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CONTENTS OF THE VOLUME

Societal Information Disclosure and The Cost of Equity : The Case of Tunisian Companies

By Marjène Rabah Gana, Mejda Dakhlaoui

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Abstracts - The purpose of this article is to identify the determinants of social and environmental disclosure and its relationship with the cost of equity. The sample used is composed of 36 Tunisian listed companies over the period 2001-2005. Results show that, in accordance with the theory of legitimacy, some parameters of the company affect its societal disclosure index. These variables are the size of the company and its membership to the financial sector. Moreover, a significant nonlinear relation is highlighted between the disclosure index and the future cost of equity. It is negative for low levels and positive for higher levels.

Keywords : information disclosure, social information, environmental information, societal information, legitimacy theory, cost of equity.

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Societal Information Disclosure and The Cost of Equity : The Case of Tunisian Companies

Marjène Rabah Gana[α] , Mejda Dakhlaoui[Ω]

Abstract - The purpose of this article is to identify the determinants of social and environmental disclosure and its relationship with the cost of equity. The sample used is composed of 36 Tunisian listed companies over the period 2001-2005. Results show that, in accordance with the theory of legitimacy, some parameters of the company affect its societal disclosure index. These variables are the size of the company and its membership to the financial sector. Moreover, a significant nonlinear relation is highlighted between the disclosure index and the future cost of equity. It is negative for low levels and positive for higher levels.

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I. Introduction

The notion of sustainable development or corporate social responsibility integrates the social dimension and the environmental responsibility into the current management of the firm. The consideration of the societal dimension (social and environmental engagement of the firm) makes the firm voluntarily more attentive to the satisfaction and to the realization of the well-being of all its partners rather than to its profit maximisation. The commitment of the company in such a strategy fits within the good practices of corporate governance, because it allows the firm to gain in legitimacy and to enhance its economic growth. Therefore, responding to the needs of customers, paying the suppliers in short deadlines, creating jobs, respecting the rights of the workers, assuring a good working atmosphere, reducing the polluting emissions fit within the corporate societal responsibility of the company (CSR) and help it to reach performance and sustainability. The theory of legitimacy explains the CSR behavior. This theory was initially advanced by Hogner (1982) who concludes that the publication of social information is a response to the society's expectations on corporate behavior. Therefore firms respect their social contracts with stakeholders. The company, while pursuing its economic objectives,

must justify its activities and its consequences otherwise it might see its contract breaking (Savage et *al.*, 1999). According to Cormier et *al.* (2001), the extent of societal disclosure differs from one country to another according to legal, socio-political, cultural and financial constraints. Therefore, it seems interesting to study the societal dimension that characterizes firms operating in an emerging market, such as Tunisia. Our goal is twofold: on one hand, to identify the profile of Tunisian firms that disclose more societal information and on the other hand, to understand how the disclosure of this information affects the cost of accessing to the capital market. The Tunisian accounting system is based on standards consistent with those of the International Accounting Standards Board without giving details about information to provide in the management report. But, the conceptual framework of the Tunisian accounting system states that other financial and non-financial information, whose publication is likely to make information more useful, could be communicated. The annual report guide of the Tunisian firms established by the Arab Institute of Business Managers expects that the firm should include in its annual report a section describing the social and environmental data and the actions taken about societal responsibility. The rest of the article is organized as follows. The next two sections present the theoretical settings and some empirical results concerning the societal disclosure determinants and its impact on the cost of capital. Section 4 presents the data and the methodology followed by the discussion of the results, in section 5. Finally, we conclude in section 6.

II. Societal Disclosure Determinants

The empirical researches show several determinants of the societal information disclosure behavior. According to Patten (1991), societal disclosure is higher in sensitive industries. Industrial firms with an environmental impact such as those in the mining and oil extraction, voluntarily choose to provide environmental information in order to reassure stakeholders and to cope with threats posed by non-compliance with regulations. Kolk et *al.* (2001) note a significant difference in the behavior of financial institutions and other firms. Other studies emphasize

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that the societal disclosure behavior depends on the type of corporate ownership. In this regard, the study of Cormier and Gordon (2001) concludes that public companies disclose more social and environmental information than private firms, since they face greater pressures from their partners. Cormier and Magnan (1999, 2003) and Ben Rhouma and Cormier (2007) find a positive relationship between firm size and the effort that it provides in social communication. Larger firms are subject to most important external pressures and must thus disclose much non-financial information to reassure their partners. Lang and Lundholm (1993) add that the voluntary disclosure of information is greater in larger companies, given the economies of scale in the production costs of such information.

The tendency of companies to disclose societal information also depends on their capital requirements. Thus, Cormier and Magnan (1999) show that the access to capital is facilitated by social and environmental commitment and disclosure of the company. They emphasize that a high level of debt leads firms to disclose less non-financial information. However, Richardson and Welker (2001) find a positive relationship between leverage and societal disclosure index. Roberts (1992) and Leftwich et al. (1981) consider that debt encourages the company to disclose societal information in order to satisfy the expectations of its creditors and facilitate the monitoring and control of its managers. Cormier and Magnan (1999) also argue that firms whose return on assets is high disclose more environmental information, because they have more resources.

In addition, the literature looks at the relationship between ownership structure and disclosure level. Referring to the agency theory, companies with dispersed capital undergo higher agency costs. The disclosure of financial or non-financial information is then presented as a mechanism to limit these costs. Empirical studies show a positive relationship between the dispersion of ownership and information disclosure. Chau and Gray (2002) find this relationship in Hong Kong and Singapore. Makhija and Patton (2004) find the same result on the Czech market. The work of Ben Rhouma and Cormier (2007) interested in studying the effects of board characteristics and ownership concentration on societal communication of French listed companies concludes that the independence of the board positively affects societal reporting. However, a negative relationship is identified between the ownership concentration and the societal disclosure index.

III. Impact Of Societal Disclosure On The Cost Of Capital

According to the positive accounting theory and the contractual theories of the firm[1], the firm is considered as a nexus of contracts. From this perspective, the societal disclosure would reduce contract costs. It reduces the information asymmetry between the different partners of the company. This indirectly contributes to lower its financing costs (Core, 2001). Fombrun et al. (2000) underline that firms engaged in CSR vision can negotiate their contracts with their partners on better terms, allowing them to reduce their cost of capital. These companies invest in reputational capital, strengthen their competitive advantage and minimize the risks from the alienation of key stakeholders. Verrecchia (1990) cites the signaling theory to explain the voluntary disclosure behavior of firms. The hope of legitimizing the activities of firms is interpreted as a positive signal that maximizes the value of the firm and minimizes its cost of capital.

According to Haggard et al. (2008), the disclosure of specific private information could however make the firm lose its competitive advantage as the societal strategies undertaken by the company may be imitated by its competitors. Therefore, the societal commitment of the company is perceived as an additional cost. This idea is also the translation of the liberal neoclassical economists' view, according to which managers must act in the only purpose of maximizing shareholders wealth (Friedman, 1970). The company's CSR commitment is in this sense, viewed as a cost that reduces shareholders wealth. The economic analysis of the competitive market defends, for its part, the absence of any relationship between financial indicators and CSR. Indeed, the laws of general equilibrium make the profits generated by the societal commitment of the company neutralized by its costs (McWilliams and Siegel, 2001).

According to Ullmann (1985), the relationship between CSR and financial performance is complex and the existence of any relationship between these two variables is fortuitous. According to Barnett and Salomon (2006), this relationship is nonlinear. Most of the empirical studies demonstrate a positive relationship between information disclosure and financial performance and a negative relationship with the cost of capital (Botosan, 1997; Botosan and Plumlee, 2002; Graham et al., 2005). Such a firm attracts more the attention of financial analysts as it provide them specific information which enables them to reduce the cost of collecting and treating the information and hence minimize the firm information asymmetry. More recently, the results of Cormier et al. (2009) show information disclosure concerning the social capital of Canadian companies reduces information asymmetry. Richardson and Welker (2001) test the relationship between the cost

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[1] These consist of the instrumental theory of stakeholders (Donaldson and Preston, 1995) and the agency theory (Jensen and Meckling, 1976).

of equity and social and environmental disclosure for a sample of Canadian firms. They find, however, a significant positive relationship between the level of societal disclosure and the cost of equity. They attribute their result to the problem of endogeneity between disclosure and firm characteristics which wasn't taken into consideration. Other authors, like Seifert et *al.* (2003, 2004), don't find any significant relationship.

