables except variable X4. No significant difference could be observed between different income groups for all other select variables except variables X1, X4, and X6. There had been significant differences between rural and urban consumers for the variables X3 and X6 with the highest F value of variable X6 (Table A 1.1).The structure matrix also reveals the variable X6 to be the most discriminating variable followed by X3. Overall both the groups had low differences in their perceptions as revealed by the classification results according to which; 63% of original and 62% of cross-validated groups have been found correctly classified (Table A 1.2). In response to their preferences for local vis-à-vis out-of-the-town/city dealers (X7 to X13), it has been observed that both rural and urban consumers significantly disagreed that saving time is more important than the wider choice (X7). However the extent of disagreement had been significantly greater among the rural consumers than their urban counterparts. Rural consumers had a strong belief that their local dealers located in the nearby places such as towns had limited stock with no latest styles (X10), whereas the urban consumers had been found strongly disagreed on this issue. However both groups significantly agreed that local dealers are convenient and friendly (X8), and they keep stock as per the needs of the local consumers (X9). The extent of agreement for these variables had been found significantly greater among the urban consumers as compared to the rural consumers. However, at the same time they believed that one gets more for his money in the big city (X13).

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Table A 2 Preference for Local vis-à-vis Out-of-Town Retailers (Mean Values).

S. No.	Variables	U	p (1 t) U	R	p (1 t) R	U-R	p (2 t)
X 7	Saving time is more important to you than a wider choice.	2.52	<0.0001	2.12	<0.0001	0.41	0.0001
X 8	Local shops are convenient and friendly.	3.66	<0.0001	3.29	<0.0001	0.36	0.0007
X 9	Local shops understand needs well and stock what you want.	3.59	<0.0001	3.34	<0.0001	0.25	0.0151
X 10	Local shops have limited stock and not offer the latest styles.	2.25	<0.0001	3.21	0.0028	-0.95	<0.0001
X 11	Local shops are too expensive.	2.65	<0.0001	2.98	0.3598	-0.33	0.0011
X 12	Costs you too much to shop out of nearby town/own city.	3.25	0.0037	2.81	0.0029	0.44	<0.0001
X 13	Get more for your money in the big city.	3.36	<0.0001	3.22	0.0012	0.15	0.1653

U = Mean Urban, R = Mean Rural, p (1 t) = p value one tailed, and p (2 t) = p value two tailed.

Table A 2.1 Preference for Local vis-à-vis Out-of-Town Retailers (F ratio).

S. No.	Variables	F ratio		
		R/U (df =1)	IG (df =4)	R/U*IG (df =4)
X 7	Saving time is more important to you than a wider choice.	5.871*	4.979*	2.481*
X 8	Local shops are convenient and friendly.	12.698*	2.168	0.993
X 9	Local shops understand needs well and stock what you want.	3.074	2.475*	0.364
X 10	Local shops have limited stock and not offer the latest styles.	46.376*	1.063	2.682*
X 11	Local shops are too expensive.	4.120*	1.246	0.725
X 12	Costs you too much to shop out of nearby town/own city.	13.948*	2.270	1.571
X 13	Get more for your money in the big city.	0.727	1.474	0.580

R/U = Rural-Urban, IG = Income Group, and R/U*IG= Two-way interaction between R/U and IG.

The urban consumers significantly believed that it would be costly to buy an automobile out of city whereas; the rural consumers did not think so (X12). Urban consumers did not find their local dealers expensive. However the rural consumers had moderately agreed that the local dealers in the nearby towns are expensive (X11). The rural and urban consumers had differed for all the select variables except X13 (Table A 2). Two-way ANOVA reveals no interaction between income and habitat of consumers for all other select variables except variables X7 and X10. No significant difference could be observed between different income groups for all other select variables except variables X7 and X9. There had been significant differences between rural and urban consumers for all other variables except variables X9 and X13 with the highest F value of variable X10 followed by X12 (Table A 2.1). The discriminant analysis also reveals variable X10 to be the highest discriminating variable both on the basis of standardized canonical function coefficients and structure matrix. Overall both the groups had distinct perceptions as the same is revealed from the classification results according to which; 70.6 % of original groups and 69.3% of cross-validated groups have been found correctly classified (Table A 2.2).

Table A 2.2 Preference for Local vis-à-vis Out-of-Town Dealers (Discriminant Analysis).

S. No.	Variables	Standardized Canonical Discriminant Function Coefficients	Unstandardized Canonical Discriminant Function Coefficients	Structure Matrix	
1	X 7	0.312	0.291	X 10	-0.764
2	X 8	0.239	0.221	X 12	0.357
3	X 9	0.038	0.037	X 7	0.313
4	X 10	-0.780	-0.762	X 8	0.275
5	X 11	-0.239	-0.236	X 11	-0.266
6	X 12	0.448	0.444	X 9	0.197
7	X 13	0.093	0.088	X 13	0.113
	Constant		-0.457		

Table 3Two-Way ANOVA (Habitat and Product Categories)

S. No.	Variables	F ratio		
		R/U (df =1)	PC (df =2)	R/U* PC (df =2)
X 1	Preference to retailers who offered/will offer attractive prices irrespective of their location.	57.436*	21.019*	0.715
X 2	Preference to retailers with sales people guiding better.	0.281	1.595	0.465
X 3	Preference to retailers having a wide range of products.	24.296*	8.466*	0.972
X 4	Preference to retailer keeping high quality products.	12.209*	3.190*	0.161

X 5	Preference to the retailers those are easily accessible.	1.308	0.937	0.145
X 6	Visit only well known retailers irrespective of distance.	9.508*	0.625	4.934*
X 7	Saving time is more important to you than a wider choice.	77.790*	49.821*	1.602
X 8	Local shops are convenient and friendly.	6.821*	0.386	2.828
X 9	Local shops understand needs well and stock what you want.	27.870*	0.999	0.316
X 10	Local shops have limited stock and not offer the latest styles.	297.966*	2.090	0.400
X 11	Local shops are too expensive.	13.934*	0.212	0.857
X 12	Costs you too much to shop out of nearby town/own city.	19.095*	0.376	2.887
X 13	Get more for your money in the big city.	4.083	0.416	0.244

R/U = Rural-Urban, PC = Product Category, and R/U*PC= Two-way interaction between R/U and PC.

In terms of preference for retailers / dealers, two-way ANOVA reveals interaction between habitat and the product categories only for the variable X6. There had been significant differences between rural and urban consumers for all other select variables except X2 and X5 with the highest F value for X1 followed by X3. There had been significant differences between the behaviour of these consumers for the three different select products in terms of all other variables except X2 and X5 and X6, with the highest F value for variable X1 followed by X3. In response to their preferences for local vis-à-vis out-of-the-town/city dealers there had been no interaction between habitat and the product categories for the select variables. There had been significant differences between rural and urban consumers for all other select variables except X13 with the highest F value for X10 followed by X7. There had been significant differences between the behaviour of these consumers for the three different select products only in terms of variable X7.

VI. Discussion and Conclusions

The discussion and conclusions of the study are as under:

1) *Preference for Retailers / Dealers*

Both these groups prefer retailers offering attractive prices, with better sales people, keeping wider range, high quality products and those are easily accessible. Both these groups also like to visit well known retailers / dealers of these products. The rural consumers in comparison to their urban counterparts give high consideration to the retailers offering attractive prices whereas; the urban consumers in comparison to their rural counterparts give greater consideration to retailers keeping wider range of products. This is so because the urban consumers have greater tendencies to become a leader in buying new contemporary items. Therefore, they have tendencies to visit such places where they can find access to wide range of models including that are recently launched. On the other side, the rural consumers are more interested in standard practical items and prefer those who offer them attractive prices. It is much suited to the rural consumers due to their income constraints. In case of televisions, the difference between rural and urban groups in terms of the preference of the retailers offering attractive price varies among their different income groups. In case of automobiles, this preference varies among different income groups. In case of television and refrigerators, there are no differences between rural and urban consumers in terms of visiting the well known retailers. However in case of automobiles, the rural consumers have greater tendency to visit well known dealers than the urban consumers. This tendency also differs among different income levels of these consumers' categories. In case of refrigerators and automobiles, the urban consumers have a greater tendency to visit the retailers / dealers those keep high quality products. In case of automobiles, this tendency also differs among different income groups. But this difference differs among the rural and urban consumers. However in case of televisions, there are no such differences between rural and urban consumers. Considering all the select products, there have been differences between rural and urban consumers for all other select variables except for the preference to retailers whose sales people guide better, and those are easily accessible. The differences between rural and urban consumers in terms of visiting well known dealers differ with the product category. The product based differences do exist for the retailers / dealers offering better prices, keeping high quality products and wide range of products. Overall there are insignificant differences between rural and urban consumers for all the select products.

2) *Preferences For Local Vis-À-Vis Out -Of –Town / City Retailers*

In response to their preferences for local vis-à-vis out-of-the-town/city retailers it has been observed that in case of televisions and refrigerators, saving time rather than a wider choice is more important for the urban consumer as compared to the rural consumer, who has low consideration for saving time than a wider choice thus showing consistency with the similar revelations made by Broadbridge and Calderwood (2002) about the rural consumers. However in case of an automobile, wider choice is more important for both the types of consumers, though the same is of further greater importance for the rural consumers than their urban counterparts. This is so because the automobiles are high value products and there are income constraints among rural consumers. Moreover the rural consumers have a tendency to keep items for longer period of time and they replace only on their complete wearing out. Therefore, the wider choice is being preferred irrespective of the time by the rural consumers. This difference in preference however varies among different income groups in case of automobiles. Rural consumers have a strong belief that their local retailers / dealers located in the nearby places such as towns have limited stock with no latest styles thus showing conformance with the findings of Broadbridge and Calderwood (2002); and Choe et al (1997). On the other side, the urban consumers strongly disagree on this issue for all the select products. The same is in agreement to the findings of Broadbridge and Calderwood (2002) and Sullivan et al (2002). In case of automobiles, this difference varies among different income levels of these consumers' categories. Both the groups significantly believe that local retailers are convenient and friendly. This belief is equal in case of television and refrigerator but significantly greater among urban consumers than their rural counterparts in case of automobile. Both the groups perceive that the local retailers / dealers keep stock as per the needs of the local consumers. The extent of agreement is significantly greater among urban consumers than their rural counterparts for all the select products. This degree of agreement also varies among the different income groups of these habitant groups. However, at the same time they believe that one gets more for his money in the big city. Both groups moderately agreed that it is a costly affair to buy television or refrigerator out of own city or nearby town. In case of automobiles, urban consumers find buying the product out of city very costly whereas; the rural consumers do not think so. Urban consumers do not find their local shops expensive. However the rural consumers moderately agree that the local shops in the nearby towns are expensive, which is again in conformance to the findings of Braodbridge and Calderwood (2002). Therefore, they have a tendency to buy items from the big cities as they find better value for money in the big city. This is in agreement to the findings of Blommestein et al (1980) and Louden and Della Bitta (2002). Also According to Johnson et al (2006), rural consumers rate value as most important shopping criteria, followed by price, good service and convenience. Otherwise they are not benefited economically. The additional cost incurred in terms of buying from a place that is away from their homes gets equalized due to price advantage they get in the big city. Considering all the select products, there have been differences between rural and urban consumers for all other select variables except for the greater worth in buying from the big city. Product based differences also exist for giving greater importance to saving time than the wider choice. Overall there are considerable differences between rural and urban consumers for all the select products.

3) *Scope Of Present Study*

The study has the tremendous scope. Very few studies have been carried out to understand the behaviour of rural consumer in India. Moreover the studies on consumer durables are further less in number. Negligible attempts have been made particularly in India to differentiate the rural consumer from the urban one. The durable goods by and large are household items and these carry high value for the consumers. The study will help the marketers to understand the consumers' dynamics better so as to formulate and execute the distinct and complete marketing offerings while approaching their target territories. The study can be further extended to other sub groups that can be classified on the basis of income, occupation, and educational levels, etc. Retailers / dealers should offer attractive prices, recruit better sales force, keep high quality and wide range of products and provide credit facility both to rural and urban consumers. Retailers must give greater focus on rural consumers at time when they offer price discounts. They may give advertisements in local media as and when new items are introduced. The marketers of the brands must make liaison with well known retailers / dealers of the area who have established good credibility and reputation among the habitants of that place. Since rural people out-shop under compulsion not by choice as they prefer to visit retailers / dealers those are easily accessible; therefore, the marketers must give urgent attention to ensure the distribution of their products in the rural areas at par with the urban areas. The marketers must make sure that the desired variety is available in the towns adjoining the villages.

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Interaction of Leverage and Reforms Process Revisited Empirical Evidence from the Fuel and Energy Sector of Pakistan

By Shah Khalid
University of Malakand Chakdara,

Abstract- In the present paper the linkage between capital structure and Financial Reforms are analyzed in a dynamic setup. The linkage is explored by using a panel data set, spanning 1988-2008, of the Fuel and Energy industry of Pakistan by employing the Arellano-Bond Dynamic Panel-Data Estimation technique to avoid the problems of endogeneity, heteroscedasticity and autocorrelation which are usually associated with dynamic panel data estimation.The main variable of interest, Financial Reforms, has a negative relationship with leverage as predicted by theory. This negative relationship substantiate the fact that with liberalization and strengthening of institutions, leverage has decreased due to shifting of the firms from debt to equity market once the financial constraints got eased out. The positive relationship between leverage and lagged leverage suggest costs of adjustment for capital structure, which delays the adjustment process. Tangibility, confirming Pecking Order Hypothesis, has a negative correlation with leverage; indicating that the firms of fuel and energy sector of Pakistan fail to use their tangible assets as collateral for debt financing. Nevertheless, the results validate Pecking Order Hypothesis in case of profitability. Profitability, as advocated by Pecking Order Hypothesis, is negatively associated with leverage. That is highly profitable firms looks towards equity financing rather than debt financing. Size as predicted by theory has positive relationship with leverage; bigger firms tend to be financed through debt. Ironically, the Growth variable has positive but statistically insignificant relationship with leverage.

Keywords: Capital Structure Choice, Fuel and Energy Sector, Financial Reforms. JEL Codes: G31, G32

Classification: GJMBR-A JEL Classification: N75, G00

INTERACTION OF LEVERAGE AND REFORMS PROCESS REVISITED EMPIRICAL EVIDENCE FROM THE FUEL AND ENERGY SECTOR OF PAKISTAN

Strictly as per the compliance and regulations of:

Interaction of Leverage and Reforms Process Revisited Empirical Evidence from the Fuel and Energy Sector of Pakistan

Shah Khalid

Abstract-In the present paper the linkage between capital structure and Financial Reforms are analyzed in a dynamic setup. The linkage is explored by using a panel data set, spanning 1988-2008, of the Fuel and Energy industry of Pakistan by employing the Arellano-Bond Dynamic Panel-Data Estimation technique to avoid the problems of endogeneity, heteroscedasticity and autocorrelation which are usually associated with dynamic panel data estimation.

The main variable of interest, Financial Reforms, has a negative relationship with leverage as predicted by theory. This negative relationship substantiate the fact that with liberalization and strengthening of institutions, leverage has decreased due to shifting of the firms from debt to equity market once the financial constraints got eased out. The positive relationship between leverage and lagged leverage suggest costs of adjustment for capital structure, which delays the adjustment process. Tangibility, confirming Pecking Order Hypothesis, has a negative correlation with leverage; indicating that the firms of fuel and energy sector of Pakistan fail to use their tangible assets as collateral for debt financing. Nevertheless, the results validate Pecking Order Hypothesis in case of profitability. Profitability, as advocated by Pecking Order Hypothesis, is negatively associated with leverage. That is highly profitable firms looks towards equity financing rather than debt financing. Size as predicted by theory has positive relationship with leverage; bigger firms tend to be financed through debt. Ironically, the Growth variable has positive but statistically insignificant relationship with leverage.

Keywords: Capital Structure Choice, Fuel and Energy Sector, Financial Reforms. ***JEL Codes: G31, G32***

I. Introduction

Delineating the determinants of capital structure still remains a mystery (Barclay and Smith, 2005) although voluminous work has been done on it since the publication of "Irrelevance Theory" by Modigliani and Miller, (1958). Irrelevance theory proposes that a firm's value is independent of the firms' financing choice under certain assumptions.

A look into the extant literature reveals that most of the studies in the developing countries have covered explaining the relative use of debt, equity or internal financing employing financial ratios (Mayer, 1988, 1989, and 1990; Glen and Pinto, 1994). The focus of these studies was financing behavior of the firms ignoring the impact of financial behavior (Green and Mutenheri, 2002).

Yet there were few studies which also explored the impact of financial reforms on capital structure choice such as (Demirguc-Kunt and Maksimovic, 1996, 1997, and 1998). Various studies used different variables such as: Dividend, Risk, Profitability, NDTS, Tangibility, Growth, Past Growth, Size, Industrial Group, Country Classifications, Earning Power, Tax, Liquidity, Cost of Funds, Costs of adjustments, Investment, Leasing, Past leverage, Uniqueness, Assets Maturity, Age, Intangible Assets, Industrial Groups, State Ownership, Institutional Ownership, Industry Concentration, Banking Development, Legal Environment etc. to assess their effects on capital structure choice in various studies sucha as Jensen and Mekling (1976); Myers (1977); Hallet & Taffler (1982); Bowen et al. (1982); Myers and Majluf (1984); Kester (1986); Kim & Sorensen (1986); Friend & Hasbrouck (1988); Titman & Wessels (1988); Friend & Lang (1988); Chowdhury and Miles (1989); Crutchley and Hanson (1989); Allen & Mizuno (1989); MacKie & Mason (1990); Kale et al. (1991); Jensen, S. & Zorn (1992); Gardner & Trzcinka (1992); Downs (1993); Thies and Klock (1992); Chiarella et al. (1992); Van der W. and Thurik (1993); Chatrath (1994); Lowe et al. (1994); Klein and Belt (1994); Chowdhury et al. (1994); Rajan & Zingales (1995); Boyle & Eckhold (1997); Hirota (1999); Jordan et al. (1998); Hussain (1995); Homaifa et al. (1994); Bevan & Danbolt (2000); Nagano; M. (2003); Hijazi & Shah (2004); Titman & Tsyplakov (2005); Shah & Hijazi (2005); Kim, et al. (2006); Kai Li, et al. (2006); Jian C. & R. Strange (2006).

1) *Financial Reforms in Pakistan and Capital Structure Choice*

As firms in the developing countries are highly regulated therefore they face higher adjustment costs. The subsidized credit programs, restrictions on foreign investment in security market and the restrictions on debt to equity ratio of listed firms, make it very difficult for firms to match cost of capital with those of other priority sectors. More embarrassingly the entry of

About-Faculty Member, Department of Economics, University of Malakand Chakdara, Dir (Lower), Khyber Pakhtunkhwa, Pakistan. Email: skhalid77@gmail.com, Tel # +92-345-933-3388

multinational firms crowd out domestic firms from domestic credit market. (Harrison and McMillan, 2002).

Pakistan, being no exception, also faced these problems. But with the start of financial reforms in the 1990s several steps towards liberalizing the economy and bringing efficiency to stock market, have been taken. For this purpose, reforms and institutional developments were initiated to remove the inefficiencies and market distortions to support the economic growth (Eatwell, 1996; Nishat, 1999; Nishat, 2008). Measures to liberalize and institutionally develop the capital markets of Pakistan included: Privatization, Institutional Strengthening, Debt Management Reforms, Monetary Management Measures, Exchange and Payment Reforms. (Nishat, 1999; Nishat, 2008) have established that the objective of these reforms was to develop institutions in particular and enhancement of the economy in general.

II. Rationale of the Study

The rationale for the present study is that there are very few studies which have attempted to analyze the determining factors of capital structure of the developing specially the emerging markets of South-east Asia (Annuar and Shamsher, 1993; Ariff, 1998; Pandey et. al., 2000;).

Booth, et al. (2001) has attempted to investigate determinants of capital structure choice for 10 developing countries including Pakistan but the study didn't consider the impact of financial reforms. Further the study is limited to firms listed on KSE-100 only. A noteworthy study by Shah and Hijazi, (2004) is limited to non-financial firms listed on KSE from 1997 to 2005. Yet another study by (Hijazi and Yasir, 2006) has attempted to address the determinants of capital structure ignoring the impact of financial reforms and the data is limited to the year 2005. The most recent work done in this direction (Walliulah and Nishat, 2008) has the limitation that the study has used time-series econometric technique to analyze the dynamic behavior of capital structure. Furthermore their study is confined to 2005 only. The aim of this paper is to fill in the gaps present in the previous studies by explicitly incorporating a financial liberalization and institutional development index (FLIDI)[1] in the model, using more recent data and appropriate econometric technique. Adding to this, the index used for financial reforms is constructed through principal component method which is used for the first time while analyzing the capital structure choice of developing countries.

In order to fill the gaps present in the previous studies and asses the dynamics of the capital structure choice, the present paper is an endeavor to look into the determinants of capital structure in a dynamic setup using Arellano-Bond Dynamic Panel-Data Estimation technique.

Organization of the paper is as follows: section 2 contains description of the data and a brief description of the measurement of variables. Section 3 has the discussion on specification of the model. In section 4 discussions of the results from the models used is given and finally section 5 summarizes and concludes.

III. Data and Measurement of Variables

The data set contains corporate financial data of 21 firms of the Fuel and Energy Sector that were publicly listed on Karachi Stock Exchange for the period spanning 1988 to 2008. The data used in the analysis has been taken from the "Balance Sheet Analysis of Joint Stock Companies, listed on Karachi Stock Exchange", State Bank of Pakistan and annual reports of Karachi Stock Exchange for the relevant years.

Descriptive Statistics and Correlation Matrix of the variables employed in the paper are given as Appendix 1 in the end.

2) *Dependent Variable*

In the current study leverage of the firm is calculated as the ratio of short term liabilities to total assets. As in Pakistan, firms generally are financed through short term debts because the average size of the firms compared to developed countries is small; thus making it pretty hard for firms to access the equity market (Shah and Hijazi, 2005). The use of short term financing is higher than long term financing developing countries (Booth et, al. 1999).

3) *Research Hypotheses*

a) *Hypothesis 1*

Firm's Growth, Profitability, and Size of the firm have negative correlation with leverage while tangibility of assets has a positive correlation.

Theoretical relationship of leverage and growth is controversial. On the one hand Pecking Order theory suggest that firms with more growth opportunities will use debt to finance their needs as their internally generated funds are not sufficient to meet the needs of their prospective growth. Thus a growing firm will be highly leveraged (Drobetz and Fix 2003). On the contrary growing firms will face higher agency costs because they have more investment venues available to them. Therefore the likelihood of venturing into risky projects for these firms will be high. Owing to this bondholders will demand high premiums to lend to these firms. Thus these firms are compeled by the higher costs of borrowing to borrow less. Numerous empirical studies (Titman and Wessels 1988; Barclay et al. 1995; and Rajan and Zingales, 1995) have established a negative relationship between growth and leverage. Growth is calculated differently in a range of studies. But the constraint of the data available for the firms of Pakistan hampers this study to measure growth by taking natural log of total assets. As the data available from State Bank of Pakistan for these firms doesn't have information on annual stock prices and research and expenditures. Therefore a clear negative or positive sign for Growth cannot be expected.

Pecking Order Hypothesis implies that firm use internal funds first to finance their operations then debt and equity as a last resort. Thus highly profitable firms will have larger amounts of retained earnings thus they can afford to finance their needs internally. Several empirical works (Myers and Majluf 1984; Titman and Wessels, 1988; Rajan and Zingales, 1995; Michaelas et. al., 1999) confirms pecking order hypothesis substantiate that highly profitable firms are less leveraged. Accordingly a negative relationship is expected between profitability and leverage.

Extant literature is at most conflicting theoretically and empirically regarding the relationship between size and leverage. As espoused by (Titman and Wessels, 1988) larger fims are highly diversified and so they have lesser chances of bankruptcy. Thus they feel no uncertainty in financing their plans via external borrowing. Consequently a positive association between size and leverage is anticipated. Opposing to this (Rajan and Zingales, 1995) disagree that bigger firms face lesser asymmetrical information problem which diminishes the likelihood of their new equity issue to be undervalued and so larger firms generally use equity financing. According to this argument a negative relationship is expected between size and leverage. Size of the firm is measured in many ways (Booth et al., 2001; Gilson, 1997), but Anderson et al. (2003) show that alternative measures of size (based on annual sales or total asset values) do not essentially effect the inferences. Following Anderson et al. (2003), Size in this study is measured as natural log of total assets. Following (Rajan and Zingales, 1995) a negative relationship between size and leverage is expected.

Firms having larger fraction of fixed assets tend to have higher debt financing as they can use their fixed assets as collateral for the underlying risk associated with borrowing. So they can borrow at a relatively cheaper rate because of the collateral value of their tangible assets. Therefore having more opportunities to borrow at a cheaper rate, firms borrow more. Tangibility, in this paper, is measured by the ratio of total fixed assets to total assts.

b) Hypothesis 2

Financial Reforms has a negative impact on leverage.

Financial sector in developing countries were heavily regulated before the financial reform programs. Therefore, they were faced with higher costs of adjustment because of these regulations. Due to government run subsidized credit programs, restrictions on foreign investment, and low debt to equity ratio of listed companies, companies in developing countries face relatively high adjustment costs. The situation is exacerbated by the entry of multinational companies in ousting local domestic capital market (Harrison and McMillan, 2002).

Pakistan, like many other emerging economies, facing problems due to regulated financial markets, reassessed their policies and launched several measures to liberalize and institutionally strengthen its financial markets. These reforms were directed towards institutional development to enhance economic growth in the country (Nishat, 1999; Nishat, 2008). Several researchers (Myers and Majluf, 1984; Love, 2000; Laeven, 2000, Harris et al, 1994; Gelos and Werner, 2002; Guncavdi, et al, 1998) have shown that financial development facilitates providing the financial constraints companies with the ability to easily access markets. That is why the reform should have a negative relationship with leverage.

IV. Econometric Methodology and Model

In the present paper the econometric technique used is the Arellano and Bond Dynamic Panel Data Estimation technique to capture the dynamic nature of the capital structure.

Panel data analysis has various advantages when cross sectional and dynamic affects needs to be addressed. First, in panel data configuration the observation points increases thus allowing for greater degrees of freedom. Secondly the problem of collinearity between and among variables is reduced to a greater degree. And thirdly panel models overcome the problem of omitted variable bias (Terra, 2002; Hsiao, 1986; and Terra 2002).

1) *The General Model*

$$LRV_{it} = \beta_0 + \beta_1 LRV_{i,t-1} + \beta_2 TNGB_{it} + \beta_3 PROF_{i,t} + \beta_4 GROWTH_{it} + \beta_5 SIZE_{it} + \beta_6 FLIDI_{it} + \varepsilon_{it} \text{ .... } (1)$$

Where

LRV_{it} = Leverage of the ith firm in time t, defined as liabilities to assets ratio

$LRV_{i,t-1}$ = Lagged Leverage of the ith firm in time *t-1*

$TNGB_{it}$ = Tangibility of the ith firm in time t, calculated as total gross fixed assets/total Assets

$PROF_{it}$ = Profitability of the ith firm in time t, calculated as Earning before Tax/Total Assets

$GROWTH_{it}$ = Growth of the ith firm in time t, calculated as yearly growth of sales

$SIZE_{it}$ = Size of the ith firm in time t, calculated as natural log of total assets.

$FLIDI_{t}$ = Financial Liberalization and Institutional Index in time t.

ε_{it} = Error Term

V. Empirical Results and Discussion

Table 2 presents the estimated coefficients and their z-values along with p-values.

Table 2

Arellano Bond Dynamic Panel Data Estimation Results

Dependent Variable: Leverage (Total Liabilities/Total Assets)			
Explanatory Variables	Coefficient	Z-Value	P-Values
Lagged Leverage	.3131583	2.51	0.012
Tangibility	-.0088321	-0.71	0.479
Profitability	-.0011435	-2.46	0.014
Size	0.00000255	4.98	0.000
Growth	.0000166	0.98	0.328
Financial Liberalization and Institutional Development Index(FLIDI)	-.0066121	-1.70	0.090
Sargan test of over-identifying restrictions: $chi^2(189) = 9.33$ Prob > $chi^2 = 1.000$			
Arellano-Bond test that average autocovariance in residuals of order 1 is 0: H0: no autocorrelation z = -1.19 Pr > z = 0.2351			
Arellano-Bond test that average autocovariance in residuals of order 2 is 0: H0: no autocorrelation z = 0.76 Pr > z = 0.4475			

*The estimates are obtained using Stata version 9.2

2) *Lagged Leverage*

The results presented in table 2 reveals that lagged leverage is significantly positively related with current leverage of the firms. The magnitude of the coefficient (.3131583) of the lagged leverage is suggesting that the costs of adjustments of the capital structure for the fuel and energy sector of Pakistan are mediocre. This delays the adjustment process. The lower this coefficient the higher the speed of adjustment (Ozkan 2001; and Gaud et, al. 2005). It can be deduced from the results that the speed of adjustment of Pakistani fuel and energy firms is rather adequate as compared to developed countries; for example for Spain it is .21 (Miguel and Pindado, 2001), in the United States it is .41 (Shyam et al. , 1999) and .72 in the United Kingdom (Ozkan, 2001).

3) *Tangibility*

Tangibility as the results reveal is negatively correlated with leverage. It is statistically insignificant with a coefficient of -.0088321. The negative relationship of tangibility is in accordance with Pecking Order Hypothesis. According to Pecking Order Theory, as was put forward by Harris and Raviv (1991), firms having less tangible assets would face a less severe problem of asymmetric information, enticing them to issue more debt. On the contrary, firms with larger tangible assets are usually larger firms which can issue equity fairly easily.

4) *Size*

Moreover the results reveal that size is positively and significantly correlated with leverage confirming the Static Tradeoff theory. As according to the Static Tradeoff theory larger firms can issue debt easily. One reason for it could be that larger firms have lesser chances of bankruptcy. Large firms do not consider the direct bankruptcy costs as an active variable in deciding the level of leverage as these costs are fixed by the Constitution and constitute a smaller proportion of the total firm's value and also because larger firms, being more diversified, have less chances of bankruptcy (Titman and Wessels 1988).

5) *Growth*

The growth variable, as results reveal, is statistically insignificant suggesting that the firms of the fuel and energy sector of Pakistan don't take into account the growth opportunities while taking decisions about their financing needs.

6) *Profitability*

Profitability, as revealed by the results, is negatively associated with leverage. The coefficient for profitability is highly significant confirming the findings. The coefficient is highly statistically significant confirming the findings of (Myers and Majluf 1984; Kester, 1986; Titman and Wessels, 1988; Rajan and Zingales, 1995; Michaelas et. al., 1999), as proposed by the Pecking order theory firms use internal finance as a first option followed by debt financing and as a last resort use equity financing. As highly profitable firm have larger amounts of retained earnings and thus they can afford to avoid debts and use their internally generated funds instead.

7) *Financial Reforms*

The variable of interest; Financial liberalization and institutional development index (FLIDI) has a negative and significant (at 10% level) relationship with leverage. This suggests that there is a substantial decrease in leverage after the reforms in financial and corporate sector of 1990s. The secondary market development has a significant effect on firms leverage and financial liberalization has been associated with shift of firms from debt market to equity market. Furthermore, according to liberalization hypothesis, the efficiency of banking sector in monitoring and screening of loan applicants will decrease the premium for external finance after liberalization. Thus liberalization will reduce credit constraints.

VI. Summary and Conclusion

The study was an attempt to assess the interaction between capital structure choice and financial reforms process. Four determinants, which are generally used in the literature of capital structure choice were included in the analysis, namely: tangibility, growth, size and profitability of the firm. The linkage is explored using the Arrellano-Bond Dynamic Panel data estimation technique for the firms of fuel and energy sector listed on Karachi Stock Exchange for the years 1988-2008. Arellano-Bond Dynamic Panel data estimation techniques was used to avoid the generally faced problems of panel data estimation i.e. endogeneity, heteroscedasticity, and autocorrelation. It was found, in the study, that financial reforms has a stronger negative impact on leverage of the fuel and energy sector, substantiating the fact that leverage has decreases massively after the liberalization of the financial markets. The reason is that firms shifted from debt to equity market for their financial needs once the financial constraints faced by the firms were eased out.

It was found in the study, that leverage and lagged leverage are positively correlated indicating costs for adjustment. Profitability and tangibility, in the present study, has confirmed the Pecking Order Hypothesis that firms prefer to finance their operations first by internally generated firms, then by debt and as a last resort by equity financing. As for the size of the firm is concerned, it substantiated the Static Trade Off theory in case of the fuel and energy sector of Pakistan. Growth variable, it was found, has positive but statistically insignificant relationship with leverage. That is firms of the fuel and energy sector listed on Karachi Stock Exchange do not take into account the growth opportunities while deciding to finance their needs.

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Appendix 1

Descriptive Statistics-

	LRV	TNGB	PROF	GROWTH	SIZE	FLIDI
Mean	105.12	1.4018	0.0515	126.605	6.2946	3.5331
Median	68.078	0.8786	0.0303	16.571	6.2281	4.1852
Maximum	17583.1	1526.00	25.9857	535900.	12.1405	4.9799
Minimum	0.3589	-2.0048	-32.685	-100.00	-2.3026	0.000
Std. Dev.	493.231	22.936	1.0256	6571.21	1.596	1.6747
Skewness	27.858	54.847	7.2728	80.922	0.0662	-0.8088
Kurtosis	915.336	3277.64	613.207	6595.97	4.69670	2.2522
Observations	6702	6702	6702	6702	6702	6702

Correlation Matrix-

	LRV	TNGB	SIZE	GROWTH	PROF	FLIDI
LRV	1.0000					
TNGB	0.0581	1.0000				
SIZE	-0.1843	-0.1162	1.0000			
GROWTH	0.0039	0.0004	-0.0232	1.0000		
PROF	-0.0347	0.0041	-0.0204	0.0034	1.0000	
FLIDI	0.0372	0.0195	0.2761	0.0018	0.0173	1.0000

Appendix 2

Financial liberalization and Institutional Development Index (FLIDI) for Pakistan:

In this paper an index for financial liberalization and institutional development in Pakistan is constructed through principal components method using data spanning from 1988 to 2008 (21 years) which shows the degree of financial liberalization and institutional development at a specific time. The financial liberalization and institutional development process started in 1990 in Pakistan. Since then, various liberalization measures have been implemented in order to widen and deepen the financial system. The details of these policy measures are given in the following table:

Table A1. Various Policy Measures taken by the government of Pakistan for institutional development and financial liberalization

S #		S #	Sub Sections		
1	Privatization	1	Privatization of Nationalized Banks	PR	Starting from 1991 major nationalized banks were started to be privatized, this process was continued, In 2001 the process of privatization of Habib bank limited was started followed by other private banks in 2002 and completed in 2004.
		2	Opening of Banks	OB	10 private[2] and 3 foreign banks were granted permission to operate in Pakistan.
2	Institutional Strengthening	1	Restructuring of Banks and DFI's	RBD	reduction of 718 branches of various banks from 1997 to 2000
		2	Strengthening of Prudential Regulations	SPR	SBP issued prudential regulations in 1992 for banks. In 1994 capital adequacy requirements for various banks were 3%. In 1996 all NCBs , foreign banks and NBFIs were instructed to adopt the risk-weighted capital, in line with Basle Accord.
		3	Strengthening of Loan Recovery Process	SRP	Guide lines were issued to commercial banks by SBP for classification of loans in 1992, 1n 1993 banks were asked to set quarterly recovery targets, submit progress reports and improve recovery process. In 1996 government restricted NCBs from new project loans, in 1997 SBP launched a loan recovery drive.
		4	Restructuring of S.B.P	RSB P	In 1990 Securities Department was set up, SBP Act was amended in 1994, further enhanced in 1997.
		5	Consolidation of Regulatory Functions	CRF	In 1997 services of an international consulting firm were acquired for review of banking supervision and monitoring techniques. In 2000 Central Board of SBP approved a Concept Paper outlining future direction of SBP.
		6	Computerization	CO M	In 1994 Computer Service Department was created. In 2000 SBP acquired membership of Society for Worldwide Inter-Bank Financial

					Telecommunication (SWIFT).
		7	Classification of loans	CL	Loans were classified as, substandard, doubtful and loss as per the direction of SBP in 1992
		8	New Loan Recovery Law	NLR	A new comprehensive law, Banking Companies (Recovery of Loans, Credits and Finance) Act, 1997 was passed.
3	Debt Management Reforms	1	Replacement of Tap System with auction based system	RTA	Securities Department was set in 1990 to launch auction system of public debt; 1n 1991 Auction system of treasury bills was introduced. In 1992 system of credit ceiling was replaced with fixing of Credit Deposit Ratio (CDR).
		2	Promotion of Secondary Markets	PSN	A system of approved dealers was launched in 1991; this process was completed in 2000.
4	Monetary Management Measures	1	Reorientation of Monetary Policy Instruments	RMP I	In 1992 rediscount facility was replaced with SBP 3-Day Repo facility. In 1995 CDR's were completely abolished and were replaced with requirement For banks to maintain 1.5 % of their total demand and time liabilities as special Cash deposits with SBP.
		2	Rationalization of Subsidized Credit	RSC	starting from 1990 Lending rates on special financing schemes including locally manufactured machinery and export finance Schemes Were gradually raised to eliminate the element of subsidy. This process completed in 2000.
		3	Interest Rate Rationalization	IRR	Caps on maximum lending rates of banks and NBFIs were removed in 1995. Floors on minimum lending rates were abolished in 1997.
		4	Reforms in banking laws and S.B.P act, 1956.	RBL	1n 1991 The Banks (Nationalization) Act was amended, in 1994 SBP, act, 1956 was amended to increase the autonomy of SBP. In 1997 this act was further amended with the insertion of section 46B to prohibit governmental or quasi-governmental bodies from issuing directives to banking companies or other institutions regulated by SBP. This process was completed with the implementation of The Concept Paper approved by the Central Board of SBP.
5	Exchange and Payment Reforms	1	Encouraging Foreign Investment (All Industries)	EFI	In 1991 foreigners were allowed to invest without any prior approval from SBP. They were granted the permission to purchase 100

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					% of equity of a firm.
		2	Liberalizing Forex Market	LFM	In 1994 the government of Pakistan accepted the obligations of Article VIII, sections 2, 3, and 4 of the IMF Articles of Agreement. Thus paving the way for liberalization of Forex market.
		3	Introduction of Multiple Exchange Rate Regimes	MER R	In 1998 a mix exchange rate mechanism (a. official exchange rate and b. floating inter-bank exchange rate (FIBR)) was introduced. In 1999 the share of FIBR in the mix exchange rate mechanism was increased to 95 %. In 2000 the steps toward market based exchange rate system was completed.
6	Capital Market Reforms	1	Opening of Capital Market to Foreigners	OCF	1n 1991 capital markets of Pakistan were completely opened up for foreign investors. They were provided with various incentives.
		2	Establishment of Securities and Exchange Commission	SEC	SECP (Securities and Exchange Commission) of Pakistan became operational from 1999 through SECP Act, 1997, replacing Corporate Law Authority (CLA).
		3	Automation of all three Stock Exchanges	ASE	to enhance investors' confidence all three stock exchanges (Karachi Stock Exchange, Lahore Stock Exchange, and Islamabad Stock Exchange) were automated in 1997.
		4	Establishment of Credit Rating Agency	CRA	In 1994 Pakistan Credit Rating Agency (PACRA) was set up to improve transparency in the stock market.
		5	Companies (issue of capital) Rules	CCR	Capital Issues Act, 1947 was replaced with Companies (Issues of Capital) Rules in 1996.
		6	Buy Back of Shares	BBS	In 1999 Companies Rules were amended to allow Companies to buy back its shares.

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An Empirical Investigation of Impact of Cquisition HR Configuration on Human Capital Development

By Dr. J Choudhury, Mr. S. C. Nayak
Silicon Institute of Technology, Dept of business administration Utkal University

Abstract- The purpose of this research which yielded more than 466 respondents was to identify the HR practices and policies followed by some of Indian IT organisations in attracting and acquiring the required talent to strengthen the human capital pool of that organisation. The research is carried out primarily on the basis of field survey and designed to study and analyse the extent to which acquisition HR practices and procedure practised in various Indian IT organisations are boosting development of human capital of that particular industry. The specific purpose of the research is to analyse and dissect the corporate capability to manage human capital - the ability to attract, develop and retain talent and to create differentiated workforce strategy and found that acquisition HR configuration creates idiosyncrasies in hiring and maintaining human capital of the concerned organisations and has significant contributions for the development of the human capital.

Keywords: Acquisition HR configurations, knowledge economy, intellectual talent, Human capital.

Classification: GJMBR-A JEL Classification: O15

INTERACTION OF LEVERAGE AND REFORMS PROCESS REVISITED EMPIRICAL EVIDENCE FROM THE FUEL AND ENERGY SECTOR OF PAKISTAN

Strictly as per the compliance and regulations of:

An Empirical Investigation of Impact of Cquisition HR Configuration on Human Capital Development

Dr. J Choudhury[1], Mr. S. C. Nayak[2]

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I. Introduction

HR configurations facilitate flow of knowledge, which leads to sustainable competitive advantage. HR is always on the front line in developing the knowledge base in the organisation. HR practices have a central importance in knowledge intensive industries because they have immediate effect on the organisation's key resource, its stock of intellectual talent. HR practices are especially important in attracting, retaining and developing the skills and knowledge of employees. With the advent of so called knowledge society the rhetoric of management has shifted its focus from manpower to brainpower. In an age of mind crafting, knowledge workers constitute as valuable capital. Liberated from the constraints of dusty hierarchies and mechanised production lines, the employees in the knowledge society has come to be construed an empowered knowledge creators, owner of the most strategic resource, knowledge. Hence management, measurement and control of such resources has become a source of managerial action. The idea of knowledge in the form of human capability or human resources is the key in driving organisational performance and success in modern learning organisations. They are value creators and value adders whose major contributors came from their abilities to process and apply knowledge and information to completing tasks, making decisions and solving problems. With this backdrop the study aims at probing into HR architecture of a knowledge intensive sector of Indian economy, IT sector where the particular challenge the sector facing is the 'talent war. This creates and necessitates a need to devise certain HR practices to retain the organisations key employees and develop their skills to match the ever changing need of the software industry. Hence the in a highly competitive industry like IT industry, HR practices must be deliberately chosen and used strategically to maintain strong organisational boundaries; to promote high levels of organisational and professional identity and to encourage the retention of staff. The research work probe into the HR architecture of few selected Indian IT organisations and proposition of the study is , An acquisition HR configuration, comprised of selective staffing, competitive and equitable compensation, and employee ownership is positively and significantly related to an organisations level of human capital.

About[1]-Lecturer, Dept of business administration Utkal University) Vanivihar, Bhubaneswar, 751004, Orissa, India, +91 93380 93142 ,
E-Mail- jyotirmayeec@gmail.com
About[2]- Associate Professor, Silicon Institute of Technology), Sillicon Hills, Patia, Bhubaneswar, 751024, Orissa, India +91 93382 33330
E-Mail: sureshcn @gmail.com

II. Objectives & Methodology

The study is carried out primarily on the basis of field survey. A broad group of Indian IT organisations are taken deliberately because the IT sector is experiencing highest rate of turn over worldwide. Talent management and retention is one of the major issues of the industry. The research is intended to study the HR architecture of some of the selected IT organisations to and to examine how the Acquisition HR configurations attract, acquire and maintain the firm specific talent facilitate the development of human capital of the IT industry.

A stratified random technique has been adopted to select the respondents for the study. 844 respondents were selected randomly from lower, middle and upper levels management of the Indian IT organisation out of which 466 responses were used for the study. A seven items questionnaire was developed to measure Acquisition HR configurations of the ırganisations under study and strength of human apital are measured by a questionnaire consisting of ve items. Then both the instrument under study has ndergone a pilot testing to test the reliability of the ıstrument. Following hypothesis was formulated and ɜsted under the research work. A simple regression ıodel was designed to find out the relationship between ıcquisition HR architecture and human capital.

$Y = \beta_0 + \beta_1 Z_1 + \beta_2 Z_2 + \ldots\ldots + \beta_n Z_n + \epsilon$

Y ($Y_1, Y_2, \ldots\ldots Y_n$) are Dependent variables

$\beta_0, \beta_1, \beta_2, \ldots\ldots \beta_n$ are unknown parameters

$Z_1, Z_2, \ldots\ldots Z_n$ are independent variables

ϵ ($\epsilon_1, \epsilon_2, \ldots\ldots \epsilon_n$) are error terms

HYPOTHESIS: An acquisition HR configuration, ıHRC (comprised of selective staffing, competitive and quitable compensation, and employee ownership) is ıositively and significantly co-related to an organisations ɜvel of human capital (OHC).

OHC is is f ($AHRC_1$, $AHRC_2$ ....$AHRC_7$)

III. Review of Literature

1) *HR & Human Capital*

As human capital refers to individual's nowledge, skills, and expertise, the concept is of ıaramount importance in any discussion of intellectual apital. Knowledge intensive firms place most nportance on human capital as opposed to physical or nancial capital. In a knowledge economy people is onsidered as revenue creators rather than costs. Knowledge of people's competence is sources of vealth creation. Human capital is valuable to the extent ıat it contributes to a firm's competitive advantage by nproving efficiency and effectiveness, exploiting ıpportunities or neutralising threat (Barney, 1991; Lado, Boyd and Wright, 1992). They are the only assets that ppreciate with use. Human capital is the ability of the mployees to do things that ultimately make the ompany work and succeed. Human capital begins with uman resources in the form of knowledge and skills mbodied in people. The human resources of a ompany act as a surrogate indicator of its competence nd credibility affecting the ability to attract and develop ıther types of resources and capabilities needed in the ınovation, development and growth process (Bartel and Lichtenberg, 1987; Florin et al 2003; Pennings et al 1998).

Hambrick and Mason (1984) suggested that organisations are reflection of their top managers. Building on this work, Finkelstein and Hambrick (1996) argued the importance of human element in strategic choice and firm performance. In fact, managers in particular represent a unique organisational resource (Daily, Certo and Dalton, 2000). The human element has grown in importance because knowledge has become a critical ingredient to gain a competitive advantage, particularly in the new economy landscape (Grant & Spender, 1996). Carly Fiorina, CEO of Hewlett-Packard, emphasised this point "The most magical and tangible and ultimately the most important ingredient in the transformed landscape is people.

The literature on organisational learning, for example points out organisations, in and of themselves, do not create knowledge, people do (Argyris and Schon, 1978). Knowledge is created by individuals. An organisation can not create knowledge on its own without individuals. Individual learning is prerequisite for organisational learning (Kim, 1993). Individual learning occurs simply by virtue of being human. As individuals learn, they increase their human capital and create knowledge that potentially forms a foundation for organisational level learning and knowledge accumulation. Knowledge stocks provide a foundation for understanding the role of human capital as a potential source of firm's core competencies (Grant & Spender, 1996). Managing people based on their human capital will allow an organisation to optimize knowledge creation- whether of new product ideas and services or of improvements in business processes (Hitt, Bierman, Shmizu and Kochhar, 2001 , Lepak and Snell, 1999). Researchers have examined that, variations in HR practices is accompanied by differences in employment system as well as differences of human capital (Lepak and Snell, 1999; Kochhar et al, 2001). Through a series of unique HR practices firms may have access to valuable human resources that provide a source of competitive advantage (Colbert, 2004; Ray et al, 2004).

Human capital theorists have typically argued that organisations can increase their human capital by internally developing the knowledge and skills of their current employees and by attracting individuals with high knowledge and skill levels from the external labour market. That is, organisations can try to make and buy human capital. Human capital grows in two ways; when the organisation uses more of what people know and when more people know more of what is useful to the organisation (Stewart, 1997). Organisation exists for a purpose and is a deliberate arrangement of human and other resources with the aim of delivering needs, satisfying services and products as effectively and efficiently as possible, which ultimately needs optimal workforce planning.

2) *Acquisition Configuration & Human Capital*

Acquisition HR configuration AHRC, Thomas Davenport defines human capital as encompassing knowledge, skill and talent. Talent is considered as the driving force behind HR's contribution to organisational success. The article "it is the talent stupid" reinforces the central role of talent in the evolution of HR's impact with the organisation they support (Buckingham and Vosburgh 2001).

As the importance of talent has gone up with the 21st century, the way of recruiting has changed dramatically which ultimately leads to selective staffing. Selective staffing practices are often championed as the foundation of an HR strategy focussed on acquiring human capital. Operationally, selective staffing can be thought of as two distinct search processes one is extensive search and another is intensive search. Extensive search expands the applicant pool by using wide variety of recruiting sources like employee referrals, search firms, universities, employment agencies and increasing the number of candidates screened for hire. Intensive search on the other hand, increases the amount of information gathered about each applicant via interviews, tests, biographical information, etc. As Koch and McGrath (1996) reason, “assuming a sufficiently well - populated labour market from which to choose, firms that take more care in their search, by increasing information at both the extensive and intensive margins, are more likely to be able to access high - quality new employees”. This proposition is also supported by existence of labour market imperfection, which speaks “return on human capital differs between different labour market segmentation”. Hence if such individuals perform at their best, they must add value to the firm and help differentiate the products or services rendered. So some HR activities and functions may be a source of competitive advantage, whereas others may not. Therefore, it can be well concluded that, acquiring and maintaining highly talented and motivated reservoir of multidisciplinary human resources meet the needs of the organisation and continuously create new opportunities for employees to upgrade their capabilities and channelise their potential leading to organisation success. This proposition is also again supported by the resource based view of the firm that explains variations in firm performance by variations in firm’s human resources and capabilities (Hitt, Bierman, Shimizu and Kochhar 2001).

Although an acquisition configuration primarily builds on staffing practices, it is likely to be complemented by compensation and reward systems. To attract the best candidates, companies frequently pay high wages relative to competitors in order to ensure that they meet or exceed market equity. In addition, stock ownership is also espoused to help attract and retain the best and brightest workers. “In order to hold people inside the corporation, we can not really talk about their being employees any more. There has to be some kind of continuity and some sense of belonging”. Different long term incentives, such as stock ownership, extensive benefits or knowledge based pay system may be offered to ensure that core employees receive continued and useful feedback and adopt a long term orientation (Snell and Dean, 1992). Such practices are designed to help firms maintain unique knowledge that leads to strategic advantage (Becker, 1974).

Stewart (1997), for example, pointed out that employee stock ownership programs appear to be increasing in popularity, especially in knowledge – intensive companies because ESOPs, primarily provide an employee benefit directly related to the organisation as it aims towards giving shares to staff members and making them part owners of the employer company. Through the ESOPs employees own the business and it ensures employee roles, rights and responsibilities as owners. No one is more concerned about a company than its owners. According to R Suryanarayana and V Varadarajan “employee stock ownership schemes have caught the imagination of the corporate sector as a concept of reward and motivate employees to attract and retain the best talent and to ensure employees commitment and firm performance”. Employee stock ownership plans (ESOPs) and various other ownership sharing tools like employee stock purchase scheme (ESPs) motivate the

workforces of an organisation to think and act like business people and they feel themselves as part owners of the organisation, which ultimately increases human capital pool of the concerned organisation. Many of these companies go public not to raise money for capital expenditures, but rather to share ownership with their most valuable assets – employees.

IV. Empirical Evidences

1) *Demographic Analysis*

Demographic profiles of the respondents consist of small, medium, and large organisation, where respondents from large organisation constitute almost half of the total population in the study. Female participants in the study was one third where as male participants consisted of two third of the total population. Age- wise distribution depicts 26-34 year age group dominates in the study consisting of more than 50% of the total sample. The respondents having 5-10 years of experience at current organisation is very well present in the study consisting of 51% of the total sample.

2) *Regression Analysis*

The causal relationship between set of variables of Acquisition HR configuration and human capital of the organisations understudy are analysed with simple regression analysis ($F_{1,464}$=896.155, $p < 0.0005$. $R^2 = 0.659$, Adjusted $R^2 = 0.658$) and significant variables are shown below:

Predictor Variable

Intercept Beta p

Acquisitions HR Configurations 0.688

0.86 $p < 0.0005$

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Hence the regression equation HC = 0.69 + 0.86AHRC with standard error 0.10 and 0.03 respectively corroborate the hypothesis-1 ,which depicts an acquisition HR configuration is positively related to an organisations level of human capital.

V. Discussion

The impact of human resource management (HRM) policies and practices on performance of the firm is an important topic in the field of human resource management, industrial relations, and industrial and organisational psychology (Boudreau, 1991; Jones and Wright, 1992, Jeff S. Margulies & kleiner, 1995). "The use of high performance work practices, including comprehensive employee recruitment and selection procedure, incentive compensation and performance management system, and extensive employee involvement and training, can improve the knowledge, skill and abilities of firm's current and potential employees, increase their motivation, reduce shirking, and enhance retention of quality employees while encouraging non performers to leave the firm. Today, competitive advantage depends on intangible assets especially human capital. People and their efforts are what make one organisation different from its competitors. The ability of the firm to create unique team is the most cost-effective ways to create sustainable advantage (Eric D Brown,2007). The present study found that the Investment organisations do for attracting and selecting the best and brightest has very significant impact on its human capital.

VI. Concluding Remarks

The development of human capital; "the knowledge, skills, and capabilities of individuals that have economic value to an organization" (Bohlander & Snell, 2007) is of vital importance in the modern competitive age of the new global economy. According to Bohlander and Snell (2007), to build human capital in organizations, leaders must continually develop superior knowledge, skills, and experience within the workforce by identifying, recruiting, and selecting the "best and brightest talent" for work.

In a modern world, the competitive advantage of an enterprise rest on its employees. Hence a major part of the solution lie in how organizations manage human capital - the ability to attract, develop and retain talent and the corporate capability to move faster, execute better and learn more quickly than anyone else. The study is emphasizing on both hiring and maintenance of the human resource pool of an organisation to gain competitive advantage. organisations need to efficiently select and process those who will truly add value to the organization and maintenance of human resources pool of an organisation focuses on a broad range of activities focused primarily on paying salaries and providing benefits and rewarding the most deserving.

People are the organisations greatest asset, providing the intellectual capital that drives differentiation and value added services. To keep pace with globalisation modern organisations have to deal with each individual differently and tactfully, thereby fulfilling the demands of employee as well as taking steps towards growth plan of the organisation. The research work found that by selective staffing organizations acquire needed types and level of skills which others can not. Then that form of human capital is becoming a source of competitive advantage. Employee stock option and employee stock purchase programme as a part of employee compensation creates ownership culture and ensures employee retention. Hence it can be concluded that the acquisition HR policies and practices of the organizations under study are developed over time, creates idiosyncratic context and cannot be simply purchased in the market by competitors and increases the human capital value of the organizations.

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VII. Declaration

The article entitled "An Empirical Investigation of Impact of Acquisition HR Configuration on Human Capital Development"is an original manuscript written by Dr jyotirmayee Choudhury and Suresh Chandra Nayak. The manuscript is not published or not sent for publication any where.

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Assessing the Effect of Organizational Commitment on Service Quality; a Study of Customer-Contact Employee

By Ogunnaike, Olaleke.Oluseye
Social Sciences Covenant University

Abstract- A study of this kind that focused on the effect of organizational commitment on service quality is an inter-disciplinary study that is meant to provide a deeper understanding of human resource-service quality relationship. The data required for this study was gathered through the instrument of questionnaire to achieve the objectives of the study. Three hypotheses were formulated and tested using multiple regressions. Each of the hypotheses tested the effect of affective commitment, continuance commitment and normative commitment on service quality of customer-contact employees respectively. This study was conducted using customer-contact employees of a popular fast food organization in Lagos State, Nigeria. It was only the normative commitment that was found to have a significant effect on service quality. The implication is that the extent to which an employee is obliged to make personal sacrifice to the organization is very crucial.

Keywords: *Normative, Continuance, Affective, Commitment and service Quality.*

Classification: *GJMBR-B: JEL Classification L15*

Assessing the Effect of Organizational Commitment on Service Quality; a Study of Customer-Contact Employee

Ogunnaike[1], Olaleke.Oluseye2

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Keywords: Normative, Continuance, Affective, Commitment and service Quality.

I. Background of the Study

Organizational commitment has an important place in the study of organizational behavior. This is in part due to the vast number of works that have found relationships between organizational commitment and attitudes and behaviors in the workplace. Furthermore, Batemen and Strasser (1984)[3] state that the reasons for studying organizational commitment are related to an employee behaviors and performance effectiveness. Organizational commitment has been studied in the public, private, and non-profit sector, and more recently internationally.

Early research focused on defining the concept and current research continues to examine organizational commitment through two popular approaches, commitment-related attitudes and commitment-related behaviors. A variety of antecedents and outcomes have been identified in the past thirty years. Organizational commitment researchers have devoted much attention to the matter of identifying the predictors of organizational commitment. Predictors of commitment have been studied, not merely to produce commitment as an end in itself, but as a means of linking commitment to desirable organizational outcomes such as improved attendance and improved performance.

The service industry is one of the most regulated in the economy; therefore most companies are increasingly paying more attention to customers' contact-employees to achieve the desired profit and market share goals which is also crucial to the survival of service organization.

For a successful process or growth, organizations are now adopting a people-oriented approach as compared to profit-oriented approach. Successful service managers recognize the essence of customer-contact as a profitability drive in this service paradigm.

However, it has been observed that the competition in the service organization has made it necessary for organization to engage in organizational commitment in order to increase the effectiveness of service quality and their customer base.

This study therefore seeks to determine the effect of organizational commitment on service quality. In other to achieve this primary objective, the following hypotheses were tested;

1) *Hypothesis One*

H_0 : Affective commitment has no effect on service quality.

H_1 : Affective commitment has effect on service quality

2) *Hypothesis Two*

H_0: Continuance commitment has no significant effect on service quality

H_1: Continuance commitment has a significant effect on service quality

3) *Hypothesis Three*

H_0: Normative commitment has no significant effect on service quality.

H_1: Normative commitment has a significant effect on service quality.

About- Department Of Business Studies College Of Business And Social Sciences Covenant University, Ota Pmb 1023, Ogunstate, Nigeria. E-Mail-sweetleke2000@yahoo.co.uk

[3]Bateman, T. S, & Strasser, S. (1984). A Longitudinal Analysis of the Antecedents of organizational commitment. Academy of Management Journal, pp 95-112.

II. Literature Review

1) *Conceptual Framework*

a) Different Concept Of Organizational Commitment

The most popular definition of organizational commitment used in the relevant literature is the three component model of organization commitment namely affective, normative and continuance commitment. The understanding of affective commitment can include identification with, and involvement in the organization (psychological attachment). Employees with strong affective commitment remain with the company because they see their goals and values to be congruent with that of the organization. Continuance commitment includes the cost awareness when leaving the organization. Employees with strong continuance commitment remain in the company because they need to do so. McGee and Somers suggest that continuance commitment is subdivided into high sacrifice commitment (personal sacrifice associated with leaving) an Alternative commitment Normative commitment reflects a fee Normative commitment reflects a feeling of obligation to the company. Strong commitment in this situation is where employees feel they ought to remain with the company based on a sense of duty, loyalty or moral obligation. affective, normative and continuance commitments were distinguishable, but affective and normative commitments appear to be related. Research shows that employees who are more committed demonstrate higher job performance, less job displeasure, more ethical behavior, and diminished intent to leave, less stress and organizational citizenship Furthermore they perceive the value of organizational goals and think of their goals and those of the organizations in personal terms, thereby a lot of cost efficiencies accrue from committed employees. Originally, the goal congruence approach conceptualized organizational commitment as a uni-dimensional construct and defined it as the relative strength of an individual's identification with, and involvement in a particular organization. On the other hand, the side bet approach focused on the accumulated investments an individual stands to lose if he or she leaves the organization. conceptualized organizational commitment as a multidimensional construct and proposed a three-component measure of organizational commitment, comprising of:

- **Affective Commitment:** This refers to the employee's emotional attachment to,

identification with and involvement in the organization. Affective commitment is defined as employee emotional attachment to, identification with, and involvement in the organization and its goals. It results from and is induced by an individual and organizational value congruency. As a result, it becomes almost natural for the individual to become emotionally attached to and enjoy continuing membership in the organization factors which help create intrinsically rewarding situations for employees to be antecedents of affective commitment. These factors include such job characteristics as task significance, autonomy, identity, skills variety and feedback concerning employee job performance, perceived organizational support or dependence (the feeling that the organization considers what is in the best interest of employees when making decisions that affect employment conditions and work environment), and the degree that employees are involved in the goal-setting and decision-making processes.