IV. Data And Methodology

a) Data

In order to collect societal information disclosed by Tunisian companies, we use their annual reports. We choose to collect the information disclosed on a period from 2001 to 2005. The study is based on a sample of 36 Tunisian companies listed on the Tunis Stock Exchange and operating in different sectors[2]. The accounting information and the governance characteristics are collected from reports and financial statements available on the website of the Tunis Stock Exchange, on the websites of companies, from the financial market council and from brokerage firms.

b) Disclosure score measure

Based on the analysis of the content of annual reports, we calculate for each firm and for each year a societal information disclosure score. We refer to the items describing societal disclosure as they appear in the study of Richardson and Welker (2001). The authors identify ten categories of societal information, those concerning human resources, products, services and consumers, community, environment, energy resources, government, suppliers, shareholders, competitors and a category for miscellaneous items[3].

A value of 1, 2 or 3 is given to each item:
Value = 1 if the information is not disclosed,
Value = 2 if the information is described briefly,
Value = 3 if the information is disclosed in details and is quantified.

The societal disclosure score, noted $SCORE_{i,t}$, is calculated as the ratio between the overall disclosure score and the maximum disclosure score in our sample[4]. This method is inspired from Botosan (1997).

The ratio is specified as follows:

$$SCORE_{i,t} = \sum_{j=1}^{10} X_{j,t}^{i} \Big/ MAX \sum_{j=1}^{10} X_{j,t} \qquad (1)$$

Where $X_{j,t}^{i}$ is the value given to the item j in the year t for the firm i.

[2] We have based our choice of these 36 firms on data availability.
[3] The miscellaneous category includes any other type of societal information such as the relationship with the companies of the group, the information system or the score given by rating agencies.
[4] The maximum score of disclosure is 25.

c) Explanatory variables

The explanatory variables and the expected relations based on the previous developed theory are next presented. They are defined as follows:

- *Ownership status (STAT)* : This variable defines whether the ownership of the company is private or public. It is measured by a dummy variable taking the value 1 when the Tunisian government is a majority shareholder and 0 otherwise. In concordance with the results of Cormier and Gordon (2001), a positive relationship is expected.

- *The size (SIZE):* Following Chalmers and Godfrey (2004), it is measured by the natural logarithm of accounting assets. It is supposed to be positively associated with societal disclosure index (Branco and Rodrigues, 2008).

- *The firm's type (TYPE):* This variable distinguishes between financial and non-financial companies. Based on the results of the studies of Kolk et *al.* (2001) and Peeters (2003), we expect that non-financial firms disclose more information about societal issues. This variable therefore takes the value 1 if the firm has a non-financial activity and 0 otherwise.

- *Financial performance (ROE):* We measure financial performance by the return on equity calculated as the ratio between net profit and book value of equity. Cormier and Gordon (2001) document a negative relationship between ROE and societal disclosure.

- *Leverage (LEV):* We measure leverage by the debt to equity ratio. While studies of Cormier and Magnan (1999) and Oxibar (2003, 2009) find a negative relationship, Roberts (1992) and Richardson and Welker (2001) point out a positive relationship.

- *Ownership concentration (OWNC):* According to the study of Roberts (1992), this variable is measured by the percentage of shares owned by investors holding 5% or more of the shares. The findings of Ho and Wong (2001) and Ben Rhouma and Cormier (2007) lead us to suppose that the more the ownership of the company is dispersed, the more it discloses information related to its societal commitment.

d) Models

We present the following regression models which allow us, first, to analyze the determinants of societal disclosure (model 2) and, second, to study the relationship between the disclosure level and the cost of equity (models 3 and 5).

The first model is expressed as follows:

$SCORE_{i,t} = a_0 + a_1 STAT_{i,t} + a_2 SIZE_{i,t} + a_3 TYPE_{i,t} + a_4$
$ROE_{i,t} + a_5 LEV_{i,t} + a_6 OWNC_{i,t} + \mu_{i,t}$ (2)

The index i represents the firm and t indicates the year. The a_i ($i = 1, \ldots 6$) are the coefficients of the explanatory variables of the societal disclosure score.

The explanatory variables are defined above. μ is the residual term.

In order to test empirically the relationship between societal disclosure score and the cost of equity (COE), we estimate the following model:

$$COE_{i,t+1} = x_0 + x_1\ SCORE_{i,t} + \pi_{i,t} \qquad (3)$$

π is the residual term.

The cost of equity of each firm i in year t is calculated from the Gordon-Shapiro (1956) model:

$$COE_{i,t} = D_{i,t+1}/V_{i,t} + g \qquad (4)$$

Where:

$COE_{i,t}$: the cost of equity of the firm i in t.
$D_{i,t+1}$: the dividend paid by the firm i in $t+1$.
$V_{i,t}$: the market value of the share of the firm i in t.
g: the growth rate of the dividend yield estimated as the dividend growth over the previous year.

Model (3) tests the impact of the societal disclosure score on the cost of equity. In order to have unbiased estimators, the hypothesis of the exogeneity of the variable SCORE is examined through the test of Nakamura Nakamura[5].

Finally, and similar to Barnett and Salomon (2006), we test the presence of a potential nonlinear relationship between the cost of capital and the societal disclosure score, using the following quadratic regression model:

$$COE_{i,t+1} = x'_0 + x'_1\ SCORE_{i,t} + x'_2\ (SCORE_{i,t})^2 + \pi'_{i,t} \qquad (5)$$

Where $SCORE^2$ is the square of the variable SCORE and π' is the residual term.

The regression model (2) is estimated on panel data, assuming the individual effect is random. Regression models (3) and (5) are estimated using ordinary least squares method on pooled data, since the hypothesis of the absence of individual effects is accepted.

V. Results And Discussion

a) Descriptive analysis

In order to test the reliability of our disclosure score, we calculate the Cronbach's alpha. This coefficient reflects the internal consistency of the index. The score of societal disclosure has a Cronbach alpha of 0.6 which is within the interval of limit values. Table 1 shows some descriptive statistics of quantitative and qualitative variables used in our study.

[5] For more details, refer to Kpodar (2007).

Table 1: Descriptive statistics

Panel a: Descriptive statistics of quantitative variables

Variable	Mean	Std. deviation	Min	Max
SCORE	0.76	0.09	0.52	1
COE	0.09	0.18	0.00	1.59
SIZE	18.78	1.75	16.32	22.2
ROE	0.02	0.93	-12.2	1.69
LEV	1.102	1.86	-8.48	17.26
OWNC	0.84	0.17	0.25	1

SCORE = societal disclosure measure; **COE** = cost of equity; **SIZE** = natural logarithm of accounting assets; **ROE** = return on equity; **LEV** = debt to equity ratio; **OWNC** = the percentage of shares owned by investors holding 5% or more of the shares.

Panel b: Descriptive statistics of qualitative variables

Variable	Value	Frequency	%
STAT	0	79	43.89
	1	101	56.11
TYPE	0	70	38.89
	1	110	61.11

STAT = dummy variable equals 1 if the government is a majority shareholder in the firm; **TYPE** = dummy variable equals 1 if the company has a non-financial activity.

The examination of descriptive statistics in panel 'a' shows that the average score of societal disclosure is 0.76 with a standard deviation of 0.09. We also note that on average 85% of shares are held by investors possessing 5% or more of the firm's shares. Finally, Tunisian firms in our sample show an average cost of equity of 9% with a standard deviation of 0.18. Companies seem to have further differences in their size and financial leverage. Panel 'b' presents the descriptive statistics of the qualitative variables. The results show that 56% of companies in our sample are public and 61% are non-financial businesses. These two variables can influence the disclosure practices of societal information.

It is also relevant to examine the evolution of the score over time. The examination of the results of table 2 shows that the societal disclosure score has slightly improved over the years. It moved from 0.72 in 2001 to 0.79 in 2005.

Table 2 : Disclosure score evolution

2001	Mean	0.72
	Standard deviation	0.094
2002	Mean	0.74
	Standard deviation	0.089
2003	Mean	0.76
	Standard deviation	0.094
2004	Mean	0.78
	Standard deviation	0.083
2005	Mean	0.79
	Standard deviation	0.084

SCORE = societal information disclosure measure.

Table 3 : Disclosure score determinants

Variables	Constant	STAT	SIZE	TYPE	ROE	LEV	OWNC
Coefficient	-0.137	0.014	0.044	0.146	- 0.009	-0.001	-0.04
t-Student	-0.76	0.57	5.16***	4.37***	-1.24	-0.19	-0.99

STAT = dummy variable equals 1 if the government is a majority shareholder in the firm; **SIZE** = natural logarithm of accounting assets; **TYPE** = dummy variable equals 1 if the company has a non-financial activity; **ROE** = return on equity; **LEV** = debt to equity ratio; **OWNC** = the percentage of shares owned by investors holding 5% or more of the shares. ******* Significant at 1%.

c) Relationship between societal disclosure score and cost of equity

In order to determine the relationship between the disclosure of societal information and the cost of equity in the Tunisian context, we present and interpret hereafter the results obtained from models (3) and (5) estimations.

Table 4: Effect of disclosure on the cost of equity

Panel a : Linear relationship

Variable	INTERCEPT	SCORE
Coefficient	0.04	0 .0764
t-Student	0.28	0.42

SCORE = societal information disclosure measure.

b) Determinants of the societal disclosure score

We try, in the following, to identify the determinants of corporate societal disclosure of Tunisian companies by estimating the equation (2)[6].

The results presented in table 3 show that only SIZE and TYPE variables are significant. Specifically, it seems that larger and non-financial firms disclose more societal information. The size effect confirms the results of Branco and Rodrigues (2008). Larger companies, being subject to greater external pressures and harder regulation, need to disclose social and environmental information to reassure their partners and to legitimize their activities. Regarding the sector effect, it confirms the conclusions reached by Kolk et *al.* (2001) and Peeters (2003). Tunisian banks seem to disclose less societal information, presumably because they give more importance to communicate about financial risks in comparison to social and environmental risks.

Panel b: Nonlinear relationship

Variable	INTERCEPT	SCORE	SCORE^2
Coefficient	1.415	-3.629	2.458
t-Student	1.82	-1.75*	1.79*

SCORE = societal information disclosure measure.
* significant at 10%.

Before testing the regression model (3), we verified the exogeneity of the variable SCORE according to the approach of Nakamura Nakamura[7]. The results obtained from estimating regression model (3) are represented in panel 'a' of table 4. They show a positive relationship between societal commitment of the firm and its future cost of capital. This relationship is not significant. We recall the finding of McWilliams and Siegel (2001) which formulates the hypothesis of a competitive market according to which general equilibrium laws of the market cancel the costs and benefits generated by CSR commitment to explain the absence of any relationship between societal disclosure score and the cost of equity. Other authors such as Ullmann (1985) and Barnett and Salomon (2006) explain this result by the complexity of the relationship between the two variables mentioned above. That's why we try to test the nonlinear form of equation (3). The results

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[6] We check the absence of any problem of multicollinearity between the explanatory variables by calculating the VIF coefficients.

[7] These results are available upon request. They support the hypothesis of exogeneity of the variable SCORE.

presented in panel 'b' of table 4 show a significant nonlinear relationship between COE_{t+1} and $SCORE_t$. The relationship is negative in a first time and positive in a second time. The coefficients related to SCORE and $SCORE^2$ are respectively negative and positive and are significantly different from zero at 10% level.

To sum up, it seems from the above analysis that the societal disclosure significantly affects the company's future cost of capital. Specifically, the relationship between these two variables is nonlinear. A low level of societal disclosure is sufficient to reduce the future cost of capital of the firm as it makes it more credible and enhances its reputation in an environment where overall societal commitment is not embedded in the culture of Tunisian companies. This allows the company to legitimize its behavior and to reassure its partners, which makes it enjoy a lower cost of equity. However, for a high level of disclosure, societal disclosure positively affects the future cost of equity. This can be explained by the fact that an important societal commitment generates high costs that reduce shareholders wealth. The companies which are more generous in terms of societal disclosure could also correspond to companies that are not really committed to the CSR approach.

VI. Conclusion

This research aims to analyze the determinants of the behavior of Tunisian companies regarding the disclosure of societal information and to understand the effect of their societal commitment on their cost of equity. The study, conducted on a sample of 36 companies listed on Tunisian stock exchange over the period 2001 to 2005, highlights an average disclosure score of 76% which has slightly improved over the years.

In addition, two variables stand out as possibly explaining the propensity of Tunisian companies to disclose social and environmental information. These variables are the firms size and their activity sector. Specifically, large companies and those involved in sectors other than the financial one, have a high score of societal disclosure. Moreover, the current societal disclosure of the company influences significantly its future cost of capital. More precisely, the relationship between these two variables is nonlinear. A low level of societal disclosure is sufficient to reduce the cost of capital of the company, while for a high level of disclosure, the future cost of capital increases. Our study presents some contributions. First, it participates to the discussion on CSR and is among the few studies having addressed this issue in the Tunisian context. The significant nonlinear relationship found between the disclosure score and the future cost of equity should be reflected sometimes in a discount and sometimes in a premium in the shareholders required return. This is, in

our view, the major practical contribution of our study.

This research has some limits, including small size and short horizon. It has considered the social and environmental information disclosed only in annual reports, while other reporting media are used by companies such as websites and the press. Other variables that can explain the societal process of the company could be used as well as other methods of calculating the future cost of equity. Finally, the technique of piecewise regression might improve the scope of the results of this study because it can identify precisely the threshold effect. All these limits could lead to possible future research.

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Impact of Employee Adaptability to Change Towards Organizational Competitive Advantage

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Abstracts - It's having long debates among the researchers and the managers for the competitive advantages for the organization in what way it can be disembarked. This study concerns to the human resource management and how the competitive advantages have the significant effect on training and development, empowerment and maintaining in the organization so that employee can be a valuable assets in this way organization became proficient regarding the competitive advantage. Organizations operate in an environment where internal and external forces effect on its overall performances, so this study is helpful in introducing the strong culture and in receiving the present and futuristic benefits towards competitive advantage. An organization has to face competition in the market where they have to introducing their product for capturing maximum the market share in retaining the current as well as the potential consumers, but before entering in competitive advantage the firms have to get involved in such kind of activities necessary for attaining this edge. This study is an expressive nature where some important links given which are guiding towards employee's adaptability to change and getting competitive advantage.

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GJMBR-A Classification: JEL Code: L16

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Strictly as per the compliance and regulations of:

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M. Rashid Tariq[α] , Mr. Sohail[Ω], Dr. Muhammad Aslam[β]

Abstract - It's having long debates among the researchers and the managers for the competitive advantages for the organization in what way it can be disembarked. This study concerns to the human resource management and how the competitive advantages have the significant effect on training and development, empowerment and maintaining in the organization so that employee can be a valuable assets in this way organization became proficient regarding the competitive advantage. Organizations operate in an environment where internal and external forces effect on its overall performances, so this study is helpful in introducing the strong culture and in receiving the present and futuristic benefits towards competitive advantage. An organization has to face competition in the market where they have to introducing their product for capturing maximum the market share in retaining the current as well as the potential consumers, but before entering in competitive advantage the firms have to get involved in such kind of activities necessary for attaining this edge. This study is an expressive nature where some important links given which are guiding towards employee's adaptability to change and getting competitive advantage.

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I.   INTRODUCTION

In the world of business competitiveness where every organization are trying to attaining maximum market share in respect of their max present as well as potential customers and can hold the sustainable competitive advantages for a long period and searching the new ways to retain it.   The main motive for conducting this study is to identify and to discuss the reasons why employees didn't ready easily to adapt the changes than those eager to adapt the change in any case. This study also intricating the basic important element leads to adaptability regarding to change in getting the competitive advantage and also evaluating the responsibilities on the part of employer in order to maintaining certain steps for the betterment of his employees through training and development,empower-ment and culture. Berger, (1994) defined the "change" as it is a repetitive nature of practice in keeping in the line of the organization for operating and performing the most successful manners over its rivals. When an organization implements these manners in a true spirit in creating the environment where an employee feels himself as a valuable person in the organization. This study is a linking approach following the elements towards employee adaptability to change and getting the competitive advantage.