- **Normative Commitment :** This refers to the employee's feelings of obligation to stay with the organization. Such a feeling of obligation often results from what is characterized as "generalized value of loyalty and duty." This is an almost natural predisposition to be loyal and committed to institutions such as family, marriage, country, religion and employment organization as a result of socialization in a culture that places a premium on loyalty and devotion to institutions. This view of commitment holds that an individual demonstrates commitment behavior solely because she or he believes it is the moral and right thing to do. This feeling of moral obligation is measured by the extent to which a person feels that he or she should be loyal to his or her organization, make personal sacrifice to help it out and not criticize it
- **Continuance Commitment:** This refers to the commitment based on the costs that the employee associates with leaving the organization. Continuance commitment is defined as willingness to remain in an organization because of personal investment in the form of nontransferable investments such as close working relationships with coworkers, retirement investments and career investments, acquired job skills which are unique to a particular organization, years of employment in a particular organization, involvement in the community in which the employer is located, and other benefits that make it too costly for one to leave and.

b) Concept Of Service Quality

Service quality is a measure of how well the service level delivered matches customer expectations. Delivering quality service means conforming to customer expectations on a consistent basis (Mattson 1994)[4] Service quality means different things to different people. The measure of service quality is based on five service quality dimensions known as tangibility, reliability, responsiveness, assurance, and empathy, over the years it has been adapted and applied in various contexts. The gaps examine service quality in terms of five gaps between expectation and perception

[4] *Mattson, J. (1994).Improving Service Quality In Person-To-Person Encounters. The Service Industries journal, London pp.45-61*

on the part of management, employees and customers. The difference between customers expectation of a service and their perception of the service actually delivered is known as the' service quality gap. Service quality dimension has been categorized into the following

- **Enhancing factors:** those things which may lead to customer satisfaction but when not delivered do not necessarily cause dissatisfaction.
- **Dual threshold factors:** those things which when delivered above a certain level of adequacy lead to satisfaction but when delivered at a performance level perceived to be below the threshold cause dissatisfaction (Carlson 1987)[5]

2) *Theoretical Framework*

Theories can help us to understand how organizational commitments are formed, strengthened and changed .This study is premised upon the following theories;

a) *The commitment -trust theory*

Morgan and Hunt (1994)[6] posit that commitment and trust mediate variables that are essential to understanding relationship marketing; relational exchange is the conceptual basis for the theory. The vital bond between commitment and trust signifies that channel partners avoid opportunistic behaviour and work towards mutual benefit and long-term gain, establishing the foundation for a positive, productive relationship Furthermore, trust and commitment are antecedents for strategic partnering; defined by Meyer (1997)[7] as long-term inter-firm relationships based on identifying and achieving strategic goals, with the objective of delivering value and profitability to stakeholders. Relationship value has been an elusive concept; this is surprising, given the deep roots that value has in marketing literature. Alderson (1957)[8] initially conceptualized exchange as a discrete action based on utility with an outcome of value. The concept of exchange was broadened to include the social and economic relationships that are found in channels of distribution despite this; relationship value in a channel context was not specifically defined or investigated. The services and relationship marketing literature adopted the concept of relationship value (Payne and Holt, 1999)[9] but it was explored from the perspective of the lifetime value of the customer Relationship value, as it pertains to channel outcomes, has not been significantly advanced by researchers It was not considered by Morgan and Hunt (1994)[10] or by Anderson and Narus1990)[11]. While the latter study did not measure value, it did measure satisfaction. Relationship commitment is manifested when an exchange partner believes that an on going relationship with another is so important as to justify maximum efforts in order to maintain and endure it; a long-term orientation with future goals and outcomes that benefit both exchange partners is important. Drawing on the political paradigm, Thorelli (1986)[12] asserts that, "power is the central concept in network analysis" because its "mere existence" can "condition others." Contrariwise, keeping in mind that roughly one-third of such ventures are outright failures argued that what should be central to understanding relationship marketing is whatever distinguishes productive, effective, relational exchanges from those that are unproductive and ineffective that is, whatever produces relationship marketing successes instead of failures. Though there are undoubtedly many contextual factors that contribute to the success or failure of specific relationship marketing efforts, this paper is of the theoretical view that the presence of relationship marketing commitment and trust is central to successful relationship marketing, not power and its ability to "condition others." Commitment and trust are "key" because they encourage marketers to (1) work at preserving relationship investments by cooperating with exchange partners, (2) resist attractive short-term alternatives in favour of the expected long-term benefits of staying with existing partners, and (3) view potentially high-risk actions as being prudent because of the belief that their partners will not act opportunistically Therefore, when both commitment and trust not just one or the other are present, they produce out-comes that promote efficiency, productivity, and effectiveness. Trust enables buyers to adopt schemes which leave them free to act without trying to process more information than they are capable of handling or where it proves difficult or impossible to acquire information about future events. More specifically, trust becomes important in an exchange where there is a high level of performance ambiguity and where poor product performance will have a significant influence on the value derived by the buyer In such circumstances, trust acts as an information resource that directly reduces the perceived threat of performance ambiguity. Trust enables buyers to adopt schemes which leave them free to act without trying to process more information than they are capable of handling

[5] *Carlzon, E. (1987). Moments of Truth. 12th Edition. New York : Mc Graw _Hill*

[6] *Morgan, R. M. and Hunt, S. D. (1994). The Commitment-Trust Theory of Relationship Marketing Journal Marketing pp 20-28*

[7] *Meyer, J.P. (1997).Organizational commitment. International Review of Industrial Psychology pp. 175-227*

[8] *Alderson, W. (1957). Marketing Behavior and Executive Action: A Functionalist Approach to Marketing. Theory Homewood, Richard D. Irwin , inc*

[9] *Payne, A. & Holt, S. (1999). Review of the Value Literature and Implications For Relationship. Marketing journal: Australasian Marketing Journal pp 7-11*

[10] *Morgan and Hunt,Op.cit.*

[11] *Anderson, J. C. & Narus, J. A. (1990). A Model of Distributor Firm and Manufacturer Firm Working Partnerships. Journal of Marketing, 54, 42-58.*

[12] *Thorelli, Hans B. (1986). Networks between Markets and Hierarchies. Strategic Managemen Journal. Vol 17, No 4, pp. 37-51.*

b) Relational Internal Marketing

The employee-customer interface has been considered as a focal point in the relationship between the organization and the customer. In many cases, the contact employee is considered to be the service in the customer's view In other words the attitudes and behaviors of customer contact staff are the embodiment of those of the organization in the eyes of the customer. With this in mind, the rationale for the development of quality relationships not only between the employee and customer but more important, the organization and employee is compelling. However, Robert and Hunt (1994)[13] said that the early formulation of the internal customer concept was 'seriously flawed' because it did not adequately emphasize the link between internal customers and internal suppliers in creating value for the external market external customer focus (Ballantyne, 1998)[14]. Clearly, internal marketing has strong antecedent links to Total Quality Management (TQM) practice. The TQM idea is that internal suppliers and internal customers should be aware of how their work is connected, and then they can work on improving the reliability and responsiveness of the process. Strong relationships between the organization and the employee can improve both the employee's motivation toward their job and their willingness to provide better customer service. Ballantyne, Christopher, and Payne (2003)[15] see the role of internal marketing as motivating and developing customer-oriented staff through the careful development of internal relationships. Internal marketing is seen as the process of initiating, maintaining, and developing the relationships between employees their management, and the organization, for the purposes of creating superior value for customers. The concept of internal marketing was based around viewing jobs as if they were 'internal products' offered to employees. The logic was that internal customers, that is, the employees of the firm, had needs to be satisfied and those needs were bound up in their jobs. The idea was that the satisfaction of internal customers, especially employees with front-line jobs, impacts directly on achieving satisfied external customers. If this view is accepted, the internal marketing task is to improve the job 'products' using marketing thinking to gain new insights and deliver new benefits to employees. This seems a commonsense notion, except that the direct link between internal and external satisfaction does not hold up in practice. The reason turns out to be simple. It is because not all job attributes are equally connected to external customer satisfaction. Thus management might unwittingly be 'pulling the wrong levers' and ignoring critical employee issues. Furthermore, there is a top-down hierarchical assumption operating here that says top management knows what is best. This kind of 'job products' approach does not require employee involvement. Relational internal marketing focuses on the vertical and lateral relationships that exist within organizations. Vertical relationships include, for example, employee manager, employee-supervisor and employee-organization relationships. Lateral relationships include employee-team member and employee co-worker relationships. Consistent with the managerial focus of earlier conceptualization of internal marketing and in the interest of model parsimony, we focus more on vertical relationships: the organization employee relationship and the supervisor employee relationship.

A second important vertical relationship is the supervisor- employee interface. The leader member exchanges literature offer insights into the relationship that exists between an employee and his or her supervisor. Leaders' member exchange theory maintains that the leader and each individual member of a work group have a unique relationship as with perceived organization support the superior subordinate relationship is conceived of a social exchange or negotiated transaction. Where a subordinate is appraised favorably and encouraged to feel comfortable in his or her role, the supervisor is rewarded with a more committed and competent staff member.

3) *Empirical Framework*

According to Allen and Meyer(1997)[16] Organizational commitment itself is viewed as a Multidimensional construct. In the past, some researchers presented organizational commitment as a unidimensional construct. Research, however, does not present readers with any standard set of dimensions. In organizational commitment literature, affective organizational commitment was defined as the magnitude with which an employee identifies with the organization. As the broad context of organizational commitment was reviewed, research indicated that some writers raised a concern as to whether or not commitment was a reasonable expectation for employers to hold for their employees in today's work environment where changes in leadership and organizational focus may occur rapidly. Unfortunately for many companies the maintenance of employee organizational commitment remains as a viable organizational goal. Organizations that are downsized

[13] *Robert M.and Hunt. S. (1994). Journal of Marketing. Vol 58 pp 20-38*

[14] *Ballantyne, D. (1998). Management of the Diagnostic Review Process in Service Quality Management. The Finish Journal of Business Economics, No. 4, pp. 338-344.*

[15] *Ballantyne, D., Christopher, M. & Payne, A. (2003). Relationship Marketing: Looking Back, Looking Forward. Marketing Theory, PP 159-16*

[16] *Allen, N.J., &Meyer, J.P. (1997).The Measurement and Antecedents of Affective, Continuance and Normative Commitment to the Organization. Journal of occupational psychology pp 1-18*

and characterized by organizational change still need a core of employees, especially leaders, who are committed to the values and goals of the organization. Organizational commitment remains as a suitable topic for study in today's rapidly changing work world. An environment in which employees are satisfied and committed is one that is conducive to customer satisfaction. Research indicates that organizational commitment exerts a strong positive influence not only on internal service quality but also on external service quality. Any organization's success will be jeopardized if its employees fail to accept its missions, goals and objectives and fail to believe in what the company stands for. Long-term customer relationships could be built only with long-term committed workforce as it is unlikely to get loyal customers without loyal employees hence; organizational commitment of customer-contact employees influences the level of service quality delivered to the customers. Our research is aimed at exploring the importance of the role of customer-contact employees' organizational commitment in relation to the service quality delivered to the customers. We empirically test the relationship between different types of organizational commitment and the service quality of customer contact employees in services sector. Meyer and Allen (1991)[17] caution that not all forms of commitment are alike and that organizations concerned with retaining employees by strengthening their commitment should carefully consider the nature of commitment that they instill If the benefits of reduced turnover are obtained at the cost of poor performance, service quality suffers. Though organizational commitment has attracted considerable attention of researchers over the years, majority of the studies in marketing involving organizational commitment only discussed affective commitment more extensively as compared to the other two components: normative. In this study, we explore an important question as to how different forms of commitment influence the willingness of customer-contact employees to engage in discretionary efforts, which, in turn, is reflected in their level of normative commitment of service quality.

III. Methodology

The study focused on the effect of organizational commitment on service quality. The study is limited to customer contact employees of tantalizers' plc at Lagos state, Nigeria. Having identified three components of commitment in literature, three hypotheses were developed and tested in order to determine the effect of each of them on the overall service quality of the customer-contact employees. Multiple regression was employed to test each of these hypotheses

The research instrument developed for the study consists of 33 items. The validity of the instrument was tested using content validity method. The reliability test was conducted for the instrument using Statistical Package for Social Sciences and it was found to be reliable and cronbach alpha was 0.74

A complete enumerative sampling method was employed. A total of 57 copies of questionnaire were administered to all the identified customer-contact employees of the organization in Lagos state, Nigeria. However, only forty copies of the questionnaire were found useable for the research.

IV. Result and Discussion of Findings

Hypotheses Testing

1) *Hypothesis 1*

H_0 : Affective commitment has no effect on service quality.

H_1 : Affective commitment has effect on service quality.

Table 1. : Showing the Effect of Affective Commitment on Service Quality

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.234(a)	.055	-.024	.64586

a)Predictors: (Constant), Affective commitment

ANOVA(b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.867	3	.289	.693	.562(a)
	Residual	15.017	36	.417		
	Total	15.884	39			

b) Dependent Variable: Service Quality

[17] Meyer, J. P., & Allen, N. J. (1991). *Commitment in the Workplace.* Thousand Oaks, CA: SAGE Publications.

Interpretation of Result: From the table above, the decision is to accept the alternative hypothesis (H_1) and reject the null hypothesis (H_o). The result above revealed that the extent to which the variance in service quality can be explained by the affective commitment is five percent (0.55) at 0.562 significant level. The significant level is higher than 0.05(5% confidence level). The implication is that affective commitment has no effect on service quality.

H_1 : Continuance commitment has a significant effect on service quality

Table 2. : Showing the Effect of Continuance Commitment on Service Quality

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.438(a)	.192	.045	.62382

a) Predictors: (Constant), continuance commitment

2) *Hypothesis 2*

$H_{0:}$ Continuance commitment has no significant effect on service quality

ANOVA(b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.042	6	.507	1.303	.283(a)
	Residual	12.842	33	.389		
	Total	15.884	39			

Source: field survey, 2010

a) Predictors: (Constant), continuance commitment

b) Dependent Variable: Service Quality

Interpretation of Results. From the table above, the decision is to reject the alternative hypothesis (H_1) and accept the null hypothesis (H_0) . The result above revealed that the extent to which the variance in service quality can be explained by continuance commitment is 19.2 percent (0.192) at 0.283 significant levels. The significant level is higher than 0.05. The implication is that continuance commitment has no significant effect on service quality.

3) *Hypothesis 3*

H_1 : Normative commitment has a significant effect on service quality.

$H_{0:}$ Normative commitment has no significant effect on service quality.

Table 3. : Showing the Effect of Normative Commitment on Service Quality

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.577(a)	.333	.235	.55829

a) Predictors: (Constant), Normative commitment

ANOVA (b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5.287	5	1.057	3.392	.014(a)
	Residual	10.597	34	.312		
	Total	15.884	39			

a) Predictors: (Constant), Normative commitment.

b) Dependent Variable: Service Quality.

Interpretation of Result: from the table above, the decision is to accept the alternative hypothesis (H_1) and reject the null hypothesis (H_0). The result above revealed that the extent to which the variance in service quality can be explained by continuance commitment is about 33 percent (0.333) at 0.014 significant levels. The significant level is less than 0.05. The implication is that normative commitment has a significant effect on service quality.

V. Discussion of Findings

Several studies have established a positive relationship between the affective component of commitment and service quality (Boshoff and Mels, 199518; Boshoff and Tait, 1996 19). However, in contrast to the past findings, the findings of this study revealed that affective commitment has no significant effect on service quality. Although committed employees are believed to work harder for a firm than those who are not committed (Zeithaml et al., 1990)20, research has yielded mixed results with regard to the relationship between organisational commitment and performance. Some researchers have established a positive relationship between the two (Zeithaml et al., 1990; Boshoff and Tait, 1996; Benkhoff, 199721; Sergeant and Frenkel, 200022), some see no relationship at all (Mathieu and Zajac, 199023), while some have surprisingly even established a negative relationship (Hartline and Ferrell, 199324).

There are hardly any studies in the literature which investigate the relationship of the continuance and normative commitment of employees with service quality. However, the two constructs have been studied in relation to job performance. As regards normative commitment, some studies have established a positive relationship between normative commitment and job performance (Meyer et al., 1993 25), while some see no relationship at all (Caruana et al., 1997).26 Similarly, some studies have established a negative relationship between continuance commitment and job performance (Meyer et al., 1989)27, some see no relationship with job performance (Meyer et al., 1993; Caruana et al., 1997), while some have proposed a positive relationship with job performance (Suliman and Iles, 2000)28.Meanwhile, the empirical result of this study as presented above revealed that only normative commitment has a significant positive relationship with service quality. The implication is that in an african country like Nigeria, with a tight social framework, a socialisation in its culture places a premium on loyalty and devotion to institutions. Service quality may not necessarily be influenced by an employee's emotional attachment to an organization.

VI. Conclusions

As a result of the information gotten from the research findings, it can thereby be concluded that, the purpose of carrying out this study was designed to approach the organizational roles to satisfy the customer-contact employee who directly influence customer satisfaction. The result of our study involves understanding the importance of organizational commitment as a determinant of service quality. The three-component model of commitment, depicting multi dimensionality of the commitment construct, in relation to service quality further supports the argument that not all forms of commitment are significantly related to service quality. Also, the comparative evaluation between contact employees in branches with respect to the commitment-service quality relationship help us to understand how different components of commitment determine service quality differently between the two sets of employees. The study provides directions to service managers in designing internal marketing strategies for these two sets of employees such that the desirable component of commitment could be inculcated to enhance service quality. Overall, we observe based on our study that normative commitment leads to service quality.

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[20] *Zeithaml, V.A., Parasuraman, A., Berry, L.L. (1990), Delivering Quality Service, Free Press, New York, NY,*

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[28] *Suliman, A., Iles, P. (2000), "Is continuance commitment beneficial to organisations? Commitment-performance relationship: a new look", Journal of Managerial Psychology, Vol. 15 No.5, pp.407-26.*

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The Impact of Tourism on Local Livlihoods; A Case Study of Galliyat, District Abbottabad

By Dr.Zilakat Khan, Zakirullah and Syed Umar Farooq
University of Peshawar, Kardan University

Abstract- Tourism is the third biggest industry in the world and plays a key role in earning foreign reserve. Most of the developing countries spend income from tourism on infrastructure development and service delivery. It is a poverty reduction strategy because it supports and improves economic and social life of households who are involved directly or indirectly. The current study analyses the relationship between tourism and livelihood. The study concludes that tourism has a positive and significant bearing on productive human capital, square of physical capital, participation and square of household size and negative but significant impacts on physical capital and Household size. On the other hand, it has positive but insignificant impacts on household's Livestock and Education. The result of the sample data shows that that tourism has a positive and significant effect on the income, culture and social structure of the residents. The Study recommended that pro poor tourism strategy should be devised for the development of this sector.

Keywords: *Impact of Tourism, Local livelihoods, Galliyat.*

Classification: *GJMBR-A FOR Classification: 150601*

INTERACTION OF LEVERAGE AND REFORMS PROCESS REVISITED EMPIRICAL EVIDENCE FROM THE FUEL AND ENERGY SECTOR OF PAKISTAN

Strictly as per the compliance and regulations of:

The Impact of Tourism on Local Livlihoods; A Case Study of Galliyat, District Abbottabad

Dr.Zilakat Khan[1], Zakirullah[2] and Syed Umar Farooq[3]

*Abstract-*Tourism is the third biggest industry in the world and plays a key role in earning foreign reserve. Most of the developing countries spend income from tourism on infrastructure development and service delivery. It is a poverty reduction strategy because it supports and improves economic and social life of households who are involved directly or indirectly. The current study analyses the relationship between tourism and livelihood. The study concludes that tourism has a positive and significant bearing on productive human capital, square of physical capital, participation and square of household size and negative but significant impacts on physical capital and Household size. On the other hand, it has positive but insignificant impacts on household's Livestock and Education. The result of the sample data shows that that tourism has a positive and significant effect on the income, culture and social structure of the residents. The Study recommended that pro poor tourism strategy should be devised for the development of this sector.

Key Words: Impact of Tourism, Local livelihoods, Galliyat

I. Introduction

The tourism-livelihood nexus is a focus of concerted debate in the current literature on sustainable development. It is generally believed that tourism generates livelihood, enriches cultural heritage and brings overall prosperity. United Nation Conference on Environment and Development (UNCED) in 1992 concluded that tourism is one of the important and main sectors for the growth of economy, which has significant effect on culture, environment and provide economic incentives.

Tourism has both direct and indirect effects on the local community. The direct effects are increase in income of the people who directly participate in the tourism related activities while the indirect effect is the increase in the purchase of commodities (Indrila and Santadas, 2007). The tourism has positive effect on culture and do not create problems like unequal distribution of income.

In the context of Pakistan, tourism is regarded as a growing industry because of its diverse cultures, people and landscapes. Pakistan and especially NWFP is endowed with a variety of natural resources offering plentiful opportunities for ecotourism.

Thousands of tourists come to Pakistan every year and benefit the local communities and economy as a whole. The Ministry of Tourism in Pakistan (2006), Economic Analysis Wing reports the data about the economic impact of tourism on the economy. According to State Bank of Pakistan, the tourism receipts are 0.2% of GNP for the year 2005-06 while tourism receipts are 1.3% of the total exports of the country. Pakistan tourism industry growth in the year 2006 was 12% while its share of tourists in the world market is 0.11 %.

In NWFP one scenic ecotourism site is district Abbottabad. Ayubia, Nathiagali, Dongagali and Thandiani are some of the district's preferential tourist destinations. The study conducted by Sana (2006), shows that 38,400 visitor stayed in Abbottabad and Nathiagali in 1991, in which 1.3% were foreigner tourists. This figure excludes daily visitors during the peak season.

Arguments and examples abound on each perspective; this study aims to explore the interplay of tourism and livelihoods and how livelihood means translate into better living in Galliyat.

1) *Justification of the study*

Literature suggests that there is a strong relationship between economy and environment. It is no wonder that poor people are mostly residing in the worst degraded environments and vice versa. The literature strongly suggests that poverty level is high in impotent environments. Since resources are scarce in such areas, it is paramount to provide opportunities to poor areas for substituting their eco-services' loss. One known way of doing this is the development of ecotourism[29] with the golden principle of sustainability in perspective.

This study aims at assessing the impacts of tourism on livelihoods' generation thereby ensuring sustainable income generation and poverty reduction. The theme of livelihoods and tourism is thus one of the important issues on the development agenda.

[1] *Associate Professor, Department of Economics, University of Peshawar*
[2] *M.Phil Student, , Department of Economics, University of Peshawar*
[3] *Professor&Dean,Mgt.SciencesDepartment, Kardan University, Kabul.E-Mail-syedumarfarooq5@hotmail.com*

[29] Visit to natural sites, which maintain the environment and change the local living positively.

II. Research Design

1) *Objectives*

The present study has the following main objectives:

1. To empirically find the impact of tourism on local livelihoods.
2. To document the perception of local community about the social effects of tourism.
3. To suggest policy measures based on empirical analysis of data

2) *Research Hypothesis*

The following hypotheses are to be tested in this study.

1. Income generated from tourism significantly affects the livelihood of the local residents and negatively affects their perception of its social effects; and
2. Direct participants in ecotourism have slightly better conditions of living than indirect beneficiaries.

III. Review of Literature

Tourism is the by product of leisure, mobility and wealth. Tourism has been an important part of the socio-economic development. Various studies show that tourism is an important sector of the developing economics. While some studies show that tourism is one of the biggest industries in the world through which developed as well as developing countries earn the much needed foreign reserves. This can bring further improvement in the telecommunication, transportation, and health and over all standards of living of local people. According to Papaadopoulos (1998), the income received from tourism sector has been used for the improvement of infrastructure in Greece.

Similarly, United Nation Conference on Environment and Development (UNCED) in (1992) concluded that tourism is one of the important and main sectors for the growth of the economy, which has significant effect on culture, environment and provide economic incentive.

World tourism industry is growing at a moderate pace of 4.1% annually, whereas the growth of the industry for 2005 was 5.5% as reported by United Nations World Tourism Organization (UNWTO),(2006). UNWTO further reports that terrorism, natural disasters, health scares, rising oil prices, exchange rate fluctuations and economic and political uncertainties were few of the issues which effected the industry overall. Africa is leading in terms of growth prospects as the African tourism industry is growing by 9% annually, followed by Asia (8%) and especially the Middle East where the industry is growing at a good pace of 8%. The increase in the rate of growth of the tourism industry raises questions as to whether the tourism really helps the economy or does it play an important role in economic development?

Tourism contributes to both poverty alleviation and conservation. Many countries of the world depend on tourism and every year receives a good amount of foreign exchange earning. Study conducted by Lee, (1992) shows that tourism is the main source in the economic development of developing countries of Latin America.

According to ashely (2000), tourism has grown rapidly in Namibia since the country gained independence from South Africa in1990. The study shows that the development of tourism has positive impact on jobs and cash flow in Namibia. But due to different livelihood priorities tourism had negative effects on the local people directly and indirectly.

According to Anna Hundt (1996), international tourism has become quickly one of the most economic industries of the world. Tourism can be a lucrative industry if it is properly planed. Because through proper planning, tourism industry can improve balance of payments, generate foreign exchange which could be spent on physical infrastructure development (road, sanitation and communication) and social infrastructure (health and education) of the country. But most of the small and developing countries do not have many resources to develop this sector. Therefore there is a need to provide financial assistance by the international financial agencies for the development of this sector in the developing countries. The study further shows that planned tourism will have significant positive effects on the health of native communities.

Similarly, Ratz and Puczke (1997), found that tourism generated 25% employment in the area in which women participation is more than men. The study further shows that in Budapests, 71.2% people are involved in tourism related activities.

According to Tony and Etienne (2002), tourism is one of the main and important sources for economic uplift, community development and poverty eradication in the developing countries of the world. In the last decade tourism has shown significant impact on the development of communities with limited resources in South Africa. The study further discusses that tourism contributes to economic growth, poverty alleviation and decrease in discrimination and inequality among communities in South Africa.

Pakistan is a good site for all sorts of tourism. Tourism is a growing industry in Pakistan because of its diverse culture, people and landscapes. Pakistan is endowed with lots of natural resources with plenty of sites for ecotourism, archeological tourism as well as for other types of tourism. Haroon (2002) studied the impact of ecotourism on the local area uncover that tourism activities in Pakistan are currently far from being sustainable, as in many other mountainous regions worldwide; deforestation, uncontrolled land utilization, unplanned growth of tourism, mushroom growth of accommodations, and above all, out migration of young, energetic people as a result of limited job opportunities and lack of local ownership and participation in tourism ventures make change imperative. There are a lot of ecotourism sites and archeological sites as well as museums and galleries in Pakistan, which tells us about the old civilization in this country.

As thousand of tourists come to Pakistan every year and benefit the local communities and economy as a whole. According to State Bank of Pakistan the tourism receipts were 0.2% of GNP for the year 2005-06 while these receipts were 1.3% of the exports of the country. Pakistan tourism industry growth in the year 2006 was 12% and its share of tourists in the world market was 0.11 %.

In NWFP one beautiful ecotourism site is district Abbottabad. Ayubia, Nathiagali, Dongagali and Thandiani are of few of the district's favorite tourist's destination. Due to the bad law and order situation and insurgency in Swat valley since 2007, most of the tourists visit this area. The study conducted by Sana (2006), shows that in 1991 a total of 38,400 visitors stayed in Abbottabad and Nathiagali in which 1.3% were foreigners. This figure excludes the daily visitors during the peak season.

From the above literature, it can be conclude that tourism has positive effects on the local and national economy as it increases the livelihood opportunities for the local community. It has also some negative and positive social effects. There are a small numbers of households who participate in tourism. However, there is enough scope for increasing local participation in this sector. Tourism is a poverty reduction strategy because it supports and improves the households economically and socially. There is varying little trickle down effects for those who do not participate in this sector. Participation of local communities in tourism is essential to maximize the potential benefits of this sector and to eliminate poverty and conserve nature.

IV. Research Methodology

The study focuses the relationship between tourism and livelihood. The aim of the study is to investigate local community participation in tourism activates and to suggest policy interventions for a pro-poor tourism strategy. Policy interventions will increase livelihood opportunities in the local area, which will improve the living standard of the people. Most of the variables and questioner of this study have been taken from Indrila and Santadas study which was conducted in the Indian Sunderban in 2007. Household consumption is dependent variable while physical capital, human capital, livestock, tourism participation and place are independent variables. Dummy variables for livestock and tourism participation were taken from Indrila and Santadas study. However, some additional variables have also been used according to the scope of this study.

1) *Sources and Nature of data*

The present study is based on primary as well as on secondary data. Primary data was collected through a detailed questionnaire in the area while secondary sources were used for description purposes.

2) *Research Instrument*

A comprehensive interview schedule was used for the data collection on qualitative aspects, where the respondents were interviewed and information was gathered / collected.

3) *Sample Size and its distribution*

Sample was drawn through multi stage sampling. In this first stage the population was distributed into two strata i.e. "Study area"30 and "controlled area"31. Intervention area for this study is Nathiagali and controlled area is Baragali.Two villages from each of the strata were selected for this study. Furthermore one village near to the main road and one at the farthest end were selected. On this technique villages selected in the intervention area were Malach and Seer Pata while Dahliya and Tatyal were selected in the controlled area. Sample size was then calculated on scientific method using the following technique:The area population was taken from District Census Report (DCR) 1998 and projected population was estimated for 2009 on the following formula.

$$FV = PV(1+i)^n$$

OR

$$P_i = P_0(1+\frac{r}{100})^n$$

Where;

Pi=Future population Po=Current Population
r=Growth rate
n=Number of years

A pilot study was then conducted for household size and to feed into the following formula for calculating the sample size.

$$n = \frac{N(z\alpha/_2\sigma)^2}{(N-1)e^2 + (z\alpha/_2\sigma)^2}$$

Where;

[30] Area where there are tourism activities
[31] Area where there are limited or no tourism activities

n=sample size

N=Population or total household i.e $\dfrac{population}{householdsize}$

∂ = Standard deviation

$e^2 = \dfrac{\partial}{4}$ (Error)

$\dfrac{\alpha}{2}$ = Level of significance

4) *Analytical Technique*

1. Ordinary Least Square (OLS) has been used for both controlled and interventions areas. Dependent variable "Per Capita Household Consumption" was regressed upon independent variables "Physical Capital", square of "Physical Capital", "Productive Human Capital", "Household Size", square of "Household Size", "Education", "Livestock", and "Tourism participation". Dummy variables were also used for livestock, participating and non-participating households and for the Study and controlled areas.

Model used for the study:

PCHC = f (PC, PC^2 , PHC, TP, ED, LS, SH, SH^2)

Where;

PCHC: Per capita Household Consumption $= \dfrac{T.Consumption}{Household.number}$

PC: Physical Capital PC: Square of Physical Capital

PHC: Productive Human Capital TP : Tourism Participation

ED: Education LS: Livestock

SH: Size of Household SH: Square of Size of Household

Physical Capital includes land while Productive human capital measures the ratio between working and non working people within household. Education variable has been used to investigate the education ratio within households and measure its relationship with the household consumption. Livestock shows the number and kind of livestock of the household, Tourism Participation means engagement in activities like working as a tourist guide, serving in a hotel and/or restaurant, facilitation in transport, entertainment, handicraft business, dry fruits business, other micro business and photography in a tourist area. Size of household means number of adults households. .

2. After applying the OLS method the problem of heteroskedasticity occur due to the cross sectional data.
3. The data was also tested on Brusch-pegan technique which is as following.

$$\hat{u}^2 = b_o + b_1 PC + b_2\ PC^2 + b_3 PHC + b_4 TP + b_5\ ED + b_6\ LS + b_7\ SH + b_8\ SH^2 + \varepsilon_i$$

4. To correct heteroskedasticity problem the WLS/ GLS technique was used.
5. Partial correlation result/ pair wise correlation among the explanatory variable was also checked.

V. Descriptive Statistics

The study was conducted in Nathiagali and Baragali areas of District Abbottabad. As per the study design Naithagali was taken as the study area and Baragali as control area for comparison purposes.

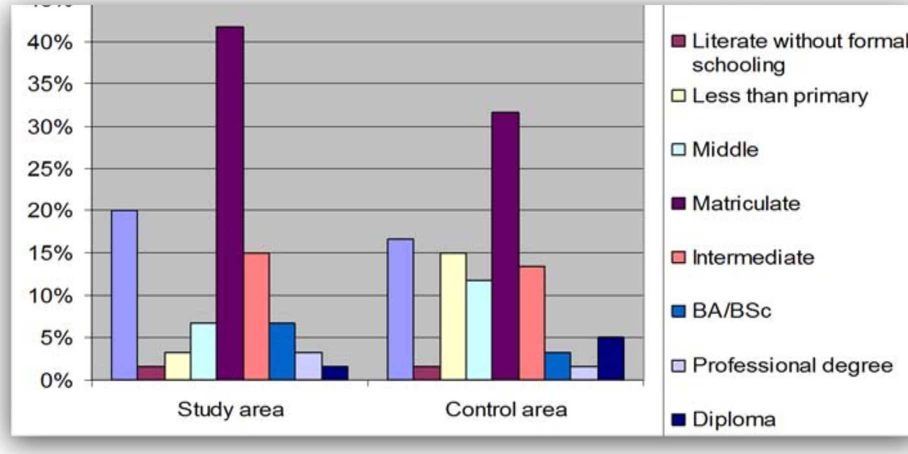
Table.1 shows landholding of households in the study and controlled areas. For study area the landholding mean is 1.5667 and standard deviation is 2.33156 while for controlled area mean is 1.7333 and standard deviation is 2.77750.

The average year spent in school for study area is 4.5167 and standard deviation is 2.18230. The mean is 4.3167 and standard deviation is 2.08702 for the same variable for control area. The mean is greater in study area than control area which shows that the average year spent in school in control area is a bit less than the average year spent in school in study area.