The organization is the mix blend of employees with different skills available in the form of human capital that utilized in the organization's products and services in business activities. The products and services are the real indicator of the strength in considering the overall organizational competitiveness. Trained human capital having tendency to move and left behind the anxiousness for the company to ensure the competitive advantages. So loyalty of such employee in this scenario is of great importance. (Dr. Lisa, Dr. Susanne, Farida Eckardt 2008). The question of modern world how to retain the most valuable employee in the long run, it has became   the biggest challenge for organizations in its own interest to upholding some core steps for the retaining of the highly qualified employees which are real quintessence of organization. Study proved that those organizations who apply quality retention techniques may have had the competitive edge towards others. Studies by Bishop (1994) and Bartel and Lichtenburg (1987), proved that highly skilled workforce payback to organization in the shape of higher outputs and enhancing adaptability towards change. It is therefore organizations have to set a sequential process of development through training of their entire work force enabling them to encounter the front the where the changes implemented in the organization. Change is a constant phenomenon in which a sword is every time hanging to cut with its Sharp edges whatever comes in its way. Organizations are now well equipped to switch according to the circumstances that will be sustained the operations in the long run. Due to recent researches, many questions have been raised one of them is whether an employer should invest for encountering the changes and designing the training programs according to enhanced their skilled level in the employees so what type of

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10

guarantee is available that holding of these trained employees may switched on to other employers? The answer of this is in a yes mood. It is true that small plant may grow in one's land and ripen there but fruit may be received and be eaten by someone else i.e the others. Michael D. Jackson, (1999) find that employees leave the job due to three factors; over burdening of workloads, disappointment with organizational culture and of limiting promotional openings. It is the core responsibility of the organization to give empowerment to some extent and developing such a culture helping in ploughing and eaten by Organization which is providing such type of activities that induced commitments in their employees by providing the culture in which they get empowerment to some extent and coordination in various present assigned goals and objectives. They also be involved in the decision making process and they also be encouraged giving suggestion in establishing an effective communication system. Michael D. Jackson, (1999) according to them organization values and culture has to easily be understandable to all employees and the value of these in the organization must also be in pursuance. We are in the era of globalization where the changes are occurring frequently and continuously. An employee who is competent and eager to move to new thinking which makes him more learner and innovative so he thinks that if the organization is not up to the mark of adaptability towards change will certainly lose the valuable assets in the shape of skilled employees. This research paper is design to evaluate elements which lead to an organization to adapt changes and according to that adaptability a learning based environment is prevailed so that employees are willing to perform to that extent where the organization is required. These elements are also lead to employee's retention to be remained loyal to organization's goals and objectives. The study is limited to consider other elements like burning out process to employee adaptability to changes and the overall performance for competitive advantages in local industry.

II. Literature Review

It is quite natural that when employee finds nothing in the organization for its growth and the organization have some complex type of system where no enhance training, no empowerment and less appropriate culture. Resultantly, the employee will relinquish the charge and move further to another employer. Study reveals that an employee might resign or quit the job due to his personal reason or may be a victim of layoffs. Why companies start layoff there are many reason due to some financial crises or might be the individual are not giving the required performance within a stipulate time. No organization or company desire that their valuable employee quit either they are

eager to retain them for long life period. Some time the organization its self find good results after filing the vacant job. They find the best skilled person rather than the previous one. The new inductee's idea might have made some innovation that's leads to the organization on top among others competitors.

Some time retention of the employee itself makes a burden on the organization shoulder. Like vise an employee now wants more from employer in shape of financial or some profession advancement and empowerment and setting example for others to do the same. If an employee leaves the job now to fill the vacant post organization recruit new one and then spend more money on its training for the sake of betterment. While In the absence of an employee the work shifted on the next person's shoulder that is on line and it is hard for them to do the same work in addition to his own responsibility. This leads the mistakes portion high. Error takes place when less employee are more doing more work until the new hiring takes place and trained (Roseman, 1981, Sagie et al, 2002). When employees leave an organization of their own accord, they often give good reason for their departure by judgment of fault with their jobs while other employees within the organization will develop their own observation of why another employee left. This presumption can damage the working environment and relationship by distribution of inconsistent mistruths (Liew Chai Hong & Sharan Kaur, 2008). As this happens many others also assume this and tried another option to leave. A particular carrying out may be a convoy by a sequence of terminations in speedy series (Roseman, 1981). When more and more skilled employee leaves, it decreases the level of competitive advantage towards its competitors.

Organizations who had capacity and awareness for getting competitive advantage showing that the firm had the ability to achieve new miles stone for just to alter his competencies refer to firm abilities to achieve new forms of competitive advantage by renewing competencies in order to reassemble its parallel activities with the changing business environment (Teece et al., 1997; Eisenhardt and Martin, 2000). In the environment of change where organization has to maintain a sequential Training & Development which is one of the major contributors to enhance the abilities of an employee and through this process the employee has became so much loyal towards organization's objectiveness.

Retention strategies of an employee are not very easy task as it perceived by some organization. Today's modern world employees are very familiar about what's in and out in the organization. Now employee needs nucleus involvement in the upcoming policies and decision of organization. Litwin and Stringer, (1968) stated that responsibility it's because of

the employees' perception of the amount of self-rule unlimited to them by the organization, and the sense to have control of to be a boss and contain to be double tartan on their conclusion through. So empowering the employee through involvement in decision making and setting up new goals and objectives for the organization's long term policies and projects may having to create a sense of responsibility and value creation as well as motivation. On the basis of above the developed hypothesis H2 which is stating that the Empowerment of employee has significant impact on organizational competitive advantage is initially accepted.

Every organization has its own culture in which its day to day activities performed. The culture of office is observed because important for the fighting fit for the individual (Thompson,et al., 1999) and this also relevant but also seen as relevant source for the organization to grasp competitive advantage (Itami, 1987). Organization Enriched culture is mostly according to the ability of the employee and their willingness to achieve the goals and objectives in well motivated manner. This usually comes when the culture of the organization has balance. Work-life equilibrium culture is a fastidious aspect of the organizational culture that echo the thoughts and values of the organization bordering the ability of individuals to balance their work and non work lives (Thompson, Beauvais and Lyness, 1999). Thus on the basis of above said statements the developed hypothesis that Culture has significant impact on organizational competitive advantage is generally accepted.

III. CONCEPTUAL FRAMEWORK

This conceptual model is developed to identify the significant impact on the different variables of gaining the ability of employees adaptability towards change and finally to get competitive advantage. The researcher in the past discuss many others important variables that has significant impact on the overall organizational competitive advantage. Here in this study tried to make some others linkages which have important impact factors on getting the competitive advantage as similar others variables as well, which had been discussed earlier studies in the past.

IV. METHODOLOGY

This study conducted just to identify the relationship of independent variables as training and development, empowerment, culture towards the employee adaptability to change which is a moderator and competitive advantage being a dependent variable. Questionnaires were spread in person to workers/employees within service sector organization and others. On the basis of the data conducted from the person engage in the executive, supervisors and staff position. A sample of 80 employees of different categories in organization has been assessed and evaluate. The training and development, empowerment and culture variable calculated with the Yes or No and 5-point Likert scale and also used own generated scale for assessment purposes. Using correlation of the statistical interference makes able to identify the hypothesis developed in our study and relationship between the discussed variables. The results are present in the table chart.
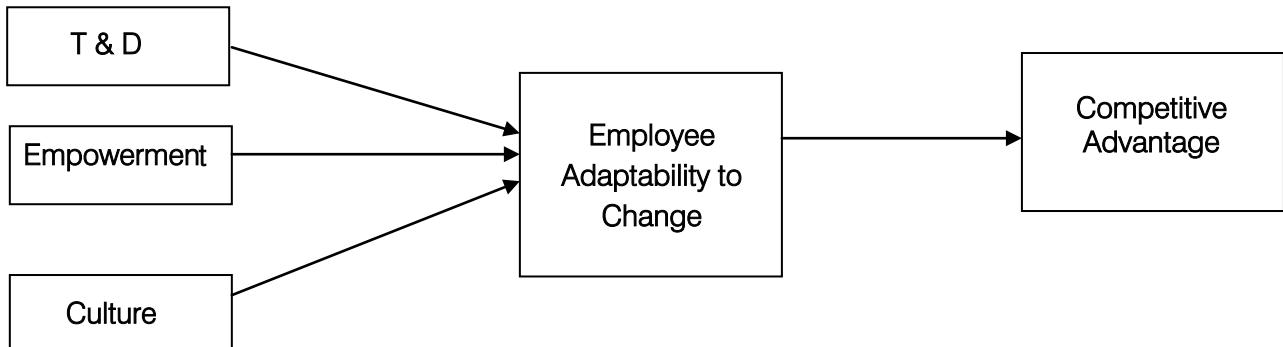
V. DISCUSSION

It is apparent that changes are necessary for employees and employer, so it is the responsibility of the organization to articulate how change is positive to them and in what manner it is implemented in the existing scenario. When organizations implement changes, the first outcome is the employee resistance towards that change. In general it is expected that whenever the change is implement in the organization, it has to face a lot of problems in term of resistance. Leader may take some decision in a more sequential manner to make their employee ready to adapt the change according to their competency. In the current scenario, organizations are discriminated by revolutionizing and energetic surroundings for which they required for adaptive employee became vital (Edwards & Morrison, 1994; Ilgen & Pulakos, 1999; Smith, Ford, & Kozolowski, 1997). As known for the

main pinpoint area of the organization is for strengths and weakness and what opportunities and threats are available for them in the external environment. As recalling the SWOT analysis in which study proved that every organization has to judge their strengths and weakness and opportunities and threats according to their own way of perception. The better the understanding of SWOT, the more they remain competitive in the market.

When the organization first to analyze their strengthen area and weaken portion where they have some lack. So they would have to take decision for gaining more strengthens in existing capabilities in the human resource capital segment. David Bowen & Edward Lawler, (1992) give more stressed on distribution of information and also suggested for the training and incentive, building up of teams for the sake of just to give the supremacy to employees and to encounter the troubles. Companies join others for their benefits and thus required the employee to be more skilled for doing diverse activities to perform better (Kinicki & Latack, 1990). Giving more advanced training to employee to develop their in more sophisticated manner to apply in current & future activities for accomplishes goal and objectives. While the prevailing weakness should also be initiated more enhancing training to turn the weakness into strengths. In present, the employees are meeting change every time which forced them to get on the new skill and knowledge for doing their duty in effective and efficient manner (Hesketh & Neal, 1999). So there is a linkage developed that employees have adaptability to change is to depend on the how they well trained and developed to adapt the change. If employee will not develop one's self so they will have to treat as a less performer and such kind of employees may seek another job. The valid point is lied here that the employee not its self prepare to motivate to adapt the change so once again it is put the emphasis on the shoulder of organization and the leadership to develop such type of training and development programs to equipped them in realizing about change factors in performing the current job assignments and for future perspectives growth. Inducing a sense of adaptability towards changes in obtaining competitive advantage and motivated them to apply all the techniques and skill they have been learned through different experience and training. So the hypothesis generated according to the conceptual model that training and development has a significant impact on obtaining the competitive advantages.

When organizations adapted such activities the main emphasis is on employee's motivation to adapt the change along with other elements like empowerment and culture. The elements of empowerment and culture have measured strengths and weaknesses of the organization. If the organization has the ability to involve the employees in decision making process so that feelings produced for loyalty for the organization then employee will be beneficiary as win win situation. Kaizen culture is a way of moving the employees on such an incremental basis for which employee don't feel some kind hardship or burden and such type of culture resulting in no kind of resistance. Gopalakrishnan, (2006) said that kaizen endeavor via manner and small stepladder to put into operation .This makes them motivated and ready to adapt the change.

When we say about empowerment we mean to say that we have to enhance the employee decision making capability that they may use in encountering the problem. They don't need to report to their supervisor or manager frequently when they are able to make the decisions on spot. For doing this an organization save precious time, and also improve efficiency. Because the performance when coincides with the right decision process takes on the right time and see its utilization as well. Empowerment is important element for which any organization can continued the competititive advantages in the long run.

In the issue of Organization Dynamics, Alan Randolph, (1995) describe three main stepladder critical for "navigate the journey to empowerment." he discuss first that employee have the knowledge about their performance as well as the organization and their activities is in true direction for getting and giving the desired results. Secondly, he also gives his thoughts on the applying such arrangement on the employees for which enabling them to be more clear about the organization's goals and objectives and also setting the clear direction for attaining it. Thirdly, he also suggested about the making of new team for the replacement of old ones. But at the back end on these teams some manager or leader takes the responsibility for the feedback. In fact empowerment is useful as a tool to get the desired results. As to employee's concerned it is very necessary to know about what the organization really is wanted as per to the vision and mission and the employee had given the empowerment to deal their problem while pursuing the goals and objectives. When the desired results have been received and then the employee has to be rewarded and setting new values for others to follow. Empowerment is its self a gauge to do better performance otherwise search another employer. It is start from the beginning of civilization adaptability in the employee is their own perception not the management or manager to enforce. Its employee own motivation for doing so. Empowerment in fact a style in which they freely take the decision and take risks. Some time decision goes wrong, it's now manager duty not to focus mistakes but to encourage and guiding them in righteous for continuing betterment.

In empowerment it is necessary to know all employees the basic what they are doing in accordance

mandatory for the entire employee that whatever they pursuing they have the authority for the same or doing as a sole. Empowerment is of great importance in implementing change. Those employee who directly or in directly involve in the decision making process where ever it takes by the top management. Their involvement in decision making psychologically put involve to implement and adapt the change. Patrickson, 1987; Thach & Woodman, (1994) said that adapting the new change in the technologies and applying in the work processes to change the old practices may also require that employee search for new skill to perform the job. For doing so they became the strong early adapter and reaming others under command will automatically follow their leader. Study of (Kinicki & Latack, 1990; Noe & Ford, 1992; Patrickson, 1987; Thach & Woodman, 1994) discuss that employee who adapt change must equipped with the latest tool for doing the new job or responsibilities. Change becomes a threats for those employee who not prepared well and has not ready to adapt the change. Then they became like those who had an outdated knowledge and skill and abilities which is not a requirement of new scope and business for the organization. For example the companies who are known as market player by making mainframe computer are now more interested by making laptop and personal computer due to change in the globally. Off course they utilize their old employee skill and abilities in designing of new personal computers. If they feel any lack they enhance their skill by introducing new training session according to the change. So employees get involved in gaining new achievement. So the threats became an opportunity for them to get more financial benefits from the organization having just to adapt the new change and skill. If some employee don't even bother and resist the change, the change its self change them to go and sit back in their homes to enjoy free time with less opportunity to tradeoffs between their needs and wants.

According to all above discussion made the hypothesis generate secondly in which empowerment is significant to the employee adaptability towards the competitive advantage is generally accepted on the basis of discussion made above.

Taking into account of culture, study proves that that culture is from it employee and good culture and having a long history for the achievement of the organization goals and objectives. As correlate the culture in term of permanent progress in the manufactured goods and their value, competence and the fruitful passion of worker while subordinating the price and transfer in the making new changes (Scotchmer, 2007; Ortiz, 2006; Chapman, 2006).

Kaizen culture is also suitable culture in which every employee from top to bottom gets busy and engaged to setting or farming the organization culture. Hofstede (1999) also elaborate the culture as a joint endeavor of the intelligence so as to decide the constituent of single cluster and style of people from a new. This activity reflects in the employee behavior and this way they set a culture. Where this type of kaizen culture created and its becomes for everyone in the organization a path of earning and employee motivated to adapt the change in more well established manner.

Organization and employee its self making hurdles in the way of good culture. If the organization has many stages in their structure or hierarchy and maintaining a class from the powerful past of the top management having the propensity whatever they say must be imbedded. This makes the hurdles in making a good culture. The other hurdles for attaining the desired results by setting some competition in the others organization units instead of teamwork, this makes everyone is to bypassing teach other and leaving behind the unsolved issued. Thirdly, employee are too mush busy and overburden of workloads employee's work due to the financial constrain of the organization and having unbalancement in their family matters. So it is become very hard for them to adapt change and not in position to commit new more assignments.