Table. 1: Landholding of households

Area	Variable	Definition	Mean	Standard Deviation
Study	Physical Capital	Landholding of Household (Kanal)	1.5667	2.33156
Control	Physical Capital	Landholding of Household (Kanal)	1.7333	2.77750

Chart-1: Education Status of Study and Control area



The chart shows a comparative analysis of the two areas. The 20% illiterate ratio in study area is higher than 16.7% in the control area which can be attributed to more employment opportunities in tourism hence distracting some local from education. Literate with formal education ratio is the same for both areas. Due to higher employment opportunities the people join jobs quickly and hence depict a lower ratio However, the ratio of matriculate in study area is higher than the control area. Similarly, the ratio of intermediate is 15% in the study area while this ratio is 13% for control area. Graduates (14 years education) are 7% and 3% in study and control areas respectively. People with professional degrees are 3% in the study area and 2% in the control area. People having diploma are 5% in the control area which is higher than 2% in the study area. This was attributed to affordability as people in the control area can not continue spending on education for longer term and opt for short term technical education. This is also helpful in getting job quickly domestically or abroad especially in Gulf countries.

In present study, The average size of household is 6.32 and standard deviation is 2.397 in the study area while the average size of household for control area is 7.23 and standard deviation is 3.301. This shows that average size of household is small in the study area than in the control area. One of the possible reasons may be the urban character of the study area as compared to a relatively rural outlook of the controlled locality. In urban area people tend to live in nuclear families and small households.

Data shows that average household livestock ownership is 1.7500 and standard deviation is 0.43667 for study area and mean is 1.4333 and Standard deviation is 0.49972 for control area. The mean is greater for study area than control area, which suggests that study area with more employment opportunities has a higher average number of livestock than control area. Dummy is used for the livestock in the analysis where 1 represents households who own livestock and 0 represents households who do not own any livestock. The following bar chart shows livestock ownership.

The study shows that 75% households in the study area have livestock while 25 percent have no livestock. On the other hand, 43 percent of the people in the control group have livestock while the remaining 57 percent have no livestock. Moreover those people who are living in study area, have greater number of Livestock than Control area.

Table 2: Participation in tourism activities

Area	Variable	Definition	Mean	Standard Deviation
Study	Tourism participation	Measure engagement like serving in hotel, tourist guide, photographers, small vendors, facilitation in transport, other micro business in tourist area	0.5500	0.50169
Control	Tourism participation	Measure engagement like serving in hotel, tourist guide, photographers, small vendors, facilitation in transport, other micro business in tourist area	0.0833	0.27872

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The survey shows participation of local people in tourism related activities. The data shows that mean or the average participation in tourism related activities is 0.5500 and the standard deviation 0.50169 for study area, while the mean is 0.0833 and standard deviation is 0.27872 for control area. The mean in study area is greater as compared to control area, which is evident that the average participation of the people in study area is more than control area.

The study further shows that participation in tourism related activities is 55% in study area and 8% in control area. These 8% people of control area who participate in tourism activities usually go to study area for participation in such activities.

Almost all people have own houses in both areas. However the structures of houses of both areas differ in terms of construction. It was recorded that 23 percent people have Kacha houses in the study area, while this was 58 percent in the control area. Similarly, the study area has 42 percent Semi Pucca houses and 17 percent people have such type of houses in the control area. The study area has 35 percent

Pucca houses while the control area has 25 percent Pucca houses.

Non productive assets show the standard of living of local people. Therefore a question was asked about ownership of radio/cassette player, pressure lamps, sewing machine, pressure cooker, watches, camera, TV, refrigerator and grinder from households in both areas. The data shows that 57% people have Radio in the study area while this ratio is 22% in control area, 30% household in the study area own pressure lamp and 17% in the control area. Similarly 38% households own sewing machines, 73% own pressure cooker, 77% own watches, 10% own cameras, 23% own Televisions, 8% own Refrigerators and 3% own Grinders, while in the control area these items 18%, 42%, 35%, 7% and 5% respectively. There were no refrigerators and grinders in the control area.

When asked about the cultural impact due to tourism in the area, 57% people of study respond that tourism has no effect on local culture, 30% answered that tourism has positive effect on local culture while 13% respond that tourism has a negative effect on the local culture. When this question was asked in the control area, 90% people answered that tourism has no effect on local culture, 5% said that it had positive effect and 5% said that tourism has negative effect on local culture.

Spring is the main source of drinking water in the both areas. The important factor to know is whether tourism activities cause any drinking water related problems, 18% respondents of study area said that they face shortage of drinking water in the peak season, while 82% were of the view that they have no problem of drinking water. This issue was taken to Focus Group Discussion (FGD) where it was learnt that the water shortage problem is limited to main Nathiagali bazaar only which is mainly because of provision of drinking water to Murree (another tourist spot in the adjacent province)

20% of respondents in the study area said that they face problems in transportation in the peak season. However, 80% said that they do not face any such problem. Most of the respondents said that transportation has improved because of tourism activities.

According to the survey,23% respondents said that pollution has increased due to tourism in the area while 77 percent were against this view point in the study area.

When asked whether tourism has caused any improvement in the health facilities, 23% said yes while 77 percent said that there is no improvement in this sector due to tourism.

Similarly, when asked about forest exploitation in the area, most of the people answered that tourism does not cause forest exploitation, while 11% said that there is increase in forest exploitation in the peak season.

On the question of crime increase, a pre-dominant majority of respondents said that tourism has not caused any increase in crime but 5% are of the view that street crime has increased due to tourism, which is shown in the above chart.

When asked about any improvement in telecommunication in the area, most of the people said that due to tourism in the area the telecommunication infrastructure improved in the area.

From the above discussion, it is concluded that those people who directly participated in the tourism related activities have better condition in consumption, productive and non-productive assets compare to non-participants. Most of the people have positive perception and said that tourism does not affect the local culture neither created the social problems.

VI. Results and Discussions

After discussing the descriptive statistics of the dependent and independent variables in the study we will now discuss the relationship of tourism and livelihood. A number of techniques are being used for this purpose. However, the most widely used method i.e. ordinary least square (OLS) was adopted for analyses the impact of tourism on livelihood of the area.

The model used;

$$Y_i = \beta_o + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 X_{4i} + \beta_5 X_{5i} + \beta_6 X_{6i} + \beta_7 X_{7i} + \beta_8 X_{8i} + \varepsilon_i$$

In this Model:

$Y =$ Per capita Household Consumption (PCHC), which can be derived as? $\dfrac{T.Consumption}{Household.number}$

$X_1 =$ Physical Capital (PC) $X_2 =$ Square of Physical Capital (PC^2)

$X_3 =$ Productive Human Capital (PHC) $X_4 =$ Education (ED)

$X_5 =$ Size of Household (SH) $X_6 =$ Square of size of Household (SH^2)

$X_7 =$ Livestock (LS) $X_8 =$ Tourism Participation (TP)

$\beta_0 =$ Intercept $\beta^{,S} =$ Partial Slope Coefficients

$\varepsilon_i =$ Error i = 1, 2, 3… 120.

When regression was run on this model, it gave the following results.

Table-3: Dependent Variable: Per Capita Consumption

Independent variables	**Coefficients (B,s)**	**t value**	p value
	5948.520(intercept)	10.470	0.000
Physical Capital	-172.135	-1.431	0.154
Square of Physical Capital	26.340	2.055	0.042
Productive Human Capital	215.546	2.229	0.028
Education	11.209	0.227	0.821
Size of Household	-965.709	- 6.554	0.000
Square of Household Size	142.860	4.419	0.000
Livestock	-38.069	-0.159	0.874
Tourism Participation	174.138	0.703	0.484
Total Observation =120	R 0.690	R Square 0.476	Adjusted R Square 0.438
F= 12.492		p=0.000	
Breusch-Pagan-Godfrey (BPG) test (Result)	F = 4.370	p = 0.000	

The results in the table show that in our sample, Physical Capital have insignificant effect on per capita consumption with the p = 0.154 (> 0.005). However the Square of Physical Capital is positive and significant effect on dependent variable with p = 0.042 (<0.005). Productive Human Capital is also significant with p= 0.028 (< 0.005), while education gives insignificant result with p = 0.821 (> 0.005). Size of household is negative but significant with p = 0.000 (< 0.005), and Square of Household Size is positive and significant with p = 0.000 (< 0.005). Livestock is insignificant with per capita consumption with p = 0.847 (> 0.005) and Tourism participation is positive effect on per capita consumption but insignificant with p = 0.484 (> 0.005). Dummy was used for livestock and Tourism participation.

Regression analysis shows the value for R is 0.690, R Square is 0.476 and Adjusted R Square is 0.438, which reflects a week and poor performance of variables in the model. However the overall Model was found fit when F-test was applied, which is significant with 12.491.

In the above analysis the over all model seems fit with F-test with the value of 12.492. But most of the variables are insignificant and give weak results with the dependent variable. Moreover the result of R, R square and adjusted R Square also show weak and poor result in the model which does not support theory. F- Statistic show Model significance, but the above poor results of different variables indicate some problems in the Model.

To check the problem of heteroscedasticity, Autocorrelation and Multicollinearity (MC) in the Model, the problem of heteroscedasticity was found, which is shown in the following chart.

To check the hetroscedasticity in the model, formal method was also applied. By applying Breusch-Pagan-Godfrey (BPG) test hetroscedasticity was detected which are shown in Table: 10. For the removal of hetroscedasticity from the model, the model was divided by the square of residuals. The new transformed model was then estimated by OLS technique which is called Weighted Least Square (WLS)/ Generalize Least Square (GLS).

As heteroscedasticity does not demolish the unbiasedness and consistency properties of the Ordinary Least Square

(OLS) estimators, but variables do not give efficient results. When the efficiency property of estimator violated the usual hypothesis-testing procedure will have uncertain value. Therefore, the problem of lack of efficiency should be removed from the model. For this purpose, the most accurate method is to applying WLS/GLS for obtaining BLUE estimator. More results that are significant were obtained after using WLS/ GLS technique, which are shown below:

Independent variables	Coefficients B,s	t value	p value
	5556.774 (intercept)	41.032	0.000
Physical Capital	-129.784	-3.258	0..002
Square of Physical Capital	17.184	2.609	0.012
Productive Human Capital	168.445	5.066	0.000
Education	99.369	1.369	0.177
Size of Household	-876.006	- 29.801	0.000
Square of Household Size	37.709	20.040	0.000
Livestock	19.070	0.601	0.551
Tourism Participation	165.481	1.834	0.028
	R	R Square	Adjusted R Square
Total Observations=120	0.991	0.982	0.980
	F= 356.408		p=0.000

Table-4

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Business case analysis in new product development

By Tuomo Kinnunen, Aki Pekuri, Harri Haapasalo, Pasi Kuvaja
University of Oulu

Abstract- This paper proposes business case as a means for analyzing ideas coming through new product development (NPD) process. Business case analysis aids decision-making to commit NPD resources into right projects. Analysis consists of market assessment, technical assessment and financial analysis and reflects to strategic fit. The study introduces a business case procedure as a systematical way to build business cases. It defines a logical flow of essential tasks and steps for business case analysis. The procedure can be used as a baseline in any organization aiming to implement or improve systematical business case analysis in NPD process. The study is theoretical construction that reflects empirical business case practice.

Keywords: Business case, new product development, NPD.

Classification: GJMBR-B: JEL Classification L15, L11

INTERACTION OF LEVERAGE AND REFORMS PROCESS REVISITED EMPIRICAL EVIDENCE FROM THE FUEL AND ENERGY SECTOR OF PAKISTAN

Strictly as per the compliance and regulations of:

Business case analysis in new product development

Tuomo Kinnunen[1], Aki Pekuri[1], Harri Haapasalo[1], Pasi Kuvaja[2]

Abstract- This paper proposes business case as a means for analyzing ideas coming through new product development (NPD) process. Business case analysis aids decision-making to commit NPD resources into right projects. Analysis consists of market assessment, technical assessment and financial analysis and reflects to strategic fit. The study introduces a business case procedure as a systematical way to build business cases. It defines a logical flow of essential tasks and steps for business case analysis. The procedure can be used as a baseline in any organization aiming to implement or improve systematical business case analysis in NPD process. The study is theoretical construction that reflects empirical business case practice.

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I. Introduction

Competition in high technology industries tightens all the time because of increasing amount of competitors and shorter product development times. Enterprises must have an ability to adapt and evolve if they wish to survive. This makes new products critical to them. In virtually every industry the leading companies (e.g. Nokia, Google, eBay, Toyota, IBM, Microsoft…) have demonstrated their ability to innovate and seem to deliver impressive growth and/or return to their stakeholders. (Trott 2008). To fulfill their general mission of creating wealth for their owners, enterprises need to create continuous flow of innovations.

Basically there are two things that succeeding in product development requires: doing the right projects and doing the projects right. A challenge is that project selection and project prioritization are the weakest areas of the new product development (NPD) in general. Most of the successful companies seem to have formal NPD process in place. Besides a high-quality process, enterprises should also have a clear and visible new product strategy and enough resources – both people and money – to be successful. (Cooper 2001, Cooper & Kleinschmidt 2007). This paper proposes business case as means for analyzing ideas coming through NPD process to commit NPD resources into right projects.

About 1- Department of Industrial Engineering and Management, University of Oulu, Finland.
Emails: Tuomo.kinnunen@oulu.fi, harri.haapasalo@oulu.fi
About 2- Department of information processing science, University of Oulu

Business case is a globally used term for evaluation of potential investments and selection of best alternatives. (Keen & Digrius 2002, Reifer 2001) According Keen & Digrius (2002) business case analysis describes business reasons why or why not specific investment options should be selected. The main goal of business case is to help management decide, in a rational way, the true business value of potential investment. Reifer (2001) has defined a software business case as "*materials prepared for decision makers to show that the idea being considered is a good one and that the numbers that surround it make financial sense*". The first definition defines accurately the ideal purpose of business case analysis as understood in this study. The second definition describes business case as used often in practice: to show goodness of idea and surround it with good looking numbers to get funding but not that surely to make good decisions.

Cooper (2001) uses business case analysis in one stage of NPD, but otherwise there are very few studies of business case in NPD. Thus a systematical business case analysis for NPD is needed and this study aims to create potential one. The focus is set to evaluating ideas that come through a company's NPD process. A difference between NPD and investment business cases is the amount of business cases that need to be done. Companies do not invest in new technologies, software or factories every day. However, large companies generate and receive vast amount of ideas concerning new products. In order to make innovations arise out of ideas and to develop successful new products, ideas need to be analyzed, evaluated and prioritized frequently for choosing the right projects.

Based on literature reviewed (especially Cooper 2001, Cooper 2008, Ulrich & Eppinger 2008, Carbonell Foulquie et al. 2004) business case cover three kinds of information: market-related, technical and financial information, and embed the strategic issues in the decision making. Figure 1. illustrates that basis for business case building and main tasks for gathering and processing information.

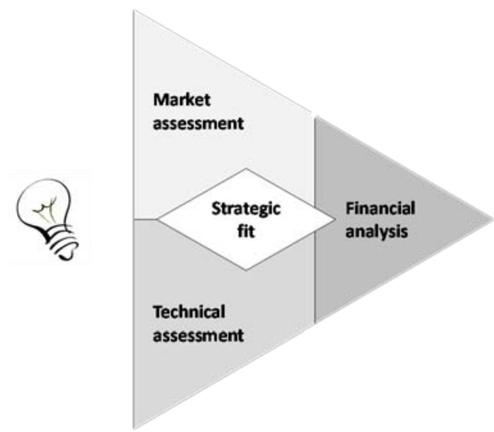

Fig.1 Main elements of NPD business case

This paper presents theoretical construction that reflects an empirical practice called business case. To clarify our aims in this article the following research questions are presented:

- RQ1: What are the attributes of NPD business case?
- RQ2: How to build business cases systematically?

Firstly, literature review on success factors in NPD, gate review practices and gate criteria in NPD is made. Secondly, the detailed content of business case main elements (Fig. 1) is defined by selecting and refining decision gate criteria from literature to business case attributes. Then the attributes are studied, explained and arranged into a business case procedure that introduces logical flow of building a business case. Finally, challenges of business case analysis and the meaning of the procedure are discussed.

II. Literature Review

When large amount of ideas are generated and collected, a company needs to decide which are worth of further development. Business cases are done to aid decision-making before substantial effort is committed to development. Based on Cooper (2001) business cases are reviewed in gates. Reviewing business cases in gates ensure that organization's competence is widely used for business decisions and product development decisions are based on reasonable judgment. To ensure that business cases are done effectively and to enable comparison between cases, the analysis should be done systematically. To achieve that existing literature on best practices on new product development is reviewed.

1) *Review on best practices and success factors in new product development*

During the last three decades a significant research effort has been put in place to find the critical success factors and best practices of new product development. (e.g. Cooper & Kleinschmidt 2007, Ronkainen 1985) In short, the extensive list of these factors includes everything from quality process and execution to innovative climate of the company and adequate resources of people and money. However, most of the interest was focused on factors that affect the earliest stages of the product development where business cases are done and the good ideas are selected for execution. In a general level findings can be separated in two groups: process related and strategy related things. At first, a formal product development process that demands up-front homework should exist (Cooper & Kleinschmidt 2007) and the gates between the stages should be effective, because firms nearly always have more ideas than available funding and people (Koen et al. 2001, Schmidt 2004, Toubia & Flores 2007). Secondly, there should be a defined strategy that sets goals for business's total new product effort and helps to focus and guide the limited resources (Cooper & Kleinschmidt 2007).

Formal new product development process is crucial for product success and usually consist a series of stages and gates to drive ideas to products and to markets. Fig. 2 illustrates a formal development funnel for new product projects. Form and the number of stages and gates can vary between companies and different projects, but the logic is always same (Ulrich & Eppinger 2008). For smaller projects the stages in process may be embed into other, while in larger projects more stages and controlling gates are used. During the stages the project team undertakes the pre-defined work, gathers needed information and does the data integration and analysis. The following gates are go/kill decision points where the deliverables from stages are presented and ideas in case evaluated. The benefits of such processes are well known as they improve effectiveness and efficiency by shortening development times and increasing the output of successful products. (Cooper 2008).

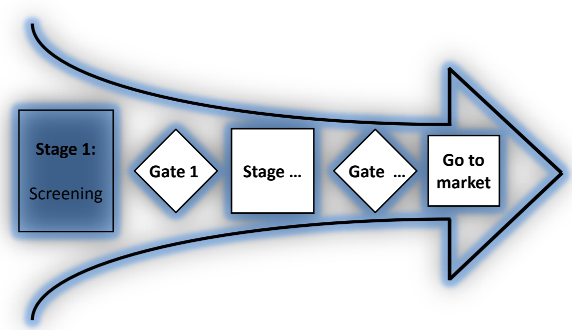

Fig.2. From idea to market funnel

The front end of the new product development process has been identified as a phase where firms have the most of the problems. The activities undertaken in the front end are often recognized chaotic, unpredictable and unstructured. (Koen et al. 2001). Too many projects are moved from idea to development without necessary assessments that provide basic constraints for development and consider whether or not the idea is a good one. The necessary up-front homework tasks should include both marketing and technical assessments and the voice-of-customer should always be taken into account. Then information should be integrated to financial and business analysis to determine the overall business rationale of the project. Early product definition to clarify target market, benefits and positioning is also one of the best practices along with self-evident quality of execution. (Cooper 2001, Cooper & Kleinschmidt 2007).

2) *Effective gates and review practice*

Regardless the existence of a formal process, the gates must also work to ensure the efficiency of the process. Tough decisions are necessary because developing new products is expensive and the cost and time to complete each subsequent stage increases dramatically. Slow decisions also lengthen the development time while weak decisions hurt all new product development efforts by tying limited resources. (Schmidt 2004). But in what good decisions are based on?

The chosen literature sources represent different kinds of viewpoints that have significant amount of research and practical experience behind them. This makes the sample both extensive and reliable. Loutfy and Belkhir (2001) presented a submission form to idea council used by Xerox while Lilien et al. (2002) shows an idea description form from highly innovative 3M. Then there are two extensive studies on gate criteria (Hart et al. (2003) and Carbonell-Foulquie et al. (2004)). These two studies were assessed keeping focus on early decisions and in most regularly used criteria. Ulrich and Eppinger (2008) and Cooper (2008) represent viewpoints of long-term product development pioneers and their opinion what the decision criteria in early stages should look like.

Hart et al. (2003) studied evaluation criteria in decision gates presenting 20 criteria that were grouped in four dimensions: market acceptance, financial performance, product performance and additional indicators. Criteria such as technical feasibility and product uniqueness were included in additional indicators that are mostly used in the first two stages in the seven stage NPD process that was used in their study. Market acceptance and financial performance dominate the third, business analysis gate. Carbonell-Foulquie et al. (2004) did a similar research relating decision criteria in gates. They listed 16 criteria that are used in making go/no-go decisions and grouped them into five dimensions: strategic fit, technical feasibility, customer acceptance, market opportunity, and financial performance. According to their study criteria under the dimensions of strategic fit, technical feasibility and market opportunity are the most frequently used in new product concept gate, the first of the four gates in their NPD process. Cooper (2008) presented “a typical scorecard” for gate 3 (go to development), where criteria were grouped under six dimensions. Those dimensions are strategic fit and importance, product and competitive advantage, market attractiveness, core competencies leverage, technical feasibility, and financial performance.

The dimensions of different gate criterion can be summarized and divided into three groups: *market related criteria, technical criteria* and *financial performance criteria.* Market potential and opportunity have been identified as important dimensions in early gate decisions and are also dominant drivers for new product success. (e.g. Ronkainen 1985, Henard & Slymanski 2001). Market related criteria are listed in table 1. It includes also customer, product and competitive aspects.

Table1- The most used gate criteria in market assessment

Source	Market criteria
Loutfy & Belkhir (2001)	Description of customer needs for the product value proposition, basis for competitive advantage, *Description of initial market(s) targeted*: market size, competitive analysis, any potential partners; Probability of marketing success
Lilien et al. (2002)	Originality of customer needs, novelty, global market potential, fit with current sales and distribution channels
Hart et al. (2003)	Customer acceptance, product uniqueness, margin, market potential
Carbonell-Foulquie et al. (2004)	Customer satisfaction, market acceptance, product quality, window of opportunity, alignment with firm's strategy
Ulrich & Eppinger (2008)	*Market opportunity & segment:* Market size, market growth rate, competitive intensity; Depth of the firm’s existing knowledge of the market, fit with the firm's other products
Cooper (2008)	*Market attractiveness:* market size, market growth and future potential, competitiveness - toughness and intensity, margins earned by players in this market; *Product & competitive advantage:*

	Unique benefits, excellent value for money, differentiation, positive customer feedback; Leveraging core competencies and strengths in marketing/sales/distribution

Technology considerations can be major factors of the outcome of a new product and according to Carbonnell-Foulquie et al. (2004) technical feasibility dimension is crucial in approving the new product concept. Technical criteria are presented in table 1.

Table2- Most used gate criteria in technical assessment

Source	Technical criteria
Loutfy & Belkhir (2001)	Description of technology involved, key risk factors, teams & skills required, scope of work, probability of technical success
Lilien et al. (2002)	Fit with current manufacturing capabilities, intellectual property protection
Hart et al. (2003)	Technical feasibility, product performance
Carbonell-Foulquie et al. (2004)	Availability of resources, leverage of firm's technical resources
Ulrich & Eppinger (2008)	Feasibility of product concepts, production feasibility, depth of the firm's existing knowledge of the technology, fit with the firm's capabilities
Cooper (2008)	*Technical feasibility:* Technical complexity, technical gap, familiarity of technology to business; Leveraging core competencies and strengths in technology/production/operations

Financial criteria are rarely used to evaluate new products at the beginning of the NPD process, because data converted into financial metrics are not much better than educated guesses. (Cooper 2001) However, many decision-makers are more than eager to see the best available estimates of sales and costs when making a decision. Financial criteria are listed in table 3.

Table3- Most used gate criteria in financial analysis

Source	Financial criteria
Loutfy & Belkhir (2001)	Revenue potential, profit potential, incremental project funding and other resources required
Lilien et al. (2002)	Estimated sales, estimated loss/gain on sales of related product, operating profit, *probability of business success*
Hart et al. (2003)	Sales in units, sales growth, sales objectives, market share, profit objectives
Carbonell-Foulquie et al. (2004)	Sales volume, total cost for a given cycle time, market share, long-term sales growth
Ulrich & Eppinger (2008)	*Timing and magnitude of future cash inflows and outflows*: Sales revenues, sales and production volume, unit price; Development, ramp-up, marketing, support and unit production costs
Cooper (2008)	Size of financial opportunity, financial return, productivity index, certainty of financial estimates, level of risk and ability to address risks, impact on business

NPD decisions are mainly done against marketing, technical and financial criteria. Furthermore, strategic fit and leveraging core competencies are also relevant issues to consider, but they seem to be related to main elements, mainly either with marketing or technical dimensions. That is the reason why strategic fit is not considered as a main element of business case, but a necessary dimension that links ideas to others and to firm's ultimate objectives. Strategic fitness is an important factor to determine new product success and criteria used in defining strategic fit are listed next in table 4.

Table4- The most used gate criteria in defining strategic fit

Source	Strategic fit criteria
Loutfy & Belkhir (2001)	Relatedness to strategy
Lilien et al. (2002)	Strategic importance, fit with current strategic plan
Hart et al. (2003)	N/A
Carbonell-Foulquie et al. (2004)	Alignment with firm's strategy
Ulrich & Eppinger (2008)	*Consistency with the firm's overall product plan and technology strategy*: fit with the firm's resources and objectives, compatibility with the firms emphasis on technical excellence and uniqueness

Cooper (2008)	Alignment of project with company business strategy, importance of project to the strategy, impact on business

Businesses that are most likely to succeed with new products are those that have an articulated new product strategy. A good innovation strategy defines the goals and strategic focus arenas of the development effort. The degree, to which the project fits within a defined area of strategic focus, should be the first criterion to use against any new product idea. (Cooper 2001). Importance of strategic fitness is also backed by Ulrich & Eppinger (2008). They have stated that product development decisions should be consistent with the enterprises' overall product plan and technology strategy. According them strategic fitness answers to questions like how well does a proposed new product fit with the enterprise's resources and objectives; is it compatible with the enterprise's emphasis on technical excellence; and is it compatible with the enterprise's emphasis on product uniqueness.

III. Selection of Business Case Attributes

The detailed content of business case elements is defined by extracting various kinds of decision gate criteria from literature, and then refining them to business case attributes. Results of this work are depicted in table 5 below.

Table5- Selected business case attributes

Associated element	Selected attributes
Market assessment	Customer need, customer benefits, customer value, opportunity window, target market, total market size, market growth, intensity and extent of competition
Technical assessment	Technical complexity, technical uncertainty, availability of resources, technical synergies, work effort estimation
Financial analysis	Price estimation, *Sales estimates*: direct sales, additional sales, impact on sales; *Cost estimates:* development cost, production cost, other lifecycle costs; payback level, cash flow statement
Strategic fit	Fitness to product strategy, fitness to technology strategy

Attributes selection is made in co-operation with one large ICT company. Suitability of each criterion for business case purpose is evaluated in workshops where several experts from different organizational functions related to NPD participated in discussion. Selected and refined business case attributes were approved and validated by 21 business minded managers.

IV. Business Case Procedure

Business case analysis in NPD aims to propose decision whether or not a company should commit its resources and money to develop a certain idea into product. Systematical analysis can ensure that all the necessary information areas that decision-making needs are covered and gathered. Extent and depth of business case analysis and weighting of different tasks can vary depending on the nature of business. Thus the procedure has to be applied on an enterprise terms as well as attributes modified to match with specific enterprise context.

The business case procedure (in Fig. 3) guides business case building more practically and accurately compared to three main tasks. The procedure introduces a logical flow for business case building. Market and technical assessments of product idea are quite independent information areas and thus can be done simultaneously. Instead the financial analysis is dependent on information gathered in those previous assessments. In financial analysis the data is integrated and analyzed to convert intangible data to tangible metrics, and ideally the outcome is the true business value of the product idea.

Business case analysis necessitates a definition for the product itself although the definition will be sharpened during analysis. An early product definition is identified as a best practice in product development to avoid any disorientation in the development phase. The business case procedure contains attributes similar to what Cooper (2001) included into product definition list e.g. benefits and target market.

1) *Market assessment tasks*

Market assessment aims to gather relevant market information and knowledge. The first task of the proposed business case procedure is to define the value of the idea to customers. Defining the customer value can be divided to three phases. First *the customer needs* (adapted from Loutfy and Belkhir (2001), Lilien et al. (2002) and Ulrich & Eppinger (2008)) must be identified. This is why customers would be interested in product in a first place. Then the *benefits* (Lilien et al. (2002), Hart et al. (2003), Cooper (2008) and Ulrich & Eppinger (2008)) that the customers would gain after acquiring the product can be assessed against the customer needs. Needs and benefits define the source of the value, but not the amount of it. The *customer value* of the product (Loutfy and Belkhir (2001) and Cooper (2008)) needs to be defined and concretized in the monetary terms. This is a crucial step as the

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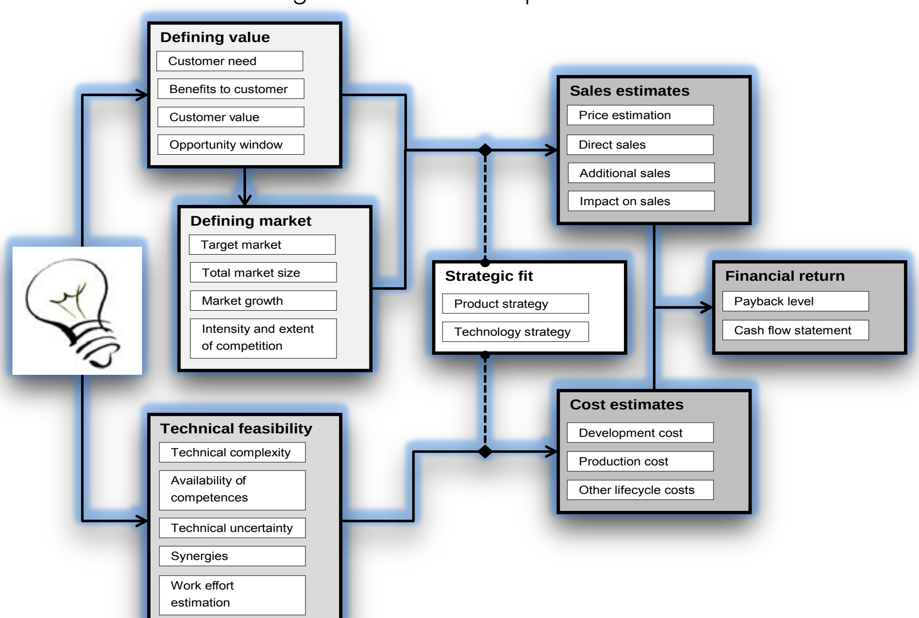
customer value and the price of the product are the two components that affect to customers' willingness to pay. Finally it must be considered how long is the opportunity window (from Carbonell-Foulquie et al. (2004)) for the product, which refers to time that the product would be seen valuable by customers.

The other part of the market assessment is to determine the market potential for the product idea. Identifying *a target market* Cooper (2001) and Loutfy and Belkhir (2001)) for the product gives a good base for both product design and financial estimates. Expanding this group of primary customers to all potential customers reflects to *the size of the total market* (Loutfy and Belkhir (2001), Lilien et al. (2002), Hart et al. (2003), Ulrich and Eppinger (2008) and Cooper (2008)) and indicates the market potential of the product. But because market is tied both value and time, *the market growth* (from Hart et al. (2003), Ulrich and Eppinger (2008) and Cooper (2008)) should be taken into account. The most profitable innovations are placed to growing markets where the customer value will sustain longer or in the best case even increase. One more thing that may affect to market potential of the idea is competition. Strict competition lowers margins and makes customer acquisition and retention harder. That is why *the intensity and extent of competition* (from Loutfy and Belkhir (2001), Ulrich and Eppinger (2008) and Cooper (2008)) should be assessed in the business case.