An organization motivates its employee in certain limit but it is the employee's own motivation to perform in the change scenario. Employee's who motivated to adapt the change but in lacking of proper skill fully adapted for the change adaptability. It's now the responsibility of the organization to load all the necessary abilities for change. As Andries du Plessis, Adrew Hobbs, Rebecca Marshall and Sherrol Paalvast (June 2008) stated that HR helps the organization to overcome any negative feeling which may come from employees arising out of change. For example, a person don't know about the function of the car and how its drive safely and if the same person hand over a car to drive in rush place, he surely escape an accident. The same is with employee who are not train and developed to cope up the change will never beat the pace of change and significantly organization's general performance reduce to lower.

When employee has to know the overall mission and what organization wants from him then they set their self align with the goals and objectives and doing this as a challenge and put their utmost motivation and dedication. When these activities are performing someone at the backend is ready to console them and rewarded and also aligned them in the right direction. If they did some mistakes the managers have to ignore and if they start given sentence they certainly get de-motivated as point out by English and Jordan (2005) Implicit nature of the psychological contract makes it particularly delicate and if employee feel it has been breached, this will have a significant impact on their levels of motivation and commitment to the company. of the set rules and regulation of the organization. It is

Likewise the manager take no notice of the mistake then the employee double motivated and the performance enhances. For adapting the same procedure then employee value created and an organization get the competitive advantage. Like the author Tzafrir, Harel, Baruch and Dolan (2004) said that it is HR's responsibility to ensure that employees feel valued and that they are important to the company.

VI. Analysis

Correlations

	T&D	Empowerment	Culture	Competitive Advantage
T&D	1			
Empowerment	.199	1		
Culture	.090	.467**	1	
Competitive Advantage	.034	.006	.486**	1

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

Descriptive Statistics

	Minimum	Maximum	Mean	Std. Deviation
T&D	1.86	3.43	2.6321	.30328
Empowerment	1.75	5.00	3.6438	.71586
Culture	1.67	5.00	3.9917	.82858
Competitive Advantage	2.36	4.73	3.8500	.58321

The one independent variable Training& Development and Empowerment as per the results of correlation shows has less correlation among them as shows in the table given. While the Empowerment and the culture has some correlation between them. The Mean values of training & development is greater than 2 and fall in between 05 which shows that respondent of the sample lying in neutral. It means the T&D is good for employee to adapt the change and organization leads its competitive advantage. The mean of the empowerment is greater than training & development which shows that it is good to give empowerment to employee which will ultimately go ahead for the competitive advantage. The third variable mean is also shows that good culture has influence on the organizational competitive advantage.

VII. Conclusion

Any organization who desires to get the competitive advantage may achieve this through or within the employee. New change in skill and modification in the service ought to employee adaptability to the upcoming new challenges and scenario while performing their duties. This study is little effort to do the same by realizing the change and prepare a force to act under change environment for the betterment of the organization and the getting the competitive advantage. It is concluded that without having being the Independent variables as discussed in the conceptual framework of the study, there will be a less appropriate for the organization to get the competitive advantage in maximum time. So according to the study, it is emphasize on organization to build up more focus on employee involvement and their skill abilities for discharging their current responsibility and to adapt the future change as well. If the organization seriously channelized all its activities and operation in more collaborative and enthused manner, this will lead to sustainable competitive advantage over their competitors. Employee adaptability is more dependent on the parallel activities that preceded along with the others activities in the organization and these activities helps the employee to perform more enthusiastically and impatient to demeanor any challenge or adapt any change whatever it will be.

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Entrepreneurial Interventionism and Challenges of Youth Unemployment in Nigeria

By Dr. C.G.E. Salami

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Abstracts - Although policy makers and practitioners are aware of the importance of entrepreneurship in reducing unemployment among the Nigerian youths they have failed to give it the deserved attention. This paper examines the impact of viewing enterpreneurship as a platform towards reducing youth unemployment which currently stands at 55 percent. It examines some of the major factors/constraints which hinder an enterpreneurship culture. It concludes by proposing some strategies that promote effective enterpreneurship.

Keywords : *Enterpreneurship, innovation, youth unemployment, cultural factors, risk bearer.*

GJMBR-A Classification: *FOR Code: 150304,150305 JEL Code: L26,E24*

ENTREPRENEURIAL INTERVENTIONISM AND CHALLENGES OF YOUTH UNEMPLOYMENT IN NIGERIA

Strictly as per the compliance and regulations of:

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Dr. C.G.E. Salami

Abstract - Although policy makers and practitioners are aware of the importance of entrepreneurship in reducing unemployment among the Nigerian youths they have failed to give it the deserved attention. This paper examines the impact of viewing enterpreneurship as a platform towards reducing youth unemployment which currently stands at 55 percent. It examines some of the major factors/constraints which hinder an enterpreneurship culture. It concludes by proposing some strategies that promote effective enterpreneurship.

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I. INTRODUCTION

Despite its recognized importance as a veritable tool for tackling unemployment, policy makers in Nigeria are yet to give entrepreneurship its deserved attention. Unemployment remains the major cause of poverty particularly among the youths between the 18 to 28 age cohort. Nigeria has one of the highest rates of youth unemployment in sub-Sahara Africa. And despite its alleged strong economic growth, Chukwubuikem (2008) notes that youth's full;-time unemployment rate for 2006-2008 was 55.9 percent, 4 time higher than the national unemployment rate of 19 percent.

Like most developing nations of the world, Nigeria is faced with myriad of problems including diseases, conflicts, poverty, ethnic strife and unemployment. Of the above problems, unemployment seem to be a common denominator to all the problems listed. The situation of unemployment in Nigeria is such that it does not discriminate against the educated youths – the university and polytechnic graduates. The National Universities Commission (NUC) (2004) has noted the alarming unemployment among the Nigerian university graduates. Some writers have attributed the high rate of unemployment of university graduates to a disequilibrium between labour market demands and the lack of essential skills of the university products (Diejomah and Orimolade, 1991; Dabalen, Oni, and Adekola, 2000). Oviawe (2010) argues that the obvious critical skill gaps is capable of inhibiting the development of youths and the nation.

Records from the National Population Commission (2001) indicate that youths under the age of 30 constitute over half of the approximately 150 million Nigerians. One implication of the above is that in another one-to-two decades most of the youths of today will be parents in their mid-life years, and with little or no adequate skills in a fast emerging competitive global economy, it is doubtful how they can propel the needed wheel of development.

Woolflk (1998) argued that the youthful years mark the critical stage of human development when they are amenable to training in entrepreneurship as opposed to self-destructive behaviours. Have Nigerian policy makers been able to see through the connection between entrepreneurship and unemployment? Have they been able to conceive and formulate effective policies aimed at frontally addressing unemployment among the youths? While entrepreneurship may not be the absolute panacea to youth unemployment an enabling environment that nurtures entrepreneurship is capable of reducing youth unemployment by at least half.

II. PURPOSE

This paper seeks to explore the relationship between entrepreneurship as a platform toward reducing youth unemployment and the promotion of socio-economic growth and development in Nigeria. Specifically, it assesses past government efforts aimed at reducing unemployment, as well as examine the major factors/constraints that hinder entrepreneurship. It concludes by proposing some strategies that can promote effective entrepreneurship culture.

III. RESEARCH METHODOLOGY

Data for this paper were derived from secondary sources: previous research and analysis of scholars, government documents, newspaper/magazines as well as journals articles that are related to the subject. This study involved an extensive literature review which critically analyzed the present status, problems and prospects of entrepreneurship as part of the roadmap to wealth creation and reduction of unemployment among Nigerian youths. Why have Nigerian policy makers failed to see the connection between entrepreneurship and unemployment? Can Nigeria actualize its vision of being among the top 20 economies by year 2020 as envisaged in its vision 20:2020? As indicated earlier, Nigerian policy makers have not given entrepreneurship

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its deserved attention. In order to address the issues raised, it is necessary to examine the meaning of entrepreneurship.

IV. Entrepreneurship Defined

A definition of entrepreneurship has been debated among scholars, researchers, practitioners, and even policy makers since the concept was first established in the early 1970s. Steinfioff and Burgers (1993) view entrepreneurship as the ability to develop a new venture or apply a new approach to an old business. According to Gana (2001), entrepreneurship is the ability to seek investment opportunities and persisting to exploit that opportunity. On the other hand, Anayakoha (2006) sees the entrepreneur as one who chooses or assumes risks, identifies business opportunity, gathers resources, initiates actions and establishes an organization or enterprise to meet such demand or market opportunity.

Allawadi (2010) describes the carryout of new combinations as "enterprise" and the individual whose function it is to carry them out as "entrepreneur". He further tied entrepreneurship to the creation of five basic "new combinations" of introduction of a new product, a new method of production, opening a new market, conquest of new source of supply and creating a new organization. Stevenson (2002) defines entrepreneurship as the pursuit of opportunity through innovative leverage of resources that for the most part are not controlled internally. Though, the idea that entrepreneurs are innovators is largely acceptable, it may be difficult to apply the same theory to less developed countries (LDCs). Allawadi (2010) argued that LDCs rarely produce brand new products; rather they imitate products and production processes that have been invented elsewhere in developed countries. He refers to this practice as "creative imitation".

Frequently, entrepreneurship is thought to apply only to the management of small businesses such as the roadside furniture maker, cobbler, tyre vulcanizer, hairdresser and so on, but recent giants like Dell computers and Microsoft have shown how a small business that started small can grow into a conglomerate if given an enabling environment. Drucker (1998) proposes that entrepreneurship is a practice. What this means is that entrepreneurship is not a state of being nor is it characterized by making plans that are not acted upon. One argument may be that entrepreneurship or may not be self-sustaining, nor earn significant revenue. Regardless of the outcomes, when an individual creates a new organization, he has entered the entrepreneurship paradigm.

Some individuals apply the concept of entrepreneurship to the creation of any new business, while others focus on intentions believing that entrepreneurs merely seek to create wealth. This is different from starting a business as a means of "working for yourself" rather than working for others. Others tend to confuse managing a small business with entrepreneurship. But Stevenson and Grousbeck (1999) argued that not all small business managers are entrepreneurs because they don't innovate. On the otherhand, Stoner et.al. (2000) note that the function that is specific to entrepreneurs is the ability to take the factors of production – land, labour and capital and use them to produce new goods and services. However, they argue that entrepreneurs perceive opportunities that other business executives do not see or care about. Creativity and entrepreneurship promote the birth of new firms which is critical to economic development efforts. Therefore, a definition which seem to fully capture the true meaning of entrepreneurship is the one provided by Stevenson and Gumperts (2002) as a process in which individuals pursue opportunities, fulfilling needs and wants through innovation together with the attendant risks. Based on the above definitions, it can be concluded that entrepreneurship is the process of carefully determining and analyzing unmet needs through creatively satisfying those needs by bearing the related risks. By combining the above thoughts, it can be argued that entrepreneurs are risk bearers, coordinators, organizers, gap-fillers, leaders and innovators.

V. Basic Types of Entrepreneurship

Two types of entrepreneurship may be classified as:

(1) **Opportunity - Based Entrepreneurship :** This occurs occurs when an entrepreneur perceives a business opportunity and chooses to pursue it. Ernst and Young (2009) in a survey found that majority of entrepreneurs said they saw economic slowdown as the perfect time to pursue new market opportunities. In addition, economists, academics and industry leaders agree that recession tend of favour the naturally innovative temperament of entrepreneurs.

(3) **Necessity - Based Entrepreneurship :** This occurs when an entrepreneur is left with no other viable option to earn a living. It is borne not as a choice but compulsion which makes him or her choose entrepreneurship as a career. An example is the Nigerian Civil War of 1967-1970 when the economic embargo introduced by Federal Government forced the secessionist Biafra to develop fuel pump from coconut and palm oil.

VI. Brief Examination of Youth Unemployment in Nigeria

Youth unemployment across the world has reached a new high and is likely to climb further. The youth population in Sub-Sahara Africa was estimated at

138 million people in 2002-2003, with 28.9 millio0n, or 21 percent of them unemployed (ILO, 2004b). There are notable differences in youth unemployment with regard to gender. The unemployment rate for young women in Sub-Sahara Africa is 18.4 percent – lower than the unemployment rate for young men (23.1 percent) even as young women's labour force participation rate is lower.

Youth unemployment in Africa also has a geographical dimension: it is generally higher in the urban areas than in rural ones. Several factors account for higher youth unemployment rate in Africa, most notably low economic growth, low economic activity and low investment. These related factors contribute to low job creation and because of sustained (increased in some cases) population growth the small labour market is unable top absorb the resulting army of job seekers. Youth unemployment has been increasing because most graduates lack relevant marketable skills. The federal government recently acknowledged that about 80 percent of Nigeria's youth are unemployed and 10 percent underemployed (Daily Trust, 2008). According Depo Oyedokun (2010) Chair of the House Committee on Youth and Social Development, of the over 40 million unemployed youths in the country, 23 million are unemployable and therefore susceptible to crime, hence the need to articulate what could be done to salvage the situation. He therefore, suggests creating the enabling legislative framework that would ensure the total emancipation of the Nigerian youths.

A national survey jointly sponsored by NUC and the Education Trust Fund (ETF) in 2004 sought to determine the labour market needs. The study revealed that 44 percent of the 20 organizations rated Nigerian science graduates as average in competence, 56 percent rated them as average in innovation, 50 percent rated them average in rational judgment, 63 percent as average in leadership skills and 44 percent as average in creativity. On needed skills like literacy, oral communication, information technology, entrepreneurship, analytical, problem-solving and decision making, 60 percent rated them as poor. By any standard, the above statistics reflect a poor assessment of Nigerian university graduates and further buttress the argument that Nigerian university graduates are unemployable.

As should be expected, the lack of employment potential make crime a more attractive option for some Nigerian university graduates. It is common to find some graduates still roaming the streets, five years after graduating in search of jobs that either are not there or for which they are not qualified. It is therefore no coincidence that crimes such as kidnapping which is now a new and attractive industry is a triving especially in the South-Eastern part of Nigeria. Other crimes include armed robbery, car snatching, pipeline vandalization, oil bunkering, prostitution and so on.

Furthermore, high competition for economic resources and services, over-dependence on a single natural resource (oil) and the neglect of other crucial sectors of the economy also contribute to youth unemployment in Nigeria. It was argued earlier that entrepreneurship is capable of providing the platform towards efforts aimed at reducing unemployment as well as promoting economic growth and development.

VII. Factors which Hinder Entrepreneurship

Entrepreneurship has been hindered by three major factors: structural, cultural and the lack of political will by policy makers.

a) Structural Factors

Structural inhibitors in the growth of entrepreneurship has its origin in the Nigerian education policies since independence in 1960. Between then and now Nigeria has introduced and implemented not less than three policies: the 7:5:2:3, 6:3:3:4 and now the 9:3:3:4 (elementary, secondary and university). There is now a clamour for a reintroduction of Higher school Certifictae (HSC) program which was a two-year post-secodnary program that prepared students for university education. This reaction followed the very poor perfromance of secondary school leavers (87% failure rate) in the West African Examination Council (WAEC). One of the major problems of past education policies stems from the fact new policies are not allowed to run their full course before they are changed. What this means is that some of the past policies were not well thoughtout before introduction.

Another related structural problem is the low budgetary allocation to the education sector, particularly the vocational and technical education sub-sector (See Table 1). Poor leadership, corruption and mismanagement of resource have contributed to the gross under-finding of education. A review of the table show Nigeria's unimpressive allocation of only 1.3 percent of the GDP to education.