2) *Technical assessment tasks*

Technical assessment focuses on defining the feasibility of the product idea from viewpoints of both technology and competence. First *the complexity level* (Cooper 2008) of the product needs to be determined to know what kind of effort is needed to develop the product. This may also include rough conceptual design of the product that would be part of the early product definition. After the understanding of the complexity level is acquired it is time to check the *availability of competences* (from Loutfy and Belkhir (2001), Lilien et al. (2002), Carbonell-Foulquie et al. (2004), Ulrich and Eppinger (2008) and Cooper (2008)) within the company and in its partner network. Developing new products and in particularly using new technology always hold some sort of risks. This is why *technical uncertainties* (Loutfy and Belkhir 2001) should be studied to increase the awareness of those uncertainties. In the technical assessment also the possible *synergies* (from Lilien et al. (2001), Carbonell-Foulquie et al. (2004), Ulrich and Eppinger (2008) and Cooper (2008)) should be assessed. Synergies can be found e.g. from leveraging core competences, utilizing manufacturing capabilities or using existing technical resources. Needed *work effort* (adapted from Loutfy and Belkhir 2001) on different phases of development idea to product should be estimated based on technical assessment in order to provide solid foundation for cost estimates.

Fig. 3. Business case procedure



3) *Defining strategic fit*

Until now a business case covers information on customer value, market potential and technical feasibility. Although an idea would be seen as valuable, potential and feasible in a certain extent, it is not obviously logical to develop it further. An important issue is to consider idea's *fitness to strategy* (Loutfy and Belkhir (2001), Lilien et al. (2002), Carbonell Foulquie et al. (2004), Ulrich and Eppinger (2008) and Cooper (2008)). Strategic fit should include comparison against both *product* and *technology* aspects. E.g. avoiding potential contradictions between firm's other products and supporting the defined goals of the company or its

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development efforts could be seen strategic fits from product aspect. Utilizing company's core technologies could be seen strategic fit from technical point of view. However, each enterprise should create own practical way to define strategic fit. This refers to Cooper & Kleinschmidt (2007) finding that one success factor in NPD is a defined strategy that sets goals for business total new product effort.

4) *Financial analysis tasks*

Financial analysis sums up in monetary terms the information gathered in previous assessments. It estimates both sales and costs and ends up to *financial return.* Basically the market assessment provides information for sales estimates while technical assessment is the base of cost estimates. To develop any further in financial analysis the price estimation is needed. This estimation is supported both previously defined customer value, what are they ready to pay compared to competition. *Direct sales* (Lilien et al. (2002), Hart et al. (2003) and Carbonell-Foulquie et al. (2004)) for the product are obviously estimated, but in some cases it is recommended to analyze also the *impact on the sales of other products* (Lilien et al. (2002)). Introducing a new product may accelerate sales of existing products, but sometimes also harm them. In some cases *the additional sales* e.g. service sales can be even more important than the direct sales of the product. The other side of the financial analysis is the *cost estimations* (Carbonell-Foulquie et al. (2004)). Work effort estimation gives a good base to estimate *development* and *production costs*. In some cases it is also worthwhile to estimate *other lifecycle costs* of the product caused by e.g. delivery, maintenance or recycling responsibilities.

Financial analysis should be summarized with few informative figures about financial return (from Cooper (2008)). Estimating a payback level gives a good indication of profit potential of the product. It can be easily compared to size of the target market and if reaching a break-even point requires almost perfect penetration into target market the project might be too risky. Thus it is very useful financial attribute for measuring risk tolerance of a company. Final step is to prepare a statement of expected cash flows.

5) *Decision proposal*

The main purpose of business case is to aid decision-making. To fulfill this purpose business case should be concluded to the decision proposal (c.f. Cooper 2001). To make the proposal, business case attributes need to be studied solidly, and needed resources for development and expected business impacts have to be expressed clearly. The crucial decision to be proposed in analyzing new product ideas is *go/kill decision* because developing new products is expensive and the cost and time to complete each subsequent stage increases dramatically (Schmidt 2004). In principle, go-decision could be also iterate or hold, and go-decision can be added e.g. by *priority index* and a proposal for *time to market*.

It is not necessary to express all information that is worked out during the procedure to decision-makers. Cooper (2008) states that information has value to the extent it improve a decision, and only information that decision-makers need to make an effective and timely decision should be provided. In addition, it is not necessary to build complete business case for every idea. Some ideas will be defined not valuable enough or not feasible within reason already at early stage of business case analysis. Also market for a product can be defined not attractive enough or the product itself might not fit to the strategy. Decision to kill those ideas should be made early without spending any more effort of studying business value of them. This is also way to increase effectiveness of NPD idea screening phase and helps an enterprise to focus on better ideas.

6) *Challenges concerning business case analysis*

Building business case for new product idea is a laborious task due to many reasons. One reason is the need to search information from multiple sources and to integrate information. Needed information might not be available or the reliability can be questionable. Another reason is uncertainty faced in early phase of NPD process when the product idea is not well-defined and market is non-specific. Business case analysis is most probably an iterative process when new product ideas are concerned.

Understanding and defining value of a product idea for customer is one of the most critical points of business case. It can be conceptually simply, but in real business it is not. Defining value can be more art than a systematic task and is always in relation to alternatives, such as competitive products. The similar challenge relates to market definition, there can be significant uncertainty in market information depending on market acceptance if the product will be commercialized. Also there is always more than one alternative to form a product from an idea in technical sense. Selection between alternatives can impact on cost, value and market of product idea. This need to be considered in technical assessment and synchronization with market assessment is probably needed.

Financial analysis combines information in monetary terms. The basic challenge is that mistakes done in earlier phases will be repeated in financial analysis. Whenever possible, reliability of sales and cost estimates should be verified by historical or comparable data.

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V. Conclusion

This study proposes business case as means for analyzing ideas that come through a company's NPD process to commit NPD resources into right projects. The study is theoretical construction reflecting empirical business case analysis in NPD. Business case analysis consists of three main tasks: market assessment, technical assessment and financial analysis, and additionally strategic fit need to be argued.

The study identified and listed a number of potential business case attributes from literature (RQ1). Attributes used in the procedure were selected respecting the business context of a specific company. Those attributes are associated with market assessment, technical assessment, financial analysis or strategic fit. Market assessment defines value at first, by clarifying customer needs, benefits and value, and opportunity window during which a product would be valuable for customers. Then the market is defined by estimating target market, total size of market and market growth, and assessing the intensity and extent of competition. Technical assessment is focused on technical feasibility of an idea by studying technical complexity and uncertainty, revising the availability of competences, seeking technical synergies and ending to the work effort estimation. Financial analysis consists of sales estimates and cost estimates, and combines them to financial return. In addition, strategic fit is considered both from product and technology strategy aspects.

This study introduces a business case procedure as a systematical way to build business cases (RQ2). The procedure is based on attributes selected for the business context of a specific company. It defines a logical flow of essential tasks and steps for business case building. The procedure can be used as a baseline in any organization aiming to implement or improve systematical business case building in NPD process.

Follow-up studies to ensure practical validity of the attributes and procedure will be carried in the future.

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Perceptions of Customer Satisfaction, Switching Costs and Customer Retention: An Empirical Study of Basic and Advanced Internet Banking Users in Hong Kong

By Chi Bo WONG

Hong Kong Shue Yan University10 Wai Tsui Crescent

Abstract- The objective of this research is to test if there are significant differences of customer satisfaction, switching costs and customer retention between basic and advanced Internet banking users. This empirical research was conducted within the context of the retail Internet banking industry in Hong Kong. An online questionnaire was employed as the means of data collection. The results show that advanced Internet banking users were more satisfied with their main Internet banks, perceived more difficultly in switching their main Internet banks, and displayed more loyalty to their main Internet banks than the basic Internet banking users.

Keywords: Customer satisfaction, Switching costs, Customer retention, Segment analysis, Retail Internet banking

Classification: GJMBR-A JEL Classification: G21, L81, L86; FOR Classification: 350303

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I. Introduction

Utilization of Internet banking services continues to show healthy growth in Hong Kong. There were 4.9 million personal and 307,000 business Internet banking accounts at the end of 2007, compared with 3.8 million personal and 234,000 business accounts in 2006 (Hong Kong Monetary Authority, 2008). Internet banking allows customers to access banking services 24 hours a day, 7 days a week. Like ATMs, Internet banking empowers customers to choose when and where they conduct their banking transactions.

Previous researches on self-service technologies as well as technology adoption cycles indicated the importance of considering consumer heterogeneity in technology settings (Dabholkar and Bagozzi, 2002; Meuter et al., 2003). Internet banks offer a variety of services to retail customers. Customers choose services appropriate for their needs. Hence, respondents of this research were divided into two segments, namely, basic and advanced Internet banking users, according to the level of sophistication of respondents; they were expected to have a stronger impression of their main bank compared to a bank they did little business with.

About[1]-Department of Business Administration, Hong Kong Shue Yan University10 Wai Tsui Crescent, Braemar Hill Road, North Point, Hong Kong Email: cbwong@hksyu.edu or briancbwong@yahoo.com

II. Research Model and Hypothesis

In spite of the rapid adoption of Internet banking and the importance of customer satisfaction, switching costs and customer retention to the banking industry, empirical research on customer satisfaction, switching costs and retention of Internet banking customers has been scant in extant literature. Specific objective of this research is to examine if there are significant differences in levels of customer satisfaction, switching costs and customer retention between the segments of basic and advanced Internet banking users. The research model of this study is shown in Figure 1.

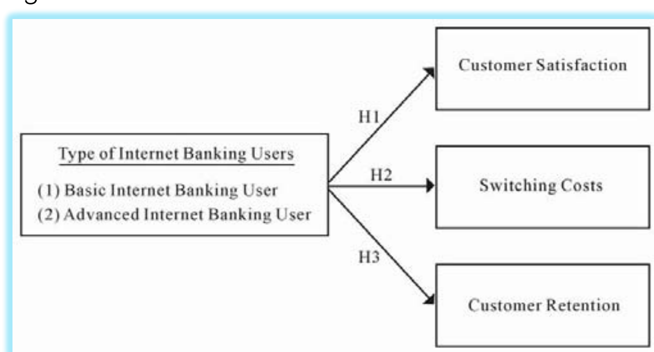

Figure 1: Research model

1) *Customer satisfaction of basic and advanced Internet banking users*

Numerous studies have shown that customer satisfaction is related to repurchase intentions and attitudinal loyalty (Anderson and Sullivan, 1990; Boulding et al., 1993; Cronin and Taylor, 1992; De Ruyter et al., 1996; Fornell, 1992; Magi and Julander, 1996; Taylor and Baker, 1994; Zeithamel et al., 1996). Empirical results indicated that the Internet banking customers were more satisfied with their bank than customers who do not use Internet banking services (Mols, 1998). Wong (2005) found that customer satisfaction was perceived to be significantly different between basic and advanced Internet banking users. The finding shows that advanced Internet banking users were more satisfied with their Internet banks than basic Internet banking users. Using the aforementioned literature, the first hypothesis was formulated:

H1: Advanced Internet banking users are more satisfied with services provided by their main Internet banks than basic Internet banking users.

2) Switching costs of basic and advanced Internet banking users

The Internet may also make it easier for consumers to search and compare the offerings of different firms. This makes the market more transparent, leading to increased price competition in businesses which offer easily comparable services and are unable to build significant switching barriers or close relationships with the customers. This increases competition leading to lower profits (Bakos, 1991; Birch and Young, 1997; Evans and Wurster, 1997). Sheshunoff (2000) stated that the single most important factor for full service Internet banks is the need to create powerful switching barriers. Sheshunoff argued that once a customer moves to full-service Internet banking with electronic bill payments and automatic fund transfers, the likelihood of that customer moving to another bank is significantly diminished. The main reason for this is that switching always requires much time and effort on part of the individual customer. Using the aforementioned literature, the second hypothesis was formulated:

H2: Advanced Internet banking users will perceive higher switching costs for changing their main Internet banks than basic Internet banking users.

3) Customer retention of basic and advanced Internet banking users

Improving customer retention may be more challenging in the Internet economy than in the traditional economy. The shift from traditional branch banking to Internet banking has made new strategies to attract new customersAnd retain existing ones more critical (Karjaluoto, 2002; Wong, 2005). Reichheld (1996) found that a five percent increase in customer loyalty produces an eighty-five percent increase in profitability in the banking industry. Viewed in this light, it is postulated that managing effective customer retention strategies can be regarded as a vitally important issue in the banking industry. Wong (2005) argued that once a basic Internet banking user starts to use and eventually adopts advanced Internet banking services, switching to another bank becomes more difficult. Therefore, it should be easier for banks to retain such customers. Using the aforementioned literature, the third hypothesis was formulated as:

H3: Advanced Internet banking users will have higher propensity to stay with their main Internet banks than basic Internet banking users.

III. Research Methodology

1) Selection of industry

This empirical research was conducted within the context of the retail Internet banking industry in Hong Kong. The retail Internet banking setting is regarded as a continuous purchasing setting particularly suited to the objectives of this research. This setting is qualitatively distinct from discrete purchasing patterns (Ranaweera and Prabhu, 2003; Wong, 2005). First, relationships between banks and Internet banking users are generally of a long-term nature, which is a suitable context to study the effects of customer satisfaction, perceived switching costs and customer retention. Second, in a continuous purchasing setting, switching the main Internet bank is not as simple as walking into another bank. Due to the incumbent costs, switching to another main Internet bank requires considerable time and effort. As a result, the switching decision is made only after considerable thought.

2) Questionnaire design

An online questionnaire was employed as the means of data collection. The questionnaire items were first written in English. The Chinese version of the questionnaire was then developed by applying Brislin's (1980) recommendation to minimize the problem of lack of equivalence between English and Chinese versions. Specifically, English version of the questionnaire was first translated into Chinese by a Chinese translator and was then translated back into English by another Chinese translator to check the translation's accuracy. When a major inconsistency occurred in the translation, a discussion between two translators was conducted to reconcile the differences. The precise wording of the questionnaire was based on original English language version and it was adjusted suitably to ensure that it was smooth and natural sounding, as well as equivalent, in both languages. Pilot testing the final version of the online questionnaires with 15 basic and 15 advanced Internet banking users was also conducted in order to ensure the appropriateness of questions' wording, format and structure.

To facilitate response, highly structured questions were used in the design of the questionnaire. Bank customers aged 18 or above constituted the target population of this research. Participation in this research was voluntary. The online questionnaire was placed on a free survey server for one month. The questionnaire was also submitted to popular free search engines in Hong Kong to request participation in the survey.

IV. Measures of Constructs

1) Construct validity and Reliability Tests

Customer retention, customer satisfaction and switching costs were all measured using multiple items, on seven-point Likert-type scales with anchors "1=strongly disagree" and "7=strongly agree", based on validated scales from extant literature. Following Ruyter and Bloemer (1999), exploratory factor analysis was employed to confirm the underlying structure of the three measures. A common factor analysis with varimax rotation was undertaken for 11 items of the three constructs of customer satisfaction, switching costs and customer retention. The results confirmed that the three constructs, which were previously validated, are uni-dimensional, factually distinct and applicable in education setting. As reported in Table 1, the proportion of variance accounted for by each of the rotated factors is frequently reported in literature to indicate the relative importance of each factor. The customer satisfaction, switching costs and customer retention accounted for 21.011%, 34.211% and 18.546% of variance of the eleven items. In total, the three factors accounted for 73.768% of variable variance. Cronbach's coefficient alpha was used to examine reliability of the three scales of customer satisfaction, switching costs and customer retention. The lowest estimate of reliability was reported for the customer retention scale (alpha=0.8628). Estimates for customer satisfaction and switching costs scales were 0.9064 and 0.9384, respectively. Since the coefficient alpha of each scale was above the acceptable value of 0.700 (Nunnally, 1978), all three scales were considered to be reliable.

Scale Items		Factor Loadings
Customer Satisfaction (eigenvalue=2.311, variance=21.011, alpha=0.9064)		
1.	I think I did the right thing when I chose my main Internet bank.	**0.893**
2.	Overall, I am happy with my main Internet bank.	**0.830**
3.	My main Internet bank meets my expectation.	**0.814**
Switching Costs (eigenvalue=3.763, variance=34.211, alpha=0.9384)		
1.	It is risky to change my main Internet bank as the new provider may not give good services.	**0.884**
2.	I would feel frustrated if I terminated my current relationship with my main Internet bank.	**0.875**
3.	It would cost me a lot of time to change my main Internet bank.	**0.851**
4.	Considering everything the cost to stop using my main Internet bank and start up with a new main Internet bank would be high.	**0.846**
5.	It would cost me a lot of effort to change my main Internet bank.	**0.844**
Customer Retention (eigenvalue=2.040,, variance=18.546, alpha=0.8628) **What do you think are the chances of switching to an alternate main Internet bank**		
1.	within the next three months?	**0.837**
2.	within the next six months?	**0.756**
3.	**within the next one year?**	**0.741**

2) Measures

Customer satisfaction: Following Cronin et al. (2000), this research conceptualized the construct of customer satisfaction as evaluation of an emotion reflecting the degree to which Internet banking users believe their main Internet banks evoke positive feelings. Consistent with Cronin et al., the customer satisfaction measure includes three items in this research; one item reflected the emotional category and two items reflected the evaluative category. The score of customer satisfaction of each respondent was calculated by adding scores of the three items and then dividing it by three. Hence, the range of scores is from 1 to 7.Switching costs: Following Porter (1980), the construct of switching costs, in this research, were conceptualized as the perception of the magnitude of additional costs required for Internet banking users to terminate the current relationship with their main Internet bank and secure an alternative. Switching costs are identified as a factor contributing to maintaining a relationship (Morgan and Hunt, 1994). Morgan and Hunt stated that switching costs are of an economic

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nature only. However, switching cost may comprise psychological and emotional costs also. Switching costs, in this research, were measured by five items adapted from the switching costs measure developed by Ping (1993). The score of switching costs of each respondent was calculated by adding scores of the five items and then dividing it by five. Hence, the range of scores is from 1 to 7.

Customer retention: The construct of customer retention, in this research, was defined as the propensity of an Internet bank user to stay with his/her main Internet bank. Accordingly, this research measured customer retention by adapting a three-item formative scale that was used to measure "propensity to leave" in a business-to-business relationship (Morgan and Hunt, 1994) and in a business-to-customer relationship (Ranaweera and Prabhu, 2003). The three items measured the likelihood of the respondents leaving their main Internet banks at three different points of time in the future: after three months, six months and one year. The overall score was a summation of the three weighted items. Following Morgan and Hunt, the first item was weighted four times, the second two times, and the third item was left unweighted. Hence, the range of scores is from 1 to 7.

V. Analysis of Result

1) *Response rate*

After one month of posting the questionnaire on the web, 743 responses were received. The number of responses was considered sufficient for data analysis as for populations of 10,000 and more. Most experienced researchers would probably consider a sample size between 200 and 1,000 respondents (Alreck and Settle, 1985). The number of visits to the web page vis-à-vis the number of actual survey responses was not measured. Though the response rate was acceptable, non-response bias, as recommended by Armstrong and Overton (1977), was tested. Specifically, respondents were divided into two groups, namely, early and late respondents, in order to compare mean values of responses of the two groups. It was assumed that responses of late respondents were likely to be similar to non-respondents. The results of this analysis indicated that no significant differences existed, for the three constructs, between the two groups at the 0.05 level, confirming the absence of significant non-response bias.

2) *Demographic profiles of basic and advanced Internet banking users*

Apart from deriving support for the hypotheses of this research, it is also important to examine the demographic variables associated with basic and advanced Internet banking users. Demographic backgrounds in terms of gender, age, marital status, education, occupation, income and ethnicity were investigated with a Chi-square test in order to find out the differences between basic and advanced Internet banking users. The results (Table 2) show that in case of education, occupation and income there were significant differences between basic and advanced Internet banking users ($p<0.01$). The results clearly purport that advanced Internet banking users are more educated, professional, and wealthier than basic Internet banking users. There were no significant differences between basic and advanced Internet banking users in terms of gender, age, marital status and ethnicity

Table 2: Demographic profiles of basic and advanced Internet banking users

	Basic Internet banking users %	Advanced Internet banking users %	Chi-square	df	P-value
<u>Gender</u>					
Male	51.4	54.2	0.555	1	0.456
Female	48.6	45.8			
<u>Age</u>					
18-24	27.4	21.9	9.952	5	0.077
25-34	25.3	30.8			
35-44	22.5	27.2			
45-54	15.4	10.8			
55-64	5.7	6.7			
65 or above	3.7	2.5			

Marital Status					
Married	52.5	53.6	2.266	2	0.322
Single	44.9	45.3			
Others	2.6	1.1			
Education					
Form 5 or below	32.1	11.9	79.027	4	0.000
Form 7	23.8	15.3			
Diploma or certificate	17.8	18.9			
Undergraduate degree	15.1	25.0			
Postgraduate degree	11.2	28.9			
Occupation					
Manager, administrator or professional	22.2	41.1	43.718	6	0.000
Clerk	39.9	21.4			
Service worker or shop sales worker	20.6	18.3			
Craft or related worker	1.8	2.5			
Plant, machine operator or assembler	4.7	6.1			
Student	5.7	5.0			
Others	5.0	5.6			
Income					
HK$5,999 or below	17.0	1.1	134.944	8	0.000
HK$6,000 to HK$7,999	14.6	4.2			
HK$8,000 to HK$9,999	13.6	8.9			
HK$10,000 to HK$14,999	12.3	13.1			
HK$15,000 to HK$19,999	12.8	12.5			
HK$20,000 to HK$24,999	11.5	13.9			
HK$25,000 to HK$29,999	9.7	15.3			
HK$30,000 to HK$39,999	6.8	15.6			
HK$40,000 or above	1.8	15.6			
Ethnic Group					
Chinese (Hong Kong)	97.1	97.5	0.098	1	0.754
Others	2.9	2.5			

3) Internet banking usage patterns of basic and advanced Internet banking users

Table 3 shows results of Chi-square test between basic and advanced Internet banking users in terms of patterns of their Internet banking usage. It is evident that in respect of the number of years with the main Internet bank, frequency of Internet banking usage and number of Internet banks a customer has accounts with there are statistically significant differences between basic and advanced Internet banking users ($p<0.01$). The results clearly purport that advanced Internet banking users have been longer with their main Internet banks, have used their main Internet banks more frequently, and have had more Internet banking accounts than basic Internet banking users. However, there is no difference between choice of Internet banks between basic and advanced Internet banking users. This result indicates that brand equity of individual banks is about the same among basic and advanced Internet banking users.

	Basic Internet banking users %	Advanced Internet banking users %	Chi-square	df	P-value
Name of Main Internet Bank					
Hong Kong Shanghai Bank Corporation	31.9	28.9	5.703	6	0.457
Hang Seng Bank	25.3	28.6			
Bank of China	19.6	20.0			
Citibank	8.4	5.8			
Standard Chartered Bank	6.8	6.1			
The Bank of East Asia	4.2	6.9			
Others	3.9	3.6			
Years with Main Internet Bank					
Less than 12 months	29.8	9.7	83.497	4	0.000
13 to 24 months	24.8	21.7			
25-36 months	21.9	19.4			
37 to 48 months	16.4	23.3			
More than 48 months	7.0	25.8			
Frequency of Usage					
Every day	32.6	13.3	106.232	4	0.000
A few times per week	31.3	15.0			
Once a week	15.4	20.0			
Once a month	13.1	26.1			
Less than once a month	7.6	25.6			
Number of Internet Banks					
Only 1	55.1	27.8	57.266	2	0.000
2	23.5	35.6			
3 or more	21.4	36.7			

VI. Hypothesis Testing

In order to further test the perceptual differences of customer satisfaction, switching costs and customer retention between basic and advanced Internet banking users, an independent-sample T-test was conducted. As Table 4 indicates customer satisfaction, switching costs and customer retention were perceived to be significantly different between basic and advanced Internet banking users ($p<0.01$). The findings imply that advanced Internet banking users were more satisfied with their main Internet banks, perceived more difficultly in switching their main Internet banks, and displayed more loyalty to their main Internet banks than the basic Internet banking users.

Table 4: Independent-sample t-test between basic and advanced Internet banking users (*p<0.01)

Variables	Segment of Internet Banking Users	Mean	T-test for Equality of Means (Equal variances assumed)				Hypotheses
			t-value	df	p-value (2-tailed)	Mean Difference	
Customer Satisfaction	Basic	3.466	2.916	741	0.004*	0.321	H1: Supported
	Advanced	3.787					
Switching Costs	Basic	3.383	2.893	741	0.004*	0.320	H2: Supported
	Advanced	3.704					
Customer Retention	Basic	3.864	5.421	741	0.000*	0.578	H3: Supported
	Advanced	4.441					

VI. Conclusions and Implications

Since there are few published studies relating to demographic profiles of basic and advanced Internet banking users in Hong Kong, the findings of this research provide valuable information for bankers to understand the differences between the two segments in Hong Kong.

For the basic Internet banking segment, banks should implement a reward program in order to encourage basic Internet banking users to use one or more of advanced Internet banking services. At the same time, banks should also implement a customer relationship program so as to increase customer satisfaction. Once a satisfied basic Internet banking user starts to use and eventually adopts advanced Internet banking services, their switching to another bank will be more difficult, making it easier for the bank to retain them.

For the advanced Internet banking segment, focus of banks should be to maintain both high customer satisfaction and high switching costs. There are two possible ways to achieve these objectives. First, banks should segregate advanced Internet banking users into sub segments with similar customer characteristics (e.g., segments using bills payment, funds transfer and securities trading) and regularly promote the benefits of using these services in order to increase customers' perceived satisfaction of using each individual advanced Internet banking service. Second, banks should encourage existing advanced Internet banking users to consume more advanced Internet banking services. As more advanced banking services are adopted, advanced Internet banking users will perceive higher switching costs and find it more difficult to switch.

VII. Limitations

There are three major limitations of this research. First, research investigating actual retention, rather than intention to keep using Internet banking services, will perhaps be more relevant and revealing. Although previous research has always used intention to stay as a surrogate for actual retention (Garbarino and Johnson, 1999; Morgan and Hunt, 1994; Rust and Zahorik, 1993; Shemwell et al., 1994; Sirohi et al., 1998), intention to continue using Internet banking services may not accurately represent actual retention. Second, this empirical research was based on the survey of Internet banking industry. Naturally, the findings of this research are most likely to hold for other similar low customer contact and mass service contexts with continuous purchasing patterns (Ranaweera and Prabhu, 2003). This research needs to be replicated for other Internet-based services to further validate the results of this research. Finally, respondents of this research were divided into two segments, namely, basic and advanced Internet banking users, according to the sophistication level of Internet banking services used. As advanced Internet banking users were defined as users who used Internet banking to pay bills, transfer funds and/or trade in securities, this definition might be considered too generic. The definition of advanced

Internet banking users might have improved if respondents were able to state which advanced Internet banking services they actually used.

VII. Future Research

Although this research has served to reveal certain aspects of customer satisfaction, switching costs and retention of customers in the context of Internet banking in Hong Kong, there is still room for further research in order to ascertain and enrich the findings of this research. First, since Internet banking relies heavily on maintaining relationships with customers (Barnes, 1997), hypotheses of this research should be tested in other kinds of e-commerce industries, such as Internet retailing and Internet travel agencies, in order to strengthen the generalizability of the findings of this research. Second, the results of segment analysis indicate that the perceived customer satisfaction, switching costs and customer retention varies in different customer segments. Future research should examine heterogeneity of the perceived customer satisfaction, switching costs and customer retention among different advanced Internet banking segments. Specifically, future research can segment the advanced Internet banking segment into sub segments such as bills payment, funds transfer and securities trading and analyze their satisfaction, switching costs and retention.

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Administration of Regional Development and Sustainability Cultural Tourism in the Southern Region of Jalisco

By José G. Vargas-Hernández, Mohammad Reza Noruzi
Internacionales Centro Universitario, Islamic Azad University

Abstract- This study aims to determine the potential of cultural tourism in the municipalities that comprise the region 6 of the State of Jalisco, territorially delimited in the South of Jalisco. Are tested first to determine the demand for cultural tourism to determine the cultural tourist profile under the assumptions that tourists especially motivated by culture, tend to travel longer distances than most tourists. It discusses the motivations and satisfactions of cultural tourists to establish the potential market in accordance with the characteristics of the target market in the southern region of Jalisco.Any operation of cultural tourism companies should make the strategic diagnosis, so that explains the use of SWOT analysis as a tool for strategic planning of cultural tourism enterprises. Finally, we propose the development strategies of cultural tourism in this region of southern Jalisco.

Keywords: Regional development, tourism companies, Southern Jalisco, Cultural Tourism.

Classification: GJMBR-A JEL Classification: H11

ADMINISTRATION OF REGIONAL DEVELOPMENT AND SUSTAINABILITY CULTURAL TOURISM IN THE SOUTHERN REGION OF JALISCO

Strictly as per the compliance and regulations of:

Administration of Regional Development and Sustainability Cultural Tourism in the Southern Region of Jalisco

José G. Vargas-Hernández[1], Mohammad Reza Noruzi[2]

*Abstract-*This study aims to determine the potential of cultural tourism in the municipalities that comprise the region 6 of the State of Jalisco, territorially delimited in the South of Jalisco. Are tested first to determine the demand for cultural tourism to determine the cultural tourist profile under the assumptions that tourists especially motivated by culture, tend to travel longer distances than most tourists. It discusses the motivations and satisfactions of cultural tourists to establish the potential market in accordance with the characteristics of the target market in the southern region of Jalisco.

Any operation of cultural tourism companies should make the strategic diagnosis, so that explains the use of SWOT analysis as a tool for strategic planning of cultural tourism enterprises. Finally, we propose the development strategies of cultural tourism in this region of southern Jalisco.

Keywords: Regional development, tourism companies, Southern Jalisco, Cultural Tourism.

I. Conceptualization

Tourists with special interest in culture corresponds to the segment of "cultural tourism", ie, size and value are directly attributable to the country's cultural values that encourage tourists to take a trip. Tourists with occasional internes culture belong to other tourism segments (CESTUR). A special program of incentives for tourism related to culture or values must recognize contributions that tourism can have for culture and vice versa, to capitalize on the positive and generate synergies for the development of both sectors. It associates the word "tourist and cultural attraction" with the tangible and intangible cultural heritage.

About[1]- Profesor Investigador miembro del Sistema Nacional de Investigadores Departamento de Mercadotecnia y Negocios Internacionales Centro Universitario de Ciencias Económico Administrativas Universidad de Guadalajara. Periférico Norte 799 Edificio G-306 Zapopan, Jalisco C.P. 45100; México.
Tel y fax: +52(33) 3770 3343 Ext 5097
E-Mail- josevargas@cucea.udg.mx, jgvh0811@yahoo.com, jvargas2006@gmail.com
About[2]- Policy Making in Public Sector Islamic Azad University, Bonab Branch, Iran Young Researchers Club Member, IAU Bonab, Iran.
Tell: +98- 426-4224915
E-Mail- mr.noruzi@modares.ac.ir, mr_norouzi@pnu.ac.ir, mr.noruzi.pnu@gmail.com

II. Determination of the Demand of Cultural Tourism

1) *Mexican tourism in the hierarchy of the countries of the world in the year 2004.*

When you start the twenty-first century, tourism is the most important for economic development and the cornerstone for the development of services with a value estimated at 476 000 million. It is therefore a powerful tool to promote development of villages in terms of advantage.

Mexico ranks seventh among the main recipients of international tourism, after France, Spain, United States, Italy, China, UK and Austria.