Table 1 : Selected African Nations: Education Spending as Percentage of GDP

Counbtry	%GDP	Country	%GDP
Angola	2.7	Mozambique	2.4
Alger^ia	4.3	Namibia	8.6
Cote d'Iboire	4.6	Nigeria	1.3
Cameroon	3.2	Rwanda	2.8
Ethiopia	4.8	Senegal	3.2
Eritrea	4.8	Sierra Leone	2.7
Egypt	4.5	South Africa	5.7
Kenya	6.4	Sudan	1.4
Libe^ria	4.5	Tunisia	6.8
Libya	3.8	Uganda	2.3
Madagascar	3.2	Zambia	1.9
Mali	2.8	Zimbabwe	4.7
Morocco	5.5		

Sources: *Dike, V.E. (2009c), Leadership without a Moral Purpose: a Critical Analysis of Nigerian Politics and Administration (with emphasis on the Obasanjo Administration, 2003-2007), North Charleston.*

One possible explanation for the low budgetary allocation is the perception by some policy makers that education does not provide immediate return on investment (ROI) compared to the real sectors like oil, telecommunication etc. Because of the low sectoral budgetary allocation, educational institutions are characterized by frequent strikes which those in government don't consider as priority in terms of resolving the issues that led to the strikes. As Salami (2010) has argued elsewhere, strike by workers in oil and gas (NUPENG) industry are usually resolved with three days of the strike action. Apart from the possible social and political implication of a delayed resolution any NUPENG strike, it is believed that the real motivation for the usual quick response by government may be the need to safeguard the economic interest of those in authority . In other countries, products of vocational and technical education constitute the middle class which no longer exist in Nigeria.

Another related structural problem seem to be the general bias of educational curricula towards science and liberal arts education with little regard to vocational and technical education. This is attributed largely to the belief that the educated stand a better chance of occupying top positions in the economy. It is a known secret that top government officials have the hidden agenda to position their children for succession in government. This is achieved by clandestinely ensuring that their children attend the best schools abroad, and walk into lucratic jobs in Nigeria when they graduate, while their mates that schooled in Nigeria are yet to graduate due to incessant strikes university lecturers.

In Nigeria, graduates of polytechnics with Higher National Diploma (HND) are discriminated against. Apart from pay disparity between a B.Sc./BA degree holder and HND, the latter cannot rise beyond Grade level 14, while their counterparts with B.Sc./BA can rise to the position of Permanent Secretary in the Civil Service. Additionally, the Nigerian educational curricula appear to be designed as a "factory" for producing graduates who are made to believe that the only employer of labour is government – federal, state and local government. Consequently, many of the graduates of Nigerian tertiary institutions tend to limit their job search to government establishments.

b) Cultural Factors

Culturally, it can be argued that entrepreneurship has been hindered by two major factors: society's perception about the socioeconomic status of artisanship and the value system which is fast being eroded. There is the general perception that artisans and technicians are "never-do-wells", dropouts, societal rejects or even failures who should perpetually remain at the bottom of the socio-economic ladder. This is reflected in a lack of respect in the part of the public for manual labour (Asby, 1960)

Another related factor is the general Nigerian value system which appear to have cultivated a new value system just like the larger society in their quest for making fast money as well as generally living on the fast lane. For example, the apprenticeship system of the olden days are fast disappearing. Gone are the days when a master automechanic would have about three to five apprentices under his tutelage. While many youths would sign up top learn a trade, a great majority of them quit apprenticeship and opt for motorcycle taxi business (popularly called Okada) to start making money while some who remain to learn the trade don't stay long enough to acquire the necessary skill. One implication is that in a few years' time Nigeria will begin to experience an acute shortage of artisans. Youths are not motivated to choose vocational and technical education (See Table 2). Table 2 shows that although the number of technical colleges have increased since 1991, the number of students enrolled has been declining since 1997. Conversely, enrolment in secondary schools have been increasing during the

20

same period. For example, it is common to find many legislators donate motorcycles to youths in their constituencies under the name of "youth empowerment".

Table 2 : Enrolment in Secondary and Vocational/Technical Institutions, 1991-2001.

Year	Number of Technical Colleges	Student Enrollment	Number of Secodnary schools	Student Enrolment
1991	208	46,083	3,854	1,653,891
1992	202	40,878	5,840	1,814,000
1993	190	72,136	5,948	1,865,189
1994	300	72,136	5948	1,865,189
1995	240	76,434	5,991	2,934,349
1996	252	89,536	5859	2,901,993
1997	261	1.179	6,001	2,923,791
1998	261	1,426	5,860	2,901,993
1999	261	1,425	6,008	3,123,277
2000	261	1,835	6,009	3,600,204
	261	1,835	5,959	4,032,083

Sources: *Compiled by the author from Social Statistics in Nigeria 1995; Annual Abstract of Statistics 2001; Federal Offiice of Statistics, Nigeria, 2001.*

VIII.   Lack of Political Will

The neglect of vocational/technical education has been robbing the nation of the potential contributions of its graduates to national growth and economic development. The inability of policy makers to make both rational and educated decisions continue to affect the rate of progress of the Nigerian nation. As Dike (2006a) has noted, the under-development status of Nigeria could be linked to the neglect of its educational institutions. Although science and technology has been a part of Nigeria's National Policy on Primary Education (NPE) since 1981 (Moja, 2000), like every other public policy, implementation have always been the major problem. Consequently, the society lacks competent bricklayers, carpenters, printers, auto mechanics, laboratory and pharmacy technicians, vocational nurses etc.

IX.   Entrepreneurship and Youth Unemployment

Former president Umaru Yar'Adua's administration formulated a seven-point agenda aimed at transforming Nigeria into one of 20 global economics by the 2020. The seven-point agenda include "power and energy, food security, wealth creation and employment, transportation, security and functional education and the pursuance of the rule of law. Nigerians have heard similar policy pronouncements in the past, only to be disappointed by inaction. The vision 2020 program and the seven-point agenda may not be achieved without infrastructural technological capability. According to Mohan (2003) no society has become an industrialized nation without technological capability. It is believed that an effective technological culture must take its roots from a functional vocational/technical curricula which will serve as a "watering ground" for entrepreneurship and economic growth and development. This means that Nigeria needs a new paradigm for effective transformation of its economy and educational institutions, particularly vocational and technical education. As Dike (2009a) has argued, technical and vocational education holds the key to Nigeria's economic development.

The way forward is for society to start changing their perception about technicians, vocational education and other "hand-workers" in general which include entrepreneurs. The worth of any worker should depend on the person's skills and knowledge as opposed to number of academic degrees as the sole criterion for career advancement. For any individual to compete effectively in a rapidly evolving knowledge-based global economy, he or she must possess relevant job competencies, including technical, business, cultural, decision-making and intellectual competencies which could be obtained in a well-conceived functional vocational curricula.

If the Nigerian government must revitalize its economy some shift in policy that are critical to effective entrepreneurship programmes become imperative and they include the following:

- **Embrace External Competition to Promote Innovation:** Many governments show a tendency toward preventing external competition as a way of protecting local industries especially during economic downturn. Another policy action may involve granting subsidies to both failing and inefficient industries. But Ernst and Young (2009) argue that such fiscal policy may not only invite greater inefficiency but also deter innovation which is critical to economic growth. In other words, innovators depend on society's appetite for constant improvement.

- **Give Newcomers Equal Opportunity with the Old:** Some leaders erroneously believe in the dictum of "old reliable" or "tested hands" much to the discomfiture

21

of beginners. It can be argued that motivated entrepreneurs may want to be challenged to show success if given a chance. Past performance may not always be a good predictor for tomorrow. In other words, the market leaders of today may not necessarily be the market leaders of tomorrow.

- **State Governments Should Develop Its Own Innovative Strategies to Promote Entrepreneurial Activity in Its Area:** Although many law makers and top government officials realize the potential of new enterprises in promoting employment growth, a centralized administration of entrepreneurial activities have tended to impede their effectiveness. Governments should discontinue entrepreneurial policies that seem to suggest a one-size-fits-all approach. For example, school curricula are the same across the country eventhough there is marked difference in academic achievement between the North and South and even between the East and West of Nigeria. Due to the socio-cultural diversity inherent in developing countries like Nigeria, entrepreneurial policies that are unique and indigenous to the respective states should be vigorously pursued.

- **Government Should Recognize and Reward Innovation:** Records by the American Executive Office (1983) show that new business with less than ten employees have a little less than a 75 percent chance of surviving the first year, and only about one chance in three (33%) of lasting four years or more. Therefore, given the likelihood of failure, government should offer regulations, a tax system and adequate protection for intellectual property to spur more desire