Table 1: Mexico's Tourism related information

Mexico	2004				2014	
		Growth			Growth	
	Relative	Absolute	Growth	Relative	Absolute	Growth
Personal Travel & Tourism	17	130	133	16	137	124
Business Travel	14	------	131	12	---	39
Public expenditure	12	58	168	11	62	145
Equity Investments	11	93	2	7	94	3
Visitor Exports	16	113	9	12	115	15
Other exports	11	15	27	9	15	19
Travel and tourism demand	12	---	34	10	---	13
Tourism and travel industry	14	108	91	11	103	68
tourism economy	11	99	52	10	70	14
Tourism industry employment	22	115	89	19	110	68
Tourism economy employm	14	75	42	8	52	4

12004 Real growth adjusted for inflation.

22005-2014 annualized real growth adjusted for inflation

Total 174 countries and 13 regions (largest / highest / The biggest one is number one, the smallest / most under / the worst is number 174 0 13 0 is no hierarchy aggregate region.

Source: World Travel and Tourism Council. Mexico travel and tourism merging ahead.

A study by the World Travel and Tourism Council (WTTC) based on eight indicators of Tourist Competitiveness Monitor (Financial Infosel, 2004) and applied to 212 countries, puts Mexico in the 70th. The eight indicators are prices, human tourism, infrastructure, environment, technology opening to tourism, social and human resources.

The price index considers "the costs that consumers pay for hotel products and services ... taxes on purchases of goods and service utilization."

The human tourism index takes into account "the people's participation in tourism activities.

Table 2: Place of Mexico from 212 countries

Index	Place of Mexico from 212 countries
Tourist Opening	54
Prices	66
Human Resources	70
Technology	71
Social	72
human Tourism	89
Environment	92

2) *Economic Impact of Tourism sector in Mexico*

According to the latest official information available from the Government of Mexico (Bulletin Quarterly Tourism) the number of international tourists to Mexico in 2003 showed growth rates marginally below that recorded during the previous year representing a significant reduction for the indicator in 2003. When considering the total international tourists in 2003 (more border placement) reveals a contraction (-5.1%) resulting from the collapse of border tourists, going from 9.8 million tourists in 2002 to 8.3 million tourists in 2003, a reduction of 15%. The country received 18.7 million international tourists, down by 5.1% over 2002. The main reason for the negative balance in number of tourists is due to increased immigration enforcement at the border with the United States, caused by exogenous factors such as the recent conflicts in the Middle East and the severe acute respiratory syndrome.

Although there was a lower number of international tourists compared with 2002, the inflow of hard currency received in 2003 allowed to record historical figures as the result achieved in 2003 is the highest level seen in the last four years. Tourists in hospital, are those who generate more foreign exchange for our country, so no border tourism presented a positive change that led to the outflow of hard currency to grow, by increasing the total expenditure of international visitors to Mexico, resulting in a significant increase in the surplus of passengers.. The segment of tourists in hospital ended the year 2003 with 10.4 million, 4.8% higher than the levels presented in 2002. Spending increased from 8.858 at 2002-9457000 dollars, a level which represents an increase of 6.8%. Within this segment, the placement tourism contributed 70% of total deposits, 23% were in the hikers and the remaining 6% is recorded border tourists (Tourism Quarterly Bulletin). The cruise segment recorded an increase in currency in 2003 to 35.9 over the previous year.

There was also a reduction in the flow of tourists and visitors Trans fronterisos international outside Mexico than in 2003 accumulated a 18.6% drop. The total expenditure incurred by Mexicans abroad showed a surplus in the tourism balance of $ 3.204 million for 2003, 14.5% more than in 2002.

In 2003 recorded 47.9 million tourist arrivals national hotel rooms, which means an increase of 1.3% compared to the previous year. In 2003 domestic tourism increased the average stay of tourists at night overnight or 8.2%, highlighting especially in beach destinations, while the fate of cities recorded lower occupancy rates .. The interior cities and large cities respectively showed a contraction of 2.8 and 1.5 percentage points compared with the levels recorded in 2002, while the border cities showed a good performance by recording an average occupancy of 60.2%, which is 6.3 percentage points higher than that of a year earlier.

In 2004 it is expected that travel and tourism generates in Mexico 8.40.200 million pesos equivalent to U.S. $ 73.3 billion in economic activity (total demand). The direct impacts of this industry include:
+681, 354 jobs, representing 2.4% of the total.
186 800 million Mexican pesos equivalent to U.S. $ 16.3 billion gross domestic product, equivalent to 2.7% of total

However, because tourism touches all sectors of the economy, its real impact is greater. The economy of this sector directly and indirectly represents:
+2, 865.740 jobs representing 10.0% of total
+ 643 200 million pesos of gross domestic product, equivalent to 9.4% of the total.
+ 299 900 million Mexican pesos equivalent to U.S. $ 26.2 billion of exports, goods or services and 13.8% of total exports

+ 168 300 million Mexican pesos equivalent to 14.7% billion of capital investments or 10.7% of total investments.
+ 40 300 million pesos equivalent to U.S. $ 35.5 billion of government expenditure or 5.1% of participation.

3) *Growth*

For 2004, tourism projects in Mexico
+ Real growth of 11.1% of total demand.
+ 9.3% of the domestic product of the tourism industry sector, 186 800 million Mexican pesos equivalent to U.S. $ 16.3 billion gross domestic product for the industry directly, and 10.7%, 643.2 thousand million pesos of gross domestic product, equivalent to 9.4% of the total. For the economy of tourism in general (direct and indirect costs).

+ 8% in employment in the tourism industry with direct impact only, or 681.354 jobs, and 9.9% or 2.86574 million jobs in the tourism economy in general, direct and indirect impact.

In the next ten years, tourism in Mexico is expected to reach an annualized real growth:
+ 7.1% of total tourism demand for lograr2, 340 equivalent to 000 million (U.S. $ 167.4 bn) in 2014.
+ 5 5 of total of total domestic product of the tourism sector up to 422 900 million pesos equivalent to U.S. $ 124.6 billion to the economy of tourism in general.
+ 3.1 in employment in the tourism sector to reach 921, 832 work directly in industry and 5.8% to 5.02955 million jobs in the tourism economy in general for the year 214.
+ 7.9% in exports of visitors rising to 382 300 million pesos, equivalent to 27.3 billion dollars for the year 214.
+ 9.9% in terms of capital investment to increase to 604 700 million pesos, equivalent to 43. $ 2 trillion in 2014.
+ 2.3 & in terms of increased public expenditure to reach 70.6 thousand million pesos equivalent to $ 5 billion in 2014.

In Mexico, cultural tourism figures have not been determined accurately. Only the National Institute of Anthropology and History (INAH) estimated to have captured in the spaces under their custody 16.4 million visitors in 2002. The domestic visitors accounted for about four-fifths with a total of 13.2 million and international one-fifth with 3.2 million. However, among domestic visitors do not distinguish between tourists and residents of cities where sites are located.

The culture is in sixth place as the main motivation for domestic tourism and the fourth for international tourism. It is estimated that tourism especially motivated by the culture in Mexico accounts for 5.5% of domestic passengers and 3% for international. Almost 70 million tourists with activities related to culture in Mexico. The cost per trip of tourism demand is related to culture the national average, by increasing their daily intake based on their activities around the cultural heritage and their stay is greater than that of other segments.

III. Profile of Tourists With Cultural Statement

Tourists especially motivated by culture, tend to travel longer distances than most tourists. To carry out a cultural incursion personal investment is needed of the tourist, who expressed greater interest in learning and engage in the life of the place visited, which requires more time than a scenic trip, the more visited is the culture of others, more curious results on the tourists.

Main activities, those related to tangible heritage are very popular among tourists especially motivated by culture, representing 48% of all tourism activities conducted by national and international 63%. The intangible elements are by their very nature, more difficult to identify although its influence is manifested in a general sense of impregnating the culture visited tourist.

In the case of activities from tangible and intangible heritage, the archaeological sites (27%) are a favorite of international tourists especially motivated by culture. As for the intangible heritage, prefer to see the traditions and customs of the communities (9%). For its part, Mexicans prefer to attend activities related to intangible assets (52%) among its outstanding regional cuisine tasting (13%). The tangible heritage related activity preferred by Mexican tourists is the observation of architectural monuments (18%). This relates to the interest, rather than didactic aesthetic appreciation of most cultural travelers.

IV. Motivations and Satisfaction of Cultural Tourists

Both domestic and international tourists, the attributes relating to architecture and living culture are key motivators. The place of these factors between nationals and foreigners is reversed, with the themes related to culture alive for those of more international tourists and those related to tangible assets most important to the national tourist. The tourist interested in culture, is also seeking money, climate, landscape and activities that can meet the members of the group that travels.

Mexican cultural tourists are sensitive to the cost-benefit purpose, value destinations around the variety and quality of activities offered, is willing to spend on experiences, but not in services that do not provide clear differences with respect to others who have a interesting style. The economic cost factors, emotional and physical are crucial. The relationship between them and their benefits must be proportionate. A cultural tourist destination and to provide cultural activities featuring comfort and additional options for leisure and entertainment, is more likely to attract tourists or occasional specialized than other destinations. Considered cultural tourists in general are scarce pleasant and attractive cultural offerings for children and adolescents and that failure to appreciate the teaching culture.

V. Market Potential

Surveys to estimate and characterize the current volume of demand for cultural tourism in the domestic market indicate that only 5.5% of domestic tourists are considered especially motivated by culture and 35.7% with casual interest. globally 37% of the tourists engage in some cultural activity during their trip and the annual growth rate will be 15% from 2000. (Bywater, M., 1993)

Mexico is currently involved with the tourists, - 554.233 1.8% of the market they represent the sending countries, USA, Canada, Germany, France, Spain and England, which means there is huge potential for market penetration, as long as the market develops and adequate supply. Mexico is already involved with the 8.4% market share amounting to 7.2 million tourists. tourists with a casual interest in culture, they represent a total of 84.9 million tourists who travel abroad: 35% of the total. Mexico is already involved with the 8.4% market share amounting to 7.2 million tourists.

VI. Details of the Offer of Tourist Destinations-Cultural

The size and competitiveness of the tourist and cultural offer can not be assessed from these resources in isolation but in relation to geographic locations where they are located, and in which converge the various elements that make it feasible for your visit.

The criteria used for selecting the destination locations are:

1. The role they play in the tourism system;
2. The main features that have cultural heritage;
3. The terms of infrastructure and services for tourist use and
4. Details of the local population.

It becomes most apparent difference between domestic and foreign perceptions.

As examples of the wide diversity of cultural tourism resources can be mentioned:

- Cities and towns with secular architecture, historical values and particular environments.
- Groups with techniques of production and exchange themselves, usages and customs, chronicles, legends, rituals, festivities, gastronomy, etc..,
- Archaeological sites that are open to the public (INAH)
- Landmarks of historical value of the XVI to XIX (CONACULTA)
- Objects historical, artistic and everyday use, exhibited in museums registered by the INAH, Houses of Culture, Private Museums, State, Municipal and Community.
- Events and festivals, theatrical events, concerts, cinema, dance, etc..
- In terms of infrastructure and services, tourists interested in culture can use the facility for other tourist segments, for example:
- food and beverage establishments, travel agencies, tour guides and car rental.
- Highway that connects major cities and highways which connect small towns and airports, three of which are international.

VII. Operations of the Business of Cultural Tourism

In cultural tourism are companies from various sectors of production. In addition to the tourism and cultural sector, significantly involved companies and institutions involved in urban development and the service sector in general and support areas.

1) *Cultural Tourism Sectors*

The cultural tourism agencies include public, private and social, this diversity of actors makes the administration has a greater complexity than other fields of tourism.

In specific areas of tourism and culture whose presence turns excel is very important in those places where the activity takes place:

- Hotels
- Tour operators
- Museums
- Craft Stores
- Restaurants
- Tourists Guides
- Cultural sites managed by the INAH

In the relations of the actors in the system, the basic structure of marketing generates harmonious relations between private actors in the tourism sector. In addition to these key players, cultural tourism has other such as:

2) *Cultural tourism players*

- Municipal authorities, state and federal
- Bodies promoters Culture
- Administration of sites and monuments
- Nongovernmental organizations
- Universities, schools and institutes
- Business of Entertainment
- Carriers
- Tourists Guides
- Travel Agencies

- Independent travel Promoters
- Associations and Clubs

VIII. SWOT Corporate Analysis

Internal External	Stremgth Emergence of companies in the process of modernization that value culture	Weakness Predominance of firms with conventional approaches to culture and tourism and lack of adequate supply
Oppertunities Recognition of culture as the value of differentiation and identity and its importance for the competitiveness of the company	Companies and Products competitive heritage value and participate in strengthening cultures local	Simulated Development and use conventional of spaces property in Tourism
Threats Short-term business vision and prominence of big business (mass model) as a paradigm.	Creating enclaves business without local benefits regional	The use of heritage limited to entertainment. Competition price, and loss profitability businesses and destinations

In general, the business outlook is favorable for the development of cultural tourism requires a better use of cultural resources to strengthen the identity of the destinations and the country as there are more strengths than weaknesses. Need greater certainty about the path to take to seize the assets and improve the participation of Cultural tourism companies, there is a willingness to undertake the necessary improvements to enhance the development of these communities and tourism enterprises.

Recognized six areas for action in proposing a series of strategic guidance and tactical approaches that will strengthen and enhance the relationship of tourism activities in their cultural side:

1. Revaluation of the relationship between culture and tourism
2. Systematization of planning and control instruments
3. Organizational strengthening
4. Optimization of cultural heritage management
5. Enriching the cultural tourism offer
6. Rethinking the promotion and marketing

IX. Business Development Strategies of Cultural Tourism

1. Improving the coordination of the various factors involved in the activity for development programs, marketing, participation in the conservation and enhancement of cultural heritage in the areas: intersectional and interdisciplinary.
2. Improve mechanisms for training of Human Resources.
3. Facilitate the development of small and medium companies and grocery services to strengthen the system as a whole
4. Strengthen the bond of action of the companies with the conservation and enhancement of cultural heritage
5. Encourage companies to provide information to tourists on cultural activities that exist in the destination, and to establish awareness programs for the care of heritage and respect for local customs
6. Promoting and using cultural tourism to differentiate the existing tourist facility, opening new market opportunities
7. Diversify mechanisms to promote and market segments with an interest in culture
8. Harnessing the elements of cultural identification of each region to increase differentiation of Mexican companies in domestic and international markets
9. Promote use of sustainable technology (alternative energy, recycling, etc.)..

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The Local Governance of Regional Development

By José G. Vargas-Hernández, Mohammad Reza Noruzi
Internacionales Centro Universitario, Islamic Azad University

Abstract- Instead of adjusting the local and national development trends and global standards, a national development strategy must take into account local needs and national particularities and potentialities, their economic, political, social and cultural rights as the basis for articulated a more integrated into the globalization process. The aim of this paper is to study the Local governance of regional development.

Keywords: Local Governance, Regional Development, Sustainable Development.

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The Local Governance of Regional Development

José G. Vargas-Hernández[1], Mohammad Reza Noruzi[2]

Abstract-Instead of adjusting the local and national development trends and global standards, a national development strategy must take into account local needs and national particularities and potentialities, their economic, political, social and cultural rights as the basis for articulated a more integrated into the globalization process. The aim of this paper is to study the Local governance of regional development.

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I. Introduction

The role of sub-state agencies as partners with companies and business associations energize economic action networks located locally, is one way to support economic growth and social development. But this unequal social and economic development is far from a true sustainable development defined only by its own culture and local economic morality. To achieve sustainable levels of economic development is necessary in addition to economic reforms is to give political and democratic reforms Address discussions on sustainable development is concerned about environmental problems and social issues. The environment includes the elements ecological, economic, social and political. The local system is inserted into the ecological environment or ecoware (Vázquez, 1993) with whom relations. The economic, political and social is inserted into the "macro reference system" and standard functions and relations outside the local system that includes the installed capacity (software), financial resources (finware) and organizational forms (orgware). The current economic development mode is being seriously questioned because it is development that encourages ecological sustainability and social justice for all inhabitants of the globe.

About[1]- Profesor Investigador miembro del Sistema Nacional de Investigadores Departamento de Mercadotecnia y Negocios Internacionales Centro Universitario de Ciencias Económico Administrativas Universidad de Guadalajara. Periférico Norte 799 Edificio G-306 Zapopan, Jalisco C.P. 45100; México.
Tel y fax: +52(33) 3770 3343 Ext 5097
E-Mail- josevargas@cucea.udg.mx, jgvh0811@yahoo.com, jvargas2006@gmail.com
About[2]- Policy Making in Public Sector Islamic Azad University, Bonab Branch, Iran Young Researchers Club Member, IAU Bonab, Iran.
Tell: +98- 426-4224915
E-Mail- mr.noruzi@modares.ac.ir, mr_norouzi@pnu.ac.ir, mr.noruzi.pnu@gmail.com

This paper first looks to the term regional development and then will study the local development and sustainable development. Then local governance development comes in detail as well.

II. The Terms of Regional Development

The decentralization of the national state is a trend related to changes in "the accumulation mode, the scientific and technological revolution, a restructuring of the state and demands for spaces of autonomy raised by civil society (Marsiglia and Pintos , 2001). Therefore, the reform of state implies a reengineering of the institutions designed to achieve greater efficiency and more equitable participation in regional development processes, so that the results will help to achieve more equal rates. However, the legalized and institutionalized popular participation that strengthens democratic governance and political decentralization is relatively new in the context of local governments in Latin America. The introduction of decentralization of administrative decentralization policy oriented toward the pursuit of democratic governance, the fight against institutionalized corruption, reduce the gap of inequalities, facilitate public participation, etc.. Therefore, the encouragement of civic participation through decentralization of political and territorial reorganization, can create conditions to promote regional development.

Unfortunately, this type of economic decentralization introduces externalities and market mechanisms, creating substantial disparities due to social and regional differences in the allocation and provision of public goods and services. To restrain these disparities, it requires the transfer of resources from the center, compensation mechanism to regional development. Transfers of resources to achieve a better territorial redistribution can be effected by financial funds are not conditioned to specific inputs and freely available, and if those transfers are conditional. The implementation of decentralization policies must be accompanied by the creation of new spaces for greater participation in society. Thus decentralization of the state apparatus, must release the democratic potential represented by local and regional movements that operate at the level of civil society to serve as additional opportunities for popular participation, including political participation - provided by an electoral democracy more participatory.

Social movements operating at the level of civil society need to be backed by political will of an efficient administration and for the actions of popular movements are effective; they need be with a model of popular participation, which is inherent in their own voluntarism. But this participation, according to Borja and Castells (1988:47), is restricted to consultation, and cooperation with local government and not the decision-making processes, which remain the prerogative of elected representatives. However, we must determine whether release of the productive activities of goods and services to local governments through decentralization, the impact in terms of regional development benefits

III. Local Development

In this case the national development which promotes local and regional development, must move in both directions. Structural development efforts with extensive coverage from the top down and bottom-up efforts that emphasize the particularities of different localities and regions. Van Hermelrick (2001) defines the local space as a system composed of "a set of subsystems that interact dynamically among themselves and with their environment, whose purpose is the satisfaction of needs." The same author refers to the local development as "a process based on partnerships between actors, which is generated in a territorial area immediately in order to promote processes of change for the improvement of collective welfare."

Local development projects must be founded on the reconstruction of their own reality and not be drawn from the desk of a central government office, so take into account local development needs, resources and capacities available, the priority areas and the involvement of the principal economic and political and social actors. These agents and actors are the same state and government, civil society, private enterprises, etc.. Therefore, there is no single model of local development but other proposed projects. Enriquez (2001) presents the opening of the field of local development in three areas: the design methodology of work that drive civil society organizations and promoting actions from below to confront the problem of economic growth and social development as a result of decentralization and democratization of the state, in response to the requirements of international cooperation, promoting state reform and democratization trend. The extreme views autarkic models the lumped model, with different components. However, until now, local development suffer from the recessionary effects of structural adjustment policies and economic stabilization showed a massive rise in unemployment, increased poverty levels and social inequality.

Therefore, local development must be reoriented in its aim to cover or reduce these shortcomings and negative impacts on social development, encouraging and promoting projects involving new forms of organization to increase efficiency levels but also the achievement of greater equality in access to resources and benefits of economic growth. However, the promotion of local economic development remains only one direction in the market area, it would be important not to conceptualize always subordinate to the efficiency of economic agents. Precisely Boisier (1988), the local is the optimal scenario for individual participation in market orientation, but insufficient for public involvement. So conceived, the ideological position of the developed countries focuses on the emergence of a "Tecn.-nationalism" (May 1997) The role of the structure of strategic knowledge in the global political economy is being widely recognized. The future belongs to knowledge-based economies, with implications for technology transfer and institutions through vertical and horizontal methods. The methods facilitate horizontal component of learning tacit or personal knowledge of local and general development. Recent discussions related to national competitiveness in a global capitalist system, have focused on the role of strategic knowledge in productive activities and services in domestic and multinational organizations. Modern economic theory shows that the socially optimal production and distribution of knowledge, where the marginal cost of providing knowledge to another consumer is virtually zero. However, Pareto optimality does not optimize the production and distribution of knowledge, mainly due to intellectual property rights that block the free access.

In the current model of development, social, political and even economic integration, are subject to the dictates of the market and the state has waived its right to guarantee them. However, networking of information and knowledge is one of the main prerequisites for the economic, political and social. The formation of new forms of social relations promotes local development dynamics in the processes of globalization. While many of the NGOs developed an important role in the formulation of complaints against human rights abuses at any time dare to denounce the atrocities committed by their sponsors, usually transnational organizations. Furthermore, to impose the neoliberal economic policy, the NGOs provide financial assistance for self-employment projects, promote local projects, supporting training and job training, promote free enterprise with financial support for microenterprises and provide social and welfare services. The articulation of local development projects and regional or global policies is a priority for NGOs. By

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being closer to the communities, NGOs direct assistance to those who truly need it.

For social policy, like all public policies are inclusive and aimed at human development, democracy requires as a platform for decision-making processes. Human development is manifested in the space of local development as an expression of social capital resulting from the participation of all economic and political actors in different decision processes. Decision makers and public policy makers must decentralize the operations of programs to bring services closer to the people who must be served. They must know how to ensure accountability and good practice across the different service units in dispersed units. The predominant trend is the decentralization policy and linking spending with local contributions for infrastructure, education and health mainly. The decentralization of responsibility for the provision of these services also requires the administrative decentralization of social management. The comparison of local development needs involves investments in physical infrastructure that cannot be financed with tax revenues annually, and therefore require external financing through the issuance of public debt.

IV. Sustainable Development

Dunning (1997), argues that changing patterns of demand and technological advances have impacted on transaction costs and coordination of value-added activity. Institutions and cultural infrastructure on which such activity takes place have critically affected the merits of alternative modes of economic organization, and over the years, the optimal combination of these modes has been a marked change. In fact, the combination of modes of economic organization is a determinant of the different levels of sustainable development. However, for peoples to achieve self-sustainable levels of development is necessary not only to do their capitalist revolution, but also achieve their democratic development. If this development relates to sustainable forms of economic organization, then become relevant business activities as the base of economic activities of individuals who are considered as relations between ends and scarce resources. Cultural variables are being underestimated as obstacles to development, and neither study takes into account the perceived needs priority over the wishes or preferences of the population for development planning. Organizations that diversify into international markets tend to be more innovative and perform better than organizations that do not. In part this is due to participate in larger markets, where not only can obtain higher returns on investment, but also to provide the necessary resources to develop new and better innovations.

In fact, solutions to social problems and the environment seems to be implicit in the cultural backgrounds of the people. Thus, sustainable development makes severe challenges to social practices, cultural and environmental policies with respect to organizational activities. Sustainable development requires economic reforms and institutional reforms. Bebbington (2000) prevents using the term sustainable development to mean "good environmental stewardship." In other words, does the efficiency of use of the environment, or eco-efficiency in the long term. The moral imperative of sustainable development is oriented to social justice for all people in the world, ie an economic justice between generations and within each one of them. This eco justice has an impact on the operations of the business-activities that have traditionally been oriented to deliver material wealth to certain high-consumption sustainable global development requires that those who are richer, adopt lifestyles according with organic media. However, the relationship and development environment where they located the source of sustainable development and development that recognizes its structural limits of natural origin and is oriented to sustainability.

Sustainable development is development that meets present needs without compromising the ability of future generations to meet their own needs. Meets the basic needs of all and extending to everyone the opportunity to realize their aspirations for a better world (UNWCED, 1987:8). Sustainable development is defined as development that meets present needs without compromising the ability of future generations to meet their own needs. Sustainable development is a value that can make a moral choice to accept the equity and social justice. The concern of sustainable development is meeting the needs of all people in the world now and in the future, and therefore, profits and development costs should be distributed among everyone. Streeten (1992) refers to the term "sustainable development" has six different meanings: 1) maintenance, replacement and growth of capital assets, both physical and human, 2) maintenance of the physical conditions of the environment for the establishment of welfare 3) the recovery of the system to allow you to adjust to shocks and crises, 4) avoid the burdens on future generations of domestic and foreign debts, and 5) fiscal sustainability, administrative and political. The policy must be credible and accepted by the citizens, so that there is sufficient consensus to carry out, and 6) ability to manage projects by the administration by the citizens of developing countries which are carried out , so that foreign experts may be removed without jeopardizing its success.

Redclift (1987) suggests that "development should be subject to redefinition, since it is impossible that the accumulation takes place within the global

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economic system we have inherited without environmental costs are not acceptable. Above all, the development poses challenges to human values and attitudes as well as the goals set by society and criteria for determining the costs that have to be done and by whom. Sustainable development, if there is an alternative to unsustainable development would imply a break in the linear model of growth and accumulation that ultimately serves to weaken the support systems of life on the planet. "Sustainable development is used to motivate economic initiatives, policies, laws, which aim to solve the problems of the environment, economic and social development. Should ensure sustainability in the economic, social, political, cultural, scientific, technological and environmental development, therefore, is limited to the environmental costs accepted. However, current economic development is not sustainable because the human costs and the environment are unacceptable. However, the current development is economic development that privatized profits and socialized costs. The same process of integration is supported by the nation-state that is attentive to pay socializing the costs and risks of business. The corporations are required to direct their energies to the satisfaction of all aspects of the development of current and future generations in the industrial context.

The concept of sustainable development should be related to the competitiveness of the economy, the level of social development and a model nation. To achieve sustainable development is necessary to achieve results in economic reforms and the institutional. Meeting the needs of the population is influenced by the level of economic and social development. The epistemological roots of unsustainable development can be located in the linear progress of the modern era. Nor is it easy to determine to what extent supranational regimes and national governments need to modify their agendas and policy prescriptions under the increasing mobility of resources. At one extreme, the definition for an increased role for market institutions to self-regulate forms of economic organization and allocation of resources, and at the other extreme, the neo-structuralist conception of the limitations of the market and optimal allocation of resources. It is in this sense that the economy is closely linked to sustainable development of peoples.

The practice of public policies and economic policies that promote economic growth to provide resources to support a social policy capable of improving the equitable distribution of benefits is a necessary but not sufficient to expand the choices and opportunities to full human development. Thus, the preservation of the environment is necessary for future human development, which is a necessary but not sufficient for sustainable development. Raised sustainable development as a State policy has not produced the expected results or changes in behaviors and attitudes required. Therefore, in a capitalist economy, the ways in which economic activity is organized such as the roles of markets, hierarchies, alliances between companies and governments have become more complex. In developing economies, are the free market forces that guide the objectives of economic growth and social development, the proposal of the developed capitalist countries, but do not indicate how to achieve a sustainable balance in achieving these objectives once they have exceeded the initial encouragement.

Of course, here the concept of sustainable development is focused on obtaining a means-ends rationality according to the Weberian concept. In a free market system, for example, there is no forcing to produce agreement on anything, so that any action can be taken, but in line with this reasoning in the means-end relationship. Meanwhile, the socialist system proclaimed that the means of production and distribution should be owned and managed by the State in lieu of the market. Tensions between economic growth and development are based primarily on the concept of sustainable development, which makes serious social, cultural and environmental practices of organizations. To achieve sustainable development is necessary to achieve positive results in economic and institutional reforms. Unfortunately, this development approach has not produced the expected results.

In this sense it is necessary to establish new patterns of collaboration between the company and the market. Endogenous changes in economic development processes are rooted in new combinations of those resources, already described by Schumpeter (1962, 1943), as a creative destruction as an evolutionary process that "incessantly revolucionaliza economic structure from within, incessantly destroying the old structure and incessantly creating a new one. " The discussion in the pursuit of greater significance to the value of labor versus capital is still not complete forms of economic organization in market economies consist of various forms of conduct and coordinate economic activities within and between different units of action economic. If sustainable development is closely related to these forms of economic organization, therefore, business activities play an important role in this development, because they create the basis for economic activities.

V. Local Governance Development

The development of projects and reforms for the transformation, always modified by the dynamics gestated by the actors (Giddens, 1984; Clegg, 1990). The costs and benefits of economic reform and social policy can be shared by different agents within institutional frameworks that facilitate participation. Economic reform is the political system reforms, the development of political institutions and government reform. The participation of citizens in governance is one of the objectives of democratic governance processes. For partnership and participation as a democratic instrument gain value must be accompanied by freedom of expression. Organizational flexibility is manifested in the lowering of production and storage systems together with the perspective of transaction costs enable organizations to become more flexible through vertical and horizontal disintegration. The friction of distance is increased in importance by providing a strong incentive for geographic agglomerations (Appelbaum and Henderson, 1995) This flexibility is expressed in structures that facilitate the inter-networks that have developed in different spatial levels: local, national, regional and global levels, giving rise to the emergence of a networking society supported by information technology. The training and integration of a network system of direct participation in local governance can Reinventing geopolitical space and give local governments the skills required to meet the challenges of globalization.

It is better to talk about transformation of the functions of nation-state of their impending removal. However, transformations and mutations of the nation state are not always following the same direction. It is no longer the nation-state modeled as an actor that has coherence and its own destiny within a hierarchy of international power and as a result of a rationality of interests. The political space of nation-state and does not identify the sovereign exercise depends on a distinct national territory. The territory is being redefined to focus more on local governance under a new local territorial structure. What the reform of the state is doing is transferring responsibility for managing and resolving social conflicts to local governments, which is conditional on the local social structure. The instrument of government reform and modernization policy is the decentralization of political power from the central authorities to local bodies. For state reform will focus on a redefinition of relations between society, the market and the state requires decentralization to achieve a more efficient public management.

Territorial construction of the space of public decisions from the bottom up, which favors greater autonomy to local government must consider the responsibility of powers in governance. Local development is a process-driven strategies and policies to coordinate efforts and resources of economic and political actors capable of territorial action to achieve goals of economic growth, social development and greater well-being of the population. They are all actors and agents who make decisions that affect the territory (Marseille and Pinto, 2001). Therefore, there is no single model of local development but other proposed projects. The actors are individuals and institutions that develop direct actions in a territory, as well as to "structures, organizations and people that the task or action have a place and a role in the workings of local exchanges (Chacon, 1996). Considering that the local term is associated both with defined physical territory, as a group moving in a mobile, go Helmerick (2001) defines a town or a localized system as a set of elements in dynamic interaction located within the boundaries of a particular physical space, organized according to an end. " A redefinition of the territory is the basis for the new geopolitical space required by the new local governance to involve different actors and stakeholders in promoting the development of society.

This set of elements referred to people who usually live and economic units established in the territory. Marsiglia and Pinto (2001) conceptualized the local area / regional as "an economic dimension, a dimension and historical identity, a community of interests and as space with a local potential to enhance development. Reinventing local government geopolitical space implies a new territorial structure in which the municipal governance is manifested as the setting in which different actors and agents interact in joint collaborative projects to solve their own problems. The creation of a democratic system in the field of local and municipal government, will allow the close involvement of citizens in governance issues and is designed to build community identity. Reinventing local government policy is expressed in spatial strengthening the powers of the municipality's development. The three most important relationships in the reform of state regulation are those that occur between the private and government, monitoring and supervision relationships that exist between politicians and bureaucrats and the relations of responsibility and accountability (accountability) that occur between citizens and politicians.

The evidence suggests that the positive connection between growth and incomes of the poor have not changed much during the period of globalization, as above. The analysis of poverty and inequality variables to social spending in Latin America, show a negative correlation and a low efficiency of public administration in the social area over the past two decades, as it has given priority to macroeconomic stability. This governance, in the words of Molina (2001) should rest on five variables that explores the challenges following a citizen participation and decentralization, effective citizenship, local economic development, territorial management, information society and sustainable development. However, this social spending in Latin America rose almost 25% during the decade, but the returns on investment are very low due to various factors such as corruption.

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Local government is increasingly involved in a strong and persistent attachment to the concept of self-sufficiency and autonomy. The local government has been relegated to a decentralization policy that limits the government reform and to be executors of policies and decisions made at other levels of central Florida. The reconstruction that privileges the territorial local government in the independent determination of areas of public decision from the bottom up, has to promote stewardship of public management skills at different levels of government and agreement of joint development between public and private sectors. This among most of the leaders of the groups represented on the boards (Leach et al, 1994), although not all decisions can be decentralized to the local power bodies. The political participation of citizens in local government should not be limited exclusively to the election of representatives. Can assume responsibility for the institutionalization of social policy and public services that are less centralized. Can participate in local governance decisions, such as public spending and investment, as well as fundraising and revenue budget.

To overcome some of these problems, a new territorialization is desirable in order that by forming partnerships to pool resources and efforts of various municipalities are drawn up specific proposals for development through the creation of support tools for municipal management in keeping regional development. Local governance requires a delimitation of the territorial structure to take advantage of the negotiations and strategies of the association. These new forms of association of municipalities for the production and delivery of public services, cut across the political divide itself in having joint solutions to similar problems more effectively and by creating economies of scale, given the space constraints, capabilities and resources. Municipalities oriented economic development strategies based on the market, so that the satisfaction of the requirements and demands of economic agents aims to increase competitiveness.

In the administrative decentralization, administrative decision-making implies territorial policies at local levels lower. Local governance requires a new design and a new territorial structure reengineering to take advantage of local social participation. Participation in the administration extends to political and social organizations. Citizen participation in the processes of political decentralization is very limited. Political decentralization allows local governments to encourage citizen participation for better redistributive, more equitable, more differentiation and efficiency in the provision of public goods and services. Citizen participation should be encouraged by local governments in governance processes, such as decisions on spending and revenue budget, especially in decisions that affect the efficient use of their own resources and the provision of public goods and services .

A successful decentralization policy must create structures of regional self-government while allowing the development of social actors able to self-administer and develop an identity, which implies the need to "build" the region in social terms (Boisier 1987: 143; Schönwälder, 1997:763). The lack of flexibility of the nation state to react to rapid changes in economic globalization and the inertia of heavy structures that do not meet the current demands of citizenship is necessary to strengthen the regions. The region is generally defined as "an area of land on which it can identify a distinct unit of human problems and physical characteristics with a strong tendency towards such unification. That is, with the prevalence of certain common as well as additional factors that create a kind of identity "following Boisier (1988). A new delimitation of territorial local government is a requirement to promote public management aimed at achieving social participation of key actors and agents in the direct solution of their problems.

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Strategic Marketing: A Panacea for Success of Nigerian oil and Gas Industry

By Akinyele, S.T.
Covenant University, Ota-Nigeria

Abstract- The purpose of this paper is to investigate strategic marketing as a panacea for success of the Nigerian oil and gas industry. The specific objective of the study include determining how inter-industry marketing commitment and company goal actualization can affect the performance of Nigerian oil and gas marketing companies. This study adopted a survey research methodology to examine the role of strategic marketing in enterprise growth and survival of Nigerian oil and gas marketing companies in an attempt to attain their desired level of performance. Three hundred and forty one (341) respondents were chosen from the target population of two thousand three hundred (2300) through stratified random sampling. Out of the 341 copies of the questionnaire given out, two hundred and eighty six (286) copies representing 83.87% responses were received for analysis.

one hypothesis was formulated from the statement of research problem. Analysis of Variance, Pearson Moment Correlation Analysis, Factor Analysis among other statistical tools were used in testing the hypothesis. The overall results suggest that strategic marketing is a driver of organizational positioning in a dynamic environment, and that it helps to enhance the development of new product/service for existing markets. These findings, along with other interesting findings of the study, are discussed. From the empirical and anecdotal managerial evidence as well as from the literature implications are drawn for the efficient and effective strategic marketing practices in the Nigerian oil and gas industry. Based on the findings of the study, the concepts and principles of total quality management within a holistic framework it is recommended that (i) efforts should be made by organizational marketers towards understanding the relevant economic factors that affect both clients' behaviour and the strategic options that may be adopted to cope with such behaviours; (ii) oil and gas marketing academics should endeavour to study holistically the relevant business functions and activities which may enhance or hinder the understanding and application of relevant modern management concepts and principles to oil service marketing.

Keywords: Strategic Marketing, Strategies, Dynamic environment, Deployment, Resources, Performance
Classification: GJMBR-B: JEL Classification M31

STRATEGIC MARKETING   A PANACEA FOR SUCCESS OF NIGERIAN OIL AND GAS INDUSTRY

Strictly as per the compliance and regulations of:

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AKINYELE, S.T. (Ph.D)

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About- School of Business Studies, Covenant University,Ota-Nigeria
E-Mail-akinsamolu2000@yahoo.com

I. Introduction

The rapid development of an indigenous technical workforce has become more compelling than ever before against the background of the expected imminent injection of massive investment in the sector. With a current production capacity of about 30 million barrels per day (bpd), Nigeria plans to increase her production capacity to about 40 million bpd by 2010 (Utomi 2001; Obi 2003; Mathiason 2006). Already, Nigeria is the leading oil and gas producer in Africa, currently ranked the seventh highest in the world (NNPC 2004; The Guardian 2006). In addition to the above, Nigeria which is widely referred to as a gas province, has natural gas reserves that triple crude oil reserves, being estimated in excess of 187.5 trillion standard cubit feet(scf) (Africa Oil and Gas 2004). The Federal Government has stated that one of its objectives is to achieve 50 per cent local content in the oil and gas sector by 2010. Adegbulugbe (2002) observes that Nigeria began exporting oil in 1958 with crude oil production of 5000 barrels per day (bpd) rising by 1979 to a peak of 2.3 million bpd. It ranks 5th in gas reserves which makes the country more of a gas rather than an oil country (CBN 2002). Indeed, Nigeria is often described as a gas zone with some oil in it. However, gas resources are largely untapped and Nigeria's gas reserves place it among the top ten countries in the world in that category (Assael 2000 ; Ekpu 2004). Assael (2000) and Ekpu (2004) also observe that other energy resources such as hydro power, wind energy, and coal, which is produced in Enugu and Benue States abound in the country. Nigeria is in fact the only coal-producing West African nation. About 43% of Nigeria's natural gas is associated with oil which according to (Ekpu 2004) is unfortunately largely flared to the detriment of the economy. Energy consumption is in the area of petroleum products, which according to (Dixton et al., 2005), accounted for between 70% and 80% of total energy consumed in Nigeria between 1970 and 1980, the major consumers being the transportation, household and industrial sectors.

This study is intended to expand the body of knowledge in respect of the application of strategic marketing practices to the oil and gas sector especially in a developing economy like Nigeria that earns over 30% of her foreign exchange from oil and particularly, as the Federal Government is putting in place policies and strategies to improve the oil sector's contributions to the Nigeria economy (Garuba 2006). According to the Central Bank of Nigeria (CBN) Annual Report and Statement of Account for the period 1990- 2000, oil export earnings amounted to over US$13 billion, representing about 95% of total National Income in 2000 (Assael 2000).

To achieve a set of organizational goals and objectives, companies conceptualize, design, and implement various strategies. Marketing has been defined and conceptualized in various ways, depending on the author's background, interest, and education (Osuagwu 1999). For example, marketing can be seen as a matrix of business activities organized to plan, produce, price, promote, distribute, and megamarket goods, service, and ideas for the satisfaction of relevant customers and clients. Achumba and Osuagwu (1994) also posit that marketing is important for the success of any organization, whether service- or product-oriented. Bolaji (2003) argues that the oil and gas service sector constitutes a service industry that has currently been changed by aggressive strategic marketing behaviour. According to (Okoroafo 1993), indigenous Nigerian oil and gas marketing companies were not profoundly entrepreneurial at the beginning for the following reasons: lack of trained manpower, poor infrastructural development, lack of adequate or sufficient capital base on the part of the indigenous oil and gas marketing companies and intense competition from superior foreign companies.

The sensitivity of petroleum resource is clearly reflected in the fact that it has remained or continued to be the goose that lay a golden eggs for the Nigerian economy as well as the supreme foreign exchange earner contributing over 80% of government revenues and helps the development of Nigeria's infrastructures and other industries (Anya 2002; Chukwu 2002; Gary and Karl 2003; Amnesty International, 2004). However, due largely to the highly technical nature of exploration and production, the sector depends substantially on imported technologies and facilities for most of its operations. In view of the critical importance of the sector to the nation's economy and its capacity to generate far-reaching multiplier effect, the grooming of highly skilled indigenous manpower to participate keenly in the activities of the sector to redress the foreign dominance becomes imperative (Baker 2006).

II. Statement of Research Problem

The problem statement, according to (Wiersma 1995), describes the content for the study and it also identifies the general analysis of issues in the research necessitating the need for the study (Creswell 1994). The research is expected to answer questions and provide reasons responsible for undertaking the particular research (Pajares 2007). The problem of this study is to measure, analyse and establish the impact of organization expenditure on oil and gas industry performance variables which include effect of structure/strategies, the diversification and concentration, environmental performance indices and goal actualization of the organization objectives. Many research efforts in the area of marketing practices in developing economies have dealt with macro issues and emphasized the management of company's structure and strategies, conduct and performance of marketing activities as they relate to performance indices such as market share, growth, efficiency and well being of consumers and clients (Boyd et al 1994; Baker 1995; Bauer 1998; Samli and Kaynak 1994) lament that the key defect with this static and macroanalysis of marketing practices in developing economies is that it minimizes the impact of marketing environment on the achievement of performance measures. Also, although some research efforts have been undertaken to explain marketing practices in developing economies at the organizational level (Westfall and Boyd 1990; Samli 1994; Wadimambiaratchi 1995 ; Cravens et al 1990), many of these research efforts do not provide answers to issues pertaining to the impact of company's structure and strategies on the performance of mineral prospecting industries particularly the oil and gas marketing companies. The deregulation of the Nigerian economy through the Structural Adjustment Programme (SAP) affected the oil and gas sector in Nigeria in many ways (Miles and Snow 1978 ;Umunnaehila 1996). This resulted in oil and gas companies seeking for clients and designing services that would meet clients' needs and wants. Consequently, the Nigerian oil and gas companies incorporated the usage of various market mix elements to improve their market outreach/ coverage, new product ratio, price positioning, competitive orientation, etc to survive and grow (Umoh 1992; Udell 1998; Osoka 1996 ; Adler 1997 ; Johne and Davies 2002). The poor condition of some oil and gas marketing companies in Nigeria is a function of some interrelated problems. According to (Sheng 1999 ; Day and Reibstein 1997 ; Kim and Mauborgne 1998 ; Johne 1999 ; Kandampully and Duddy 1999), the causes of the oil and gas marketing companies failure or poor performance, are due to microeconomic or macroeconomic factors (performance industry environmental factors indice coupled with the management of marketing content and product marketing). Mamman and Oluyemi (1995) ;McDonald (1996) and Creveling (1994) have, however, posited that oil and gas companies poor performance in Nigeria is a function of industry environmental factor indices and marketing of oil and gas services. It evolves as a result of the interplay of the marketing mix elements and the environmental factors, which impact on these elements (Scnars 1991; Li et al 2000 ; Aristobulo 1997; Jain 1993 ; Mavondo 2000). Therefore, the function of marketing strategy deals with determining the nature, strength, direction, and interaction between marketing mix elements and the environmental factors in a particular situation (Jain and Punj 1987; Osuagwu 2001; 2001; 2004). However, achieving efficient and effective product marketing strategy by an organization is difficult, as a result of the ambiguity and instability of environmental factors (Brownie and Spender 1995). The peculiarities of oil and gas marketing services may create or set modalities for goal actualization parameters that are different from those found in the marketing of tangible products. Sound and robust marketing commitment on the part of organization and sales-people are important to the survival and growth of the oil and gas industry, considering the subtle, unstable and seemingly hostile business environments in which contemporary business organizations operate (McDonald 1996; Creveling 1994). In order to formulate and implement effective and efficient goal actualization and inter-industry marketing commitment in product distribution, oil and gas companies should have a thorough and continuous understanding of the relevant environment that impacts on their marketing strategies (McDonald 1989; 1992 ; 1996).

Successful organizations are those that integrate efficient and effective management in internal and external dimensions through external relationship management and enhancement of inter-industry marketing commitment and goal actualization among internal and external customers. Internal marketing paradigm is a mechanism for the managers to analyze the organizational issues which need to be addressed in implementing marketing strategies. It is therefore, imperative for organizations to establish an important framework of legitimacy for new directions and transformations and accommodate the constant process of change management and knowledge management.

III. Objectives of the Study

The main focus of marketing activities of oil and gas marketing companies is the identification and satisfaction of clients' needs and wants. These objectives can be attained by identifying the likely marketing mix variables and strategies, including relevant environmental impacts on them. There is, therefore, the need to carry out this research given the enormity of the problem facing the oil and gas industry. Specifically the study sought to investigate the following:

1) To determine how inter-industry marketing commitment and company goal actualization can affect the performance of Nigerian oil and gas marketing companies.

IV. Research Hypotheses

The following null and alternative hypothesis are considered in this study:

H0: Inter-industry marketing commitment and company goal actualization does not yield better performance of oil and gas marketing companies.

H1: Inter-industry marketing commitment and company goal actualization yield better performance of oil and gas marketing companies.

V. Literature Review

The growth of oil and gas marketing companies and business in Nigeria has been phenomenal, with the attendant competition and other factors. It seems that this growth in the number of product marketing companies in Nigeria has not been matched with an equal growth in the awareness of oil and gas services to clients and other interested publics. The oil and gas industry seems to have witnessed some form of corporate performance over the years which can be attributed to their distinct level of market share (Okwor 1992; Falegan 1991 ; Daniel 1998 ; Olawoyin, 1995 ; Ogunrinde 1990).

According to (Schnars 1991), marketing strategy has been a salient focus of academic inquiry since the 1980s. There are numerous definitions of marketing strategy in the literature and such definitions reflect different perspectives (Li et al 2000). However, the consensus is that marketing strategy provides the avenue for utilizing the resources of an organization in order to achieve its set goals and objectives. It evolves from the interplay of the marketing mix elements and the environmental factors (Li et al 2000). Therefore, the function of marketing strategy is to determine the nature, strength, direction, and interaction between the marketing mix- elements and the environmental factors in a particular situation (Jain and Punj 1997). According to (McDonald 1992), the aim of the development of an organization's marketing strategy development is to establish, build, defend and maintain its competitive advantage. Managerial judgment is important in coping with environmental ambiguity and uncertainty in strategic marketing (Brownie and Spender 1995). Marketing strategy development has the following peculiarities:

1) It requires managerial experience, intuition and judgment (Little 1990; Mintzberg 1994a; 1994b; 1996; Brownlie and Spender 1995; McIntyre 1992; Alpar 1991).
2) It carries a high level of uncertainty and ambiguity (Brownlie and Spender 1995).

3) It is business sphere knowledge- intensive (McDonald and Wilson 1990; Duberlaar et al 1991).
4) It entails a broad spectrum of strategic information (Mintzberg 1994b ; Berry 1997).
5) It is a process which usually involves subtle decision making by organizational managers based on exhaustive examination of relevant environments and a synthesis of essential and useful pieces of information (Mintzberg, 1994a and 1994b);
6) It is specifically concerned with devising an approach by which an organization can effectively differentiate itself from other competitors by emphasizing and capitalizing on its unique strengths in order to offer better customer/client value over a long period of time (Jain and Punj 1997). However, it is difficult for an organization to achieve an efficient and effective marketing strategy (Li et al 2000). Many factors prevent organizational managers from designing and implementing efficient and effective marketing strategies (McDonald 1992). The fact is that environmental factors generally interact in an astonishing manner and affect the efficiency and effectiveness of managers in strategic marketing issues (McDonald 1989; 1996). Against this background, the present research attempts to assess the strategic marketing as a panacea for success of Nigerian oil and gas marketing companies, the impacts of environmental factors on such strategies and the effectiveness of the marketing strategies.

Typically, marketers have a number of tools they can use, these include megamarketing (Kotler 1996) and the so-called 4Ps of marketing (McCarthy 1995), among others. Marketing seems easy to describe, but extremely difficult to practice (Kotler and Connor 1997). Organizational managers in many firms have applied the so-called marketing concept, which may be simple or complex. Marketing thought, with its practice, has been moving speedily into the service industry (Kotler and Connor 1997). Literature, partly, centres on the discussion of whether physical product marketing is similar to, or different from, the marketing of service and concludes that the differences between physical product and service might be a matter of emphasis rather than of nature or kind (Creveling 1995). Marketing is one of the salient and important organic functions which help to service organizations to meet their business challenges and achieve set goals and objectives (Kotler and Connor 1997). The word " service" is used to describe an organization or industry that "does something" for someone, and does not " make something" for someone (Silvestro and Johnston 1990). "Service" is used of companies or firms that meet the needs and wants of society such organizations are essentially bureaucratic (Johns 1990). " Service" may also be described as intangible its outcome being perceived as an activity rather than as a tangible offering. The question of the distinction between services and tangible products is based on the proportion of service components that a particular offering contains (Johns 1990).

A service may therefore be seen as an activity or benefit which can be offered to an organization or individual by another organization or individual and which is essentially intangible. It is a separately identifiable but intangible offer which produces want-satisfaction to the client, and which may or may not be necessarily tied to the sale of a physical product or another service (Osuagwu 1999. Sound and robust marketing strategies are important to the survival and growth of any business, including oil and gas business, considering the increasingly subtle, unstable and seemingly hostile business environments in which contemporary business organizations operate (McDonald 2004 and Creveling 2005). Therefore, in order to formulate and implement efficient and effective marketing strategies, business organizations should have a thorough and continuous understanding of the relevant environment that impacts on their marketing strategies.

VI. Definition of Strategic Marketing

The early strategic marketing - performance studies date from the time of rapid expansion of formal strategic marketing in the 1960s (Henry 1999). Although same studies employed diverse methodologies and measures, they shared a common interest in exploring the financial performance consequences of the basic tools, techniques, and activities of formal strategic marketing i.e. systematic intelligence- gathering, market research, SWOT analysis, portfolio analysis, mathematical and computer model of formal planning meetings and written long-range plans. According to Allison and Kaye (2005), strategic marketing is making choices. It is a process designed to support leaders in being intentional about their goals and methods. Differently expressed, strategic marketing is a marketing management tool and like any tool, it is used for one purpose only namely to help an organization to do its job better. Bryson (2004) observes that strategic marketing is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it, with a focus on the future. Woodward (2004), argues that strategic marketing is a process by which one can envision the future and develop the necessary procedures and operations to influence and achieve the future.

Why are we in business?

- How do we do business?
- Where are we now?
- Where do we want to be?
- How can we get there?
- How will we know that we have arrived there

Strategic marketing, according to (Berry 1997), is the process of determining (i) what your organization intends to accomplish and (ii) how you will direct the organization and its resources towards attaining the goals set over the coming months and years. In other words, strategic marketing is a tool for finding the best future for your organization and the best path to reach the desired destination. Higgins and Vincze (1993); Mintzberg (1994); Pearce and Robinson (1994) are of the opinion that strategic marketing can be defined as the process of using systematic criteria and rigorous investigation to formulate, implement, and control strategy, and formally document organizational expectations. Kudler (1996), views strategic marketing as the systematic process of determining the firm's goals and objectives for at least three years into the future and developing the strategies that will guide the acquisition and use of resources to achieve the set objectives. Steiner (1997), sees strategic marketing as the process of determining the mission, major objectives, strategies and policies that govern the acquisition and allocation of resources to achieve organizational aims. Bradford and Duncan (2000), argue that strategic marketing is an organization's process of defining its strategy and making decisions on allocating its resources to pursue this strategy, including its capital and people. The outcome is normally a strategic plan which is used as a guide to define functional and divisional plans, technology, marketing among others. Hunsaker (2001) observes that strategic plans apply to the entire organization. All short- term and specific plans for lower- level managers are linked and coordinated so that they may contribute to the organization's strategic plan. Paley (2004), sees strategic marketing as representing the managerial process for developing and maintaining a strategic fit between the organization and changing market opportunities. It relies on the development of the following sections:

- A strategic direction or mission statement
- Objectives and goals
- Growth strategies
- A business portfolio

Gup and Whitehead (2000), on other part, see strategic marketing as the formulation of a unified, comprehensive and integrated plan aimed at relating the strategic advantages of the firm to the challenges of the environment. Anderson (2004), states that strategic marketing is the logical and systematic process by which top management reaches a consensus on the major strategic direction of the company.

Paley (2004), advocating the adoption of strategic marketing in solving organization's problems, remarks that the organization which does not plan for its future does not deserve any future. Citing the work of (Ansoff 1988), he contrasts strategic marketing with long- range planning and concludes that both concepts are not synonymous. He argues that long-range planning is based upon the extrapolation of past situations, a questionable premise on the ground that present conditions are not the same as those of the past. Ulrich and Barney (1984), further criticize the traditional extrapolation techniques of long range planning and suggest the use of scenario analysis which encourages broad and creative thinking about the future. The authors cite the work of (Wing 1997), which contest that traditional forecasting techniques are based on the assumption that tomorrow's world will be much like today's. Commenting on 'New Age' Strategic marketing Ginsberg (1997) explains that the present complex environment is characterized by side effects, time delays, non-linearity and multiple feedback processes. He then concludes that traditional strategy tools are no longer adequate in designing superior strategies. He consequently advocates the use of the holistic systems approach as opposed to the esoteric ways of the 'old'. Ansoff (1988), reports that newly invented strategic marketing displaced long range planning because of the growing discontinuity of the environment.

Strategic marketing on the other hand does not necessarily expect an improved future or extrapolatable past. Hinterhuber (1992), argued that a manager is not necessarily a strategist and that a manager's vision is also not an entrepreneurial vision.

VII. Methodology

A cross- sectional survey was selected for this study because it was easy to undertake compared to longitudinal survey and the result from the sample can be inferred to the larger population. In addition, some extraneous factors could have manifested in the observed change other than the independent variable concerned. The study adopted a survey research methodology to examine the role of strategic marketing in enterprise growth and survival of Nigerian oil and gas marketing companies in an attempt to attain their desired level of performance. Three hundred and forty one (341) respondents were chosen from the target population of two thousand three hundred (2300) through stratified random sampling. Out of the 341 copies of the questionnaire given out, two hundred and eighty six (286) copies representing 83.87% responses were received for analysis

The target population in the study was the employees of petroleum product marketing companies in Lagos, Nigeria. A structural questionnaire was used to collect data from the respondents. The questionnaire was developed to capture the information on the level of respondents, knowledge on the main purpose of performance of appraisal system and a assessment of the awareness of performance appraisal by the university. The questionnaire was pre-tested with respondents in other product marketing company, to authenticate reliability. The pre-testing was done to avoid any possible influence on trial respondents before the actual survey.

The analyzed data was presented using descriptive statistics, frequency tables, Analysis of Variance, and Correlation coefficients. Descriptive statistics allow the generalization of the data to give an account of the structure or the characteristics of the population as represented by the sample.

Data Analysis, Finding and Discussions

Table 1: Reliability Coefficients of Research Measures (Cronbach's Alpha)

S/N	Variable Measure	Cronbach's Alpha Coefficients
1	Management of Marketing strategy	0.76
2	Oil and Gas Performance Measurement	0.73
3	Effect of Environmental factors on marketing strategies	0.65
4	Organizational structure and strategies	0.84

Table 1 above shows Cronbach's alpha coefficients of the major research measures. " Management of marketing strategy contructs" and "Oil and gas performance measurements" met Nunnally's (1978) internal consistency (reliability) standard for newly- developed research measures, while "Effect of environmental factors on marketing strategies" failed to meet Nunnally's (1978) standard for reliability. Specifically, Nunnally (1978) recommended 0.70 Cronbach alpha value (internal consistency) for newly developed research instruments. Therefore, subject to the specific and usual limitations associated with this type of research, the research instrument appears reliable and valid.

This study has provided empirical evidence pertaining to the perception placed on oil and gas marketing strategies, and oil and gas performance measures and impact of environmental factors on such strategies. The research findings show that product and mega marketing strategies received relatively low perception. These findings have managerial and research implications.

Table 2: Descriptive Statistics of Effectiveness of Strategic Marketing Using Qualitative Measures of Performance(n= 286).

Variables	Mean	Std.Dev.	Variance	Skewness
Company makes profit by selling large quantities of goods/services	5.17	.96	.89	-.1.27
Experience to cut costs is an important goal	4.67	.99	.99	-.79
Sales executive move faster than competitors in responding to customers needs	4.93	.98	.87	-.99
Develops an exhaustive set of alternatives before making improvement management decision	4.79	.89	.79	-.69
Demands better services provided by customers	4.17	1.23	1.29	-.39
Emphasize opening up new branches	4.69	1.23	1.27	-.32
Ability to gain market share is high	3.57	1.39	1.79	-.34

Table 2 presents the descriptive statistics of the effectiveness of strategic marketing practices of the studied oil and gas industry. The finding shows that strategic marketing practices have been reasonably effective in oil and gas industry, with strategic marketing effectiveness being very high from the analysis above. The essence of strategic marketing is to achieve set objectives, and these objectives can be measured in terms of profit, market share, marketing cost, gross earnings, capital employed, asset quality, quality of marketing management, liquidity, turnover of marketing staff, and management of departmental crisis. The effectiveness of strategic marketing practices in the studied oil and gas industry is encouraging. These are the CAMEL measures of performance. According to (Umoh 1992; McDonald 1996), the effectiveness of oil and gas strategies determines the survival and growth of downstream sector in Nigeria, especially in an ever-changing environment. Effective oil and gas management through strategic marketing assists in the employment of capital raised, and manages the oil and gas asset portfolio in viable business options so that the assets are seen to be performing and yielding returns. The marketing strategies of oil and gas, in order to show reasonable levels of effectiveness along the CAMEL measures, have to emphasize a marketing management team with foresight, experience, and commitment towards the survival and growth of the oil industry, among others. Oluyemi (1996), posit that the most widely accepted measure of performance of oil and gas industry is current profitability, which is measured in terms of return on assets and return on equity. Nigerian oil and gas industry that creates comparatively large amounts of value (in relation to its equity) through it strategic marketing practices can be said to show high level of effectiveness. And as Table 3 shows, the studied oil and gas industry's have shown appreciable levels of effectiveness using the identified measures of performance

Table 3: Comparison of Environmental Characteristic a

Dimension of the Environment	Company A Total Mean	Company B Oando Mean	Company C Texaco mean	Company D Agip Mean
Markets				
Product diversity	4.64	4.29***	3.22	3.12
Geographical diversity	5.40	4.22***	2.34	3.21
Level of product information	4.89	4.80	4.33	4.02
Diversity of promotional media	4.92	4.46*	4.06	3.42
Competition				
Intensity of rivalry	5.69	5.36**	4.34	4.54
Inability to influence market conditions	4.21	3.60***	3.34	3.18
Average profitability of the principal market	4.32	4.26	4.21	4.65
Entry barriers to the principal market	4.69	5.42***	4.32	4.24
Constraints imposed by inter-industry relationships with major stockholders	2.84	3.09	3.33	3.24
With major distributors and customers	2.76	3.78***	3.43	3.11
With major suppliers-subcontractors	2.49	3.71***	3.34	3.54
With government	4.38	3.27***	3.12	3.43
With competitors	2.14	2.64***	2.42	2.56
Ability of labour market				
For managers	3.64	1.79***	3.11	3.23
For technological experts	3.47	1.99***	2.23	2.65

Notes: $_a$. The higher the mean score, the more typical is the characteristics
* Significant at 0.5 level by t-test of means
** Significant at 0.1 level by t-test of means
*** Significant at.001 level by t-test of means

From the above table, there is also a significant difference in labour market-ability between the four companies. Total firms face a less mobile labour market than oando, Texaco and Agip firms. Not new, the findings is consistent with the prevalent view that the Total labour market is less mobile because of its many tangible incentives incorporated into their employment system. The strengths and range of constraints imposed by interrelationships with other organizations are also different in Total and other oil and gas companies under study. Oando and other oil and gas firms face stronger constraints imposed by government and regulatory bodies, while Total firms feel the constraints imposed by their relationships with distributors, customers, suppliers and competitors to a greater degree than Oando, Texaco and Agip firms. This result suggests that Total companies create closer inter-organizational networks with various kinds of organizations. The networks, although constraining decisions within organizations, may have a number of benefits including risk-sharing and long term stabilization of business. The strong constraints

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imposed by the government upon oil and gas companies probably stem from the relatively adverse historical relationship between business and government in Nigeria as well as from motives to protect the public and promote competition.

To sum up, Total firms face a less diverse, less competitive, more volatile and high opportunity environment, and less mobility of market. They are, moreover, constrained by interrelationships with other organizations to a greater extent than the other oil and gas marketing firms under study. A firm must set operational objectives, the priorities of which are contingent upon the opportunities provided and constraints imposed by its environment matched against the internal capabilities of the organization.

Hypothesis Testing

Hypothesis 1

Inter-industry marketing commitment and company goal actualization does not yield better performance of Nigerian oil and gas marketing companies.

Table 4: Correlation Analysis of Inter-industry Marketing Commitment and Company Goal Actualization

		Interindustry marketing commitment	Company goal actualization
Interindustry marketing commitment	Pearson correlation	1	.0661(**)
	Sig.(2-tailed)		
	Sum of squares and cross products	31.254	33.116
	Covariance	.128	.110
	N	284	284
Company goal actualization	Pearson correlation	.661(**)	1
	Sig.(2-tailed)	.000	
	Sum of squares and products	33.116	63.089
	Covariance	.110	.122
	N	286	286

Source: Field survey, 2007.

The finding shows a significant positive relationship between these two variables and the pearson correlation using 2- tailed test at r= .661, 0.01 significant level and 286 degree of freedom. The sum of squares and cross products for inter-industry marketing commitment are 31.254 and 33.116 for company goal actualization with covariance for the environment are 286 degree of freedom.

Table 5: Regression Model of Summary of Inter-industry Marketing Commitment and Company Goal Actualization

Model	R	Rsquare	Adjusted Rsquare	Std. Error of the Estimate
1	.905(a)	.822	.821	.20214

Source: Field Survey, 2007.

In the Table above r square is called the coefficient of determination and referred to as r2. In this study, 82.2% of the variability in performance can be explained by factors like markets, competition ability of labour markets and constraints imposed by interindustry marketing commitment and goal actualization relationships. The remaining 17.8% of variability is due to other unexpected factors. Thus, this further supported the rejection of the fourth hypothesis.

Table 6: Regression of Inter-industry Marketing Commitment and Goal Actualization

Model 1		Sum of squares	DF	Mean square	F	Sig.
1	Regression	53.164	3	15.724	442.526	.000(a)
	Residual	11.841	283	.051		
	Total	65.005	286			

Source: Field Survey, 2007.

The R-squared(R2) for the regression is 0.822 and the R-square adjusted for degrees of freedom for the regression is 0.821. The root mean square error, labelled 'Root MSE' is .20214. It should be noted that the root mean square error is the square root of the mean square error reported for the residual in the ANOVA Table 5 .

VIII. Discussion of the Finding

As stated earlier, the discussion of this study followed the hypotheses raised and tested and they are presented below:

Hypothesis 1:Inter-industry marketing commitment and company goal actualization does not yield better performance of Nigerian oil and gas marketing companies.

This present study correlated two variables: inter-industry marketing commitment and company goal actualization in testing hypothesis four. The finding showed a significant positive relationship between these two variables. For the two variables at the same significant level of 0.01 (2-tailed) and degree of freedom (at 286) their Pearson correlation stood at .661. The findings of this study also supported the results of other studies. This result corroborates the supposition of (Knorr and Mahoney 2005 ; Finney et al 2005; Child and Tasi 2005 ; Schneider et al 2006). They found that the strengths and range of constraints imposed by interindustry marketing commitment and interrelationships with other organizations are also different from one oil company to another. This implied that interindustry marketing commitment of oil and gas marketing companies affect goal actualization. The findings however, show that the variability in inter-industry marketing commitment can be explained by the factors like markets, ability of labour markets, competition, constraints imposed by inter-industry relationships. The remaining 17.8% of variability is due to other unexplained factors. Thus, this supports the rejection of the null hypothesis but support the acceptance of alternative hypothesis.

IX. Conclusions

This section elaborates on the conclusion of the research. Based on the findings of this research, the following conclusions are warranted:

1. The evidence from findings suggested that oil and gas marketing companies have comparative advantages in adopting various marketing strategies using different technologies. Oil and gas marketing companies appeared to specialize in the use of traditional methods of marketing, which is based on "soft" information culled from close contacts by marketing and sales department rather than the use of the specialized strategic marketing methods that are based on "hard" quantitative information.
2. Most of the findings of the research are consistent with previous normative and empirical works. For instance, the companies face a less diverse, less competitive, more volatile and high opportunity environment, and a less mobility of market. They are however, constrained by interrelationships with other organizations largely.
3. The research instrument shows high validity and reliability.
4. This study has provided empirical evidence pertaining to the perception of oil and gas marketing strategies, and the industry environmental factors on such strategies.

X. Managerial and Research Implications

The findings of this study have several managerial implications for Nigerian downstream oil and gas. First, Nigerian oil and gas managers are advised to place more emphasis on the adoption of various marketing strategies using different technologies. Second, all organizations face an external business environment that constantly changes. Changes in the business environment create both opportunities and threats to an organization's strategic development, and the organization cannot risk remaining static. It must monitor its environment continually in order to: build the business, develop strategic capabilities that move the organization forward, improve the ways in which it creates products/services and develops new and existing markets with a view to offering its customers better services.

Third, anticipating competitors' actions and reactions to the organizational' moves may be the key determinant of success for any marketing strategy. Fourth, with the competitive downstream oil and gas industry of today, participants can put more emphasis on relationship marketing to ensure effectiveness. This essentially entails personalizing the oil and gas services offered to clients, attending to clients' cultural and social activities, in relation to other non- business activities, which are of interest to clients.

In such learning organizations, oil and gas marketing companies staff would always be inquiring into the total or systemic impacts of their business behaviours, instead of just concentrating on the local effects of their business behaviours (Chen 2004).

XI. Limitations and Suggestions for Further Studies

This study indicates that strategic marketing practices have a significant impact on performance variables and that they interact with the different components to facilitate performance. It also indicates that different performance factors moderate strategic marketing practice. Therefore, organizations hoping to enhance corporate performance in a dynamic business environment should consider the following:

Suggestions for further studies:This research leads to some observations that might be of interest to future researchers, as they represent the seeds from which future research can be developed.

a) This same research can be carried out in other nations so that a broad comparison of the concepts of strategic marketing as it affects firm performance can be made.

b) Research into the combined effects of strategic marketing practice and performance factors as mediators of firm performance relationship.
c) Research into the effects of key characteristics of industries environmental indices and marketing strategy could be carried out to further explain the differences in the firm's adoption of strategic marketing.
d) Finally, future research works are to be undertaken in order to refine the cobwebs found in the present research, and orient it to more specific contexts (business, time, location, etc) in Nigeria's oil and gas industry.

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Impact of Organized Retail on the Economy of Punjab

By Gagandeep Shmarma , Mandeep Mahendru , Sanjeet Singh
Gyan Jyoti Institute of Management

Abstract- Purpose of this study is to check the effect of opening of the organized retail stores on the unorganized retail, farmers and consumer. Another objective of my study is to find that how much the economy of Punjab, affected by growing of retail sector. The study revealed the changing patterns of the Indian retail industry with special reference to Punjab as well as understands the impact of organized retail on the consumption or shopping habits of the consumer in the state of Punjab The scope of the study is for new retailer, who wants to invest in retail sector. This study tells them, what the growth rate of retail sector is and what is the perception of the consumer towards the retail store. This study helps to government, as from this study govt. know the growth of retail sector and encourage the investment in this sector, which helps in economic growth. The data is collected through the help of questioner filled from retailers as well as customers. The statistical tools i.e. mean median, std. deviation, regression, kurtosis, skewness used for the evaluation purpose. The study revealed that the Punjab retail sector is changing now many retail investor open their retail store and running successfully and some other big players are ready to invest in the retail sector in Punjab and the future of organized retail is quite good in big cities but in the cities cognized retail not successful to gain moment.

Keywords: Retail, Economy, Punjab, organized and unorganized, perception.

IMPACT OF ORGANIZED RETAIL ON THE ECONOMY OF PUNJAB

Strictly as per the compliance and regulations of:

Impact of Organized Retail on the Economy of Punjab

Gagandeep Shmarma[1], Mandeep Mahendru[2], Sanjeet Singh[3]

Abstract- Purpose of this study is to check the effect of opening of the organized retail stores on the unorganized retail, farmers and consumer. Another objective of my study is to find that how much the economy of Punjab, affected by growing of retail sector. The study revealed the changing patterns of the Indian retail industry with special reference to Punjab as well as understands the impact of organized retail on the consumption or shopping habits of the consumer in the state of Punjab

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Keywords: Retail, Economy, Punjab, organized and unorganized, perception.

I. Introduction of the Study

Retail trade includes the sale of goods or commodities, such as the location of a particular department store, boutique or kiosk, or by mail, separately or in small lots directly to the consumer to use may be subject to retail services such as delivery. Contracting authorities may be individuals or companies. Trade, 'store' purchases of goods or products in large quantities by manufacturers or importers, either directly or through a wholesaler, sells smaller quantities to end users. Businesses are often in shops or stores.

Partner and Head of the Media Council and Saturn Holding Co., Ltd., Ingolstadt. The media, and Saturn is 75%, which is a subsidiary of MRT, which is Two series of consumer electronics - a market and media, which he co-founded by Stiefel Munich in 1979, and Saturn Hansa Handels GMA ABC, which was obtained by Held in a media in a supermarket in 1990. Stiefel, under the guidance of the media Saturn team has become the largest European distributors of consumer electronics, From Russia to Portugal, where net sales rose to more than 19 billion euros in 2008. In 2006, Leopold Stiefel decided to resign from active management. In his official capacity.

The Indian retail market, which is the fifth largest retail destination globally, has been ranked as the most attractive emerging market for investment in the retail sector by AT Kearney's eighth annual Global Retail Development Index (GRDI), in 2009A McKinsey report 'The rise of Indian Consumer Market', estimates that the Indian consumer market is likely to grow four times by 2025. Commercial real estate services company, CB Richard Ellis' findings state that India's retail market is currently valued at US$ 511 billion.

With the highest per capita income in the country, that is nearly three-and-a-half times the all-India average, an excellent infrastructure to promote new industries and support the existing ones, coupled with high percentage of employment, Punjab stands second to none in fast becoming a favored destination for the retail industry. This state provides a grand opportunity to all the retailers at large to exploit its huge consumption potential.

Unlike other states, growth of consumption in Punjab gets equal support from the urban as well as rural consumers and this unique feature indicates an immense potential for organized retail, as the choice for "Location" is not really a constraint here. Thus, it is the second-tier cities and semi-urban and rural towns of Punjab that represent a goldmine of opportunity for the 27retailers. The big cities of Ludhiana, Jalandhar, Chandigarh, Amritsar, Patiala and Mohali also provide ample opportunity for growth As large retailers, Indian or global, get in to food retailing business there will be huge investments in supply chain logistics, processing, cold chains and contract farming in this state. Reliance is planning for a mega foray into the farm and dairy sector to strengthen its food retailing arm and creating organized base for agriculture and milk produces. Corporate Houses like the Piramals, the Tata, the Rahejas, ITC, Godrej, S.Kumar's, RPG Enterprises, and

About[1]- HOD, BBSB Engineering College, Fatehgarh Sahib, +91-9915233734,
Email – gagan.is.sharma@gmail.com
About[2]- Sr. Lecturer, Gyan Jyoti Institute of Management, CHD, +91-9872896504,
Email – mandip129@gmail.com
About[3]- Lecturer, BBSB Engineering College, Fatehgarh Sahib, +91-9915644774,
Email – singh.sanjeet2008@gmail.com

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The Future Group (formerly PRIL) with their mega retail chains Crosswords, Shopper's Stop, Pantaloon, Piramyd, etc., have already announced major plans to liven up the retail sector in Punjab. Fast-food retailer McDonald's, for instance, has invested over US$ 175 million in building its back end logistics and set benchmarks in farming, processing, distribution and retail. Once the systems are in place and the global players build confidence they would be inclined to source from India for the international markets as well.

II. Objective of the Study

1. To observe the changing patterns of the Indian retail industry with special reference to Punjab.
2. To find out the impact of organized retail on unorganized retailer of Punjab
3. To understand the impact of organized retail on the consumption or shopping habits of the consumer in the state of Punjab

III. Review of Litrature

Not much literature seems to be available on individual reasons of the growth and development of the retail sector.Reardon et al. (2003), (Hu et al. 2004), (Mutebi, 2007),(Reardon and Hopkins, 2006; Reardon and Berdegue, 2007) have done the research individually and (CAIT 2007), Global Retail Development Index (2005, 2006, and 2007), (Deloitte- Stores Report, 2007), (ICICI Property Services-Technopak Advisers Pvt. Ltd., 2007). (NRFSTE, 2008), (outlook2008). and (KPMG2009).are the research organizations that examine the retail sector.

(CAIT 2007), (Deloitte- Stores Report, 2007), (Reardon and Hopkins, 2006; Reardon and Berdegue, 2007) examine the internationalization of retail sector. Global Retail Development Index (2005, 2006, and 2007) studied the ranking of the countries in retail business. (Mutebi, 2007) evaluates the retail sector in Southeast Asia (Malaysia, Indonesia, and Thailand). (ICICI Property Services-Technopak Advisers Pvt. Ltd., 2007) reports shows the growth of retail in the Indian context.(Hu et al. 2004) examine the Chinese retail sector. Reardon et al. (2003) studied the demand side factors as well the policies impact on retail. (NRFSTE, 2008) report deals with the Indian small retail sectors. (KPMG2009) report studies the growth of indian retail sector. (outlook2008) report shows the impact of multi brand retailing India. (CAIT 2007) report reveals the impact of big giants of retail on the small retailers.

(Deloitte- Stores Report, 2007). Reports reveals that there has been a creeping internationalization of retailing over the recent period. As home markets have become crowded and with opportunities in emerging markets rising, modern retailers from developed countries have been turning to new markets. On an average each of the top 250 retailers in the world have operated on an average in 5.9 countries in 2005-06 (July-June) against five countries in 2000-01. (Reardon and Hopkins, 2006; Reardon and Berdegue, 2007) evaluates that the arrival of modern retail in developing countries occurred in three successive waves The first wave took place in the early to mid-1990s in South America (e.g., Argentina, Brazil, and Chile), East Asia outside China (South Korea, Malaysia, Philippines, Thailand, and Taiwan), North-Central Europe (e.g., Poland, Hungary, and Czech Republic) and South Africa. The second wave happened during the mid to late 1990s in Mexico, Central America (e.g., Ecuador, Colombia, and Guatemala), Southeast Asian countries (e.g., Indonesia), Southern-Central Europe (e.g., Bulgaria). The third wave has just begun in the late 1990s and early 2000s in parts of Africa (e.g., Kenya), some countries in Central and South America (e.g., Nicaragua, Peru, and Bolivia), Southeast Asia (e.g., Vietnam), China, India, and Russia. The international consulting firm, A.T. Kearney, annually ranks emerging market economies based on more than 25 macroeconomic and retail-specific variables through their Global Retail Development Index (GRDI). For the last three years (2005, 2006, and 2007) India has been ranked as number one indicating that the country is the most attractive market for global retailers to enter. The high economic growth during the last few years raising disposable incomes rapidly, favourable demographics placing incomes on younger population with less dependency, and urbanization are some of the major factors fueling the Indian retail market. (Mutebi, 2007). Examine that countries in Southeast Asia (Malaysia, Indonesia, and Thailand) imposed a number of restrictions on the growth of large retail companies particularly the transnational companies in contrast to a fairly liberal approach to the retail sector followed until the late 1990s. These restrictions involve the use of a combination of competition laws, FDI regulation, land use restrictions (zoning laws), and limits on operating hours. (ICICI Property Services-Technopak Advisers Pvt. Ltd., 2007) report conclude that the growth in organized retailing in recent years can also be gauged by the rise of shopping malls as well as the rising number of modern retail formats. In 1999, India had just three shopping malls measuring less than one million sq. ft. By the end of 2006, the country had 137 shopping malls equivalent to 28 million sq. ft. The pace of construction of shopping malls is progressing rapidly and the number of malls is expected to be about 479 by the end of 2008 with a capacity of 126 million sq. ft. (Hu et al. 2004). Find that China ranked fourth, fifth, and third in the AT Kearney Global Retail Development Index in 2005, 2006, and 2007, respectively, and is a fascinating case of extremely rapid supermarket diffusion. Modern retail in China comprises roughly 10 per cent of the national retail and 30 per cent of urban food markets. Reardon et al. (2003),track that models developed after the take-off, such as reiterate the demand-side factors as necessary but not sufficient and emphasize policy factors and retail supply-side factors—in particular, procurement system modernization (driving down prices) and massive retail FDI, as well as massive competitive (and anticipatory) domestic retail investment that emerged mainly in the 1990s. (NRFSTE, 2008) report states that in Delhi through its study has argued that the entry of the corporate retails has a cascading impact on unorganised small retailers. The study has shown that small and petty shop owners, as well as fruit and vegetable vendors in the vicinity of big corporate retailers had suffered from a major fall in their income, and those unable to face the competition were forced to withdraw from the profession by closing down their shops. (Econimic times2008)reports revealed that the government had also press ICRIER to study the implications of FDI in retail. The ICRIER report stated that organised retail was not harming the country's farmers, and was unlikely to adversely impact small stores. It added that in the initial stage, 49 per cent FDI should be allowed, which could be raised to 100 per cent in three to five years depending on the sector's growth. (KPMG2009). Reports finds that the Indian retail pie is among the world's largest, and organised retail accounts for only 3 per cent of it. Some studies have estimated that the $260 billion market is growing at 26-30 per cent annually. In five years, it will expand to $500 billion, with organised retail cornering nearly 10 per cent share(outlook2008) revealed that Foreign retail biggies like Wal-Mart and Metro AG are only allowed to operate in the wholesale trade. They are obviously itching to get into multi-brand retailing (where FDI is barred), but it remains to be seen whether the government has the political will with the 2009 general elections within smelling distance. Montek Singh Ahluwalia, deputy chairman, Planning Commission. (CAIT 2007) reports revealed that in the study of 10 countries clearly shows big retail tends to wipe out local competition to create a monopolistic market and then dictates prices to both consumers and small manufacturers from whom it is sourcing products.

Researchers have studied the growth of the retail in the different countries as well as the impact of the big retail giants on the small retailers. However, not much research has been undertaken on the level if success achieved by the retail companies in the case of Indian market, and reasons thereof. The present study will investigate the said reasons with respect to the companies working in Indian market.

IV. Research Methodology

The sampling technique used in this study is probability and non probability. It is a hybrid technique in which both probability and non probability includes. In probability we select the student by chance, and according to the non probability we select by choice.

Following tools are used for Analysis of data: -

The mean is a particularly informative measure of the "central tendency" of the variable if it is reported along with its confidence intervals.

Mean = $(Sx_i)/n$

Usually we are interested in statistics (such as the mean) from our sample only to the extent to which they can infer information about the population. The confidence intervals for the mean give us a range of values around the mean where we expect the "true" (population) mean is located (with a given level of certainty).

The standard deviation is a commonly used measure of variation. The standard deviation of a population of values is computed as:

$s = [S(x_i-m)^2/N]^{1/2}$

where

m is the population mean and N is the population size

The sample estimate of the population standard deviation is computed as:

$s = [S(x_i\text{-x-bar})^2/(n-1)]^{1/2}$

where

x-bar is the sample mean and n is the sample size

The variance of a population of values is computed as:

$s^2 = S(x_i-m)^2/N$

where

m is the population mean and N is the population size

The unbiased sample estimate of the population variance is computed as:

$s^2 = S(x_i\text{-xbar})^2/n-1$

where

xbar is the sample mean and n is the sample size

Skewness measures the deviation of the distribution from symmetry. If the skewness is clearly different from 0, then that distribution is asymmetrical, while normal distributions are perfectly symmetrical.

Skewness = $n*M_3/[(n-1)*(n-2)*s^3]$

where

M_3 is equal to: $S(x_i\text{-Mean}_x)^3$

s^3 is the standard deviation (sigma) raised to the third power

n is the valid number of cases.

M_3 is equal to: $S(x_i\text{-Mean}_x)^3$

s^3 is the standard deviation (sigma) raised to the third power

n is the valid number of cases.

Kurtosis measures the "peakedness" of a distribution. If the kurtosis is clearly different than 0, then the distribution is either flatter or more peaked than normal; the kurtosis of the normal distribution is 0. Kurtosis is computed as:

$$\text{Kurtosis} = [n*(n+1)*M_4 - 3*M_2*M_2*(n-1)] / [(n-1)*(n-2)*(n-3)*s^4]$$

where:

M is equal to: $S(x_i\text{-Mean}_x)^j$

n is the valid number of cases

s^4 is the standard deviation (sigma) raised to the fourth power

The general purpose of multiple regression is to learn more about the relationship between several independent or predictor variables and a dependent or criterion variable.

A line in a two-dimensional or two-variable space is defined by the equation Y=a+b*X; in full text, the Y variablecan be expressed in terms of a constant (a) and a slope (b) times the X variable. The constant is also referred to as the intercept, and the slope as the regressioncoefficient or B coefficient. Multiple regression procedures will estimate a linear equation of the form:

$$Y=a+b_1*X_1+b_2*X_2+...+b_p*X_p$$

The regression line expresses the best prediction of the dependent variable (Y), given the independent variables (X). However, nature is rarely (if ever) perfectly predictable, and usually there is substantial variation of the observed points around the fitted regression line. The deviation of a particular point from the regression line (its predicted value) is called the residual value.

The standardized residual value is the observed minus predicted divided by the square root of the residual mean square.

The Mahalanobis distance is the distance of a case from the centroid in the multidimensional space, defined by the correlated independent variables (if the independent variables are uncorrelated, it is the same as the simple Euclidean distance). Thus, this measure provides an indication of whether or not an observation is an outlier with respect to the independent variable values.

The deleted residual is the residual value for the respective case, had it not been included in the regression analysis, that is, if one would exclude this case from all computations. If the deleted residual differs greatly from the respective standardized residual value, then this case is possibly an outlier because its exclusion changed the regression equation.

Cook's Distance is another measure of impact of the respective case on the regression equation. It indicates the difference between the computed B values and the values one would have obtained, had the respective case been excluded. All distances should be of about equal magnitude; if not, then there is reason to believe that the respective case(s) biased the estimation of the regression coefficients.

Further, chi square test used for check the feasibility of the variables. Chi-square is a statistical test commonly used to compare observed data with data we would expect to obtain according to a specific hypothesis. For example, if, according to Mendel's laws, you expected 10 of 20 offspring from a cross to be male and the actual observed number was 8 males, then you might want to know about the "goodness to fit" between the observed and expected. Were the deviations (differences between observed and expected) the result of chance, or were they due to other factors. How much deviation can occur before you, the investigator, must conclude that something other than chance is at work, causing the observed to differ from the expected. The chi-square test is always testing what scientists call the null hypothesis, which states that there is no significant difference between the expected and observed result.

The formula for calculating chi-square ($\square^2$) is:

$\square^2 = \square\ (o-e)^2/e$

That is, chi-square is the sum of the squared difference between observed (o) and the expected (e) data (or the deviation, d), divided by the expected data in all possible categories.

V. Findings

1) *Retailer s mean median and standard deviation*

Table 1

Variable	Mean	Median	Standard deviation
Sales	2.46428571	3	1.29048205
Technology	2.78571429	2.5	1.19743995
Attract	2.78571429	3	1.19743995
Franchise	2.67857143	3	1.15641757
Funds	3.25	3.5	1.10972135
Recession	3.0351429	3	1.31886997
Hand made product	3.42857143	3	1.03381965

We given the numbers to the five option as-1-strongly disagree ,2-diagree ,3-neutral ,4-agree ,5-strongly agree

Now from table the opinion of retailers that their sales is effected due to organized retail is neutral in the case of mean. and the opinion in the case of median is also neutral 3.in the case of technology upgradtion the mean is 2.78 and median is 2.5 that are neutral. In the case of attract costumer the mean is 2.78 and the median is 3 so the respondent opinion is neutral in both mean and median .The mean and median of franchise is near about 3 in this case the respondents opinion is also neutral .As we see that the average of mean of funds ,recession, and hand made products is 3.25,3.03,3.42 .And the median is 3.5,3,3.In the case of these variables respondents are agreed.

If the standard deviation is more then it means there is more varience from the mean. In above table the maximum standard deviation is the case of recession variable And the minimum standard deviation is in the case of hand made product.

Table 2

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.001	1	.001	.001	.979[a]
	Residual	38.713	26	1.489		
	Total	38.714	27			
a. Predictors: (Constant), sales						
b. Dependent Variable: technology						

The fallowing anova shows the regressions sum of square is .001,df 1,Mean square .001,f .001, sig .979. the resisdual represent sum of square 38.713, df 26, 1.489.the total shows the sum of square is 38.714,df 27.

Table 3

The anova coefficient shows unstandardized coefficient beta is-.005 and unstandardized

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.797	.504		5.548	.000
	sales	-.005	.182	-.005	-.026	.979
a. Dependent Variable: technology						

standardized error .182 the standard coefficient beta is-.005

Table 4

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.089	1	3.089	2.255	.145[a]
	Residual	35.625	26	1.370		
	Total	38.714	27			
a. Predictors: (Constant), sales						
b. Dependent Variable: attract						

The anova table show the regression ,residual and total. Regression in which the some of the square is 3.089 .df is 1,mean square is 3.089. and f is2.255. sig .145.and the residual in which the sum of the square is 35.625 ,df is 26,and mean square is1.370. and the total represent the sum of the square is 38.714 ,df 27

Table 5

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.140	.484		4.424	.000
	sales	.262	.175	.282	1.502	.145
a. Dependent Variable: attract						

The coefficients of ANOVA represent unstandardized coefficient beta, unstandardized coefficients standard error, standardized coefficients beta.the model represent salesin which unstandardized coefficient beta is.262 and unstandardized coefficient standardized error is .175.And standardized coefficient beta is .282.

Table 6

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.106	1	.106	.076	.785[a]
	Residual	36.002	26	1.385		
	Total	36.107	27			
a. Predictors: (Constant), sales						
b. Dependent Variable: franchise						

The anova table represent regression sum of square is .106,df 1,mean square .106,f.076 and sig.785.The residuals sum of square is 36.002,df 26,mean square1.385,f .76,sig.785.And total shows the sum of square 36.107,df 27.

Table 7

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.559	.486		5.263	.000
	Sales	.048	.175	.054	.276	.785
a. Dependent Variable: franchise						

The unstandardized coefficient beta is .048.and unstandardized coefficients standard error is .175.and the standardized coefficient betais .054.

2) *Chi Square Test*

Table 8

Variables	Chi-square	Asymptotic significant
Sales	9.500	.050
Technology	7.714	.103
Franchise	7.357	.188
Recession	2.357	.670
Handmade product	1.429	.699
Funds	11.286	.024
Attract	5.214	.266

The above table 5.8 shows that the sales of chi-square is significant at.050 it shows positive significance

In Table the chi square value and asymptotic significant value is shown .when the asymptotic significant value is less than 0.05(<0.05) then there is low variance, it means our sample is a good sample for generalized the result to whole universe. If the value of asymptotic significant is more than 0.05(>0.05) then the data is too much vary and result cannot be generalized to the whole universe.

In the table the asymptotic value of sales .050 which is significant in the above table only one value of variable funds .024 is below .050 which is good but the value of other variables are above .050 those are not significant that is why the result cannot be commerslized to the whole universe.

3) *Regression test (consumers)*

Table 9

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.976	3	.992	.753	.525[a]
	Residual	86.967	66	1.318		
	Total	89.943	69			
a. Predictors: (Constant), enjoyable , prices, lifestyle						
b. Dependent Variable: spending						

In above table out of 89.943 . 2.976 reasons for enjoyable, prices and lifestyle and 86.967 reasons are others for spending.

Table 10

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.107	.685		3.074	.003
	Prices	.190	.142	.164	1.338	.186
	lifestyle	.066	.126	.066	.524	.602
	enjoyable	-.010	.142	-.009	-.073	.942
a. Dependent Variable: spending						

The coefficients of ANOVA represent unstandardized coefficient beta are prices of .190. andUnstandardized coefficients standard error.142.standardized coefficients beta.164. In the another case 0f variable lifestyle the unstandardized coefficient beta .066 which is less unstandardized coefficient standard beta of prices. And unstandized coefficient std error is .126.and standardized coefficient beta is .066.the enjoyable shows the both unstandardized coefficient beta and standardized coefficient beta are negative .But it shows positive unstandardized coefficient std error.

Table 11

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	15.234	4	3.808	2.999	.025[a]
	Residual	82.552	65	1.270		
	Total	97.786	69			
a. Predictors: (Constant), huge saving, spending, farmers benefits, employment						
b. Dependent Variable: economicgrowth						

In the above table out of 97.786. 15.234reasons for huge saving, spending, farmers benefits and employment 82.552 reasons are others for economic growth.

Table 12

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.956	.692		1.382	.172
	Spending	.117	.124	.112	.937	.352
	Employment	.214	.126	.211	1.701	.094
	farmers benefits	.214	.133	.190	1.609	.113
	huge saving	.163	.125	.165	1.306	.196
a. Dependent Variable: economicgrowth						

The coefficients model represent unstandardized coefficient beta of variable spending is.117, unstandardized coefficients standard error .124, standardized coefficients beta .112. and in of variable employment the coefficient shows the positive and highest unstandardized coefficient beta .unstandardized coefficient standard error and standard coefficient beta. And the variable farmers benefitalso shows positive unstandardized coefficient beta and positive unstandardized coefficient standard error. The huge saving also represent positive unstandardized coefficient beta and unstandardized coefficient standard error.

Table 13

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.046	1	5.046	5.196	.026[a]
	Residual	66.039	68	.971		
	Total	71.086	69			
a. Predictors: (Constant), lifestyle						
b. Dependent Variable: enjoyable						

Table 14

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.352	.354		6.637	.000
	Lifestyle	.237	.104	.266	2.279	.026
a. Dependent Variable: enjoyable						

The coefficients of ANOVA represent unstandardized coefficient beta, unstandardized coefficients standard error, standardized coefficients beta. The model represent the life style in which unstandardized coefficient beta .237, unstandardized coefficient standard error .104 and standard coefficient .266.

Table 15

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.296	1	2.296	1.462	.231[a]
	Residual	106.789	68	1.570		
	Total	109.086	69			
a. Predictors: (Constant), spending						
b. Dependent Variable: more tense						

In above table out of 109.086 . 2.296 reasons for spending and 106.789 reasons are others for more tense.

Table 16

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.211	.420		5.261	.000
	Spending	.160	.132	.145	1.209	.231
a. Dependent Variable: more tense						

The coefficients of ANOVA represent unstandardized coefficient beta, unstandardized coefficients standard error, standardized coefficients beta. The model represents the spending in which unstandardized coefficient beta .160, unstandardized coefficient standard error.132 and standard coefficient .145

Table 17

Variable	spending	employme nt	Economi c growth	farmers benefits	prices	huge saving	lifestyle	enjoyable	more tense
Spending	1.000000	0.210389	0.121863	-0.058501	0.170295	-0.141746	0.082664	0.027871	0.145088
Employment	0.210389	1.000000	0.278108	-0.020051	0.235538	0.288486	0.322653	0.231450	-0.261349
Economic growth	0.121863	0.278108	1.000000	0.218647	0.358816	0.255255	0.296538	0.123369	-0.031813
Farmers benefits	-0.058501	-0.020051	0.218647	1.000000	0.055903	0.240948	0.167906	0.019354	0.148425
Prices	0.170295	0.235538	0.358816	0.055903	1.000000	0.085738	0.116212	0.118997	-0.044516
huge saving	-0.141746	0.288486	0.255255	0.240948	0.085738	1.000000	0.308644	0.234075	-0.160203
Lifestyle	0.082664	0.322653	0.296538	0.167906	0.116212	0.308644	1.000000	0.266436	-0.336334
Enjoyable	0.027871	0.231450	0.123369	0.019354	0.118997	0.234075	0.266436	1.000000	-0.266703
more tense	0.145088	-0.261349	-.031813	0.148425	-0.044516	-0.160203	-0.336334	-0.266703	1.000000

Above table 17shows the correlation between a single variable with the others variables. When the correlation between the variable is one, it means that there is perfect correlation between the variables. In above table we can see the positive and good correlation in yellow boxes. Blue boxes shows the perfect correlation .in remaining boxes there is low and negative correlation.

These correlation shows that what is relation of one with the other variable, mean how much they correlate with each other as shown in above table.

4) *Chi Square Test*

The chi-square is significant at.050 it shows positive significance

In Table the chi square value and asymptotic significant value is shown .when the asymptotic significant value is less than 0.05(<0.05) then there is low variance, it means our sample is a good sample for generalized the result to whole universe. If the value of asymptotic significant is more than 0.05(>0.05) then the data is too much vary and result cannot be generalized to the whole universe.

Variable	Chi square	Asymptotic significant
Spending	16.571	.002
Economic growth	39.000	.000
Farmers benefit	13.143	.011
Prices	25.429	.000
Huge saving	32.714	.025
Life style	11.143	.003
Enjoyable	24.286	.000
More tense	16.286	.003

In the table the asymptotic values of all the variables is less than .050 which is significant in the above table below .050 which is good. All the asymptotic values are less than 0.05.so we can generalize to the whole universe.

VI. Conclusion

To summarized in end the patterns of Punjab retail sector is changing now many retail investor open their retail store and running successfully and some other big players are ready to invest in the retail sector in Punjab and the future of organized retail is quite good in big cities but in the cities cognized retail not successful to gain moment .

And the second thing come out of research that the unorganized retail is not much effected by organized retail their is only 4% unorganized retailer are effected due to the opening of organized retail stores .but now with this competition the unorganized retailers are also ready to inject more money to improve their operations .

.And the third thing according to the study consumption behavior of the consumer is not much changed due to opening of organized retail but people get the day to consumption things in a better and managed way.

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1. General,

2. Ethical Guidelines,

3. Submission of Manuscripts,

4. Manuscript's Category,

5. Structure and Format of Manuscript,

6. After Acceptance.

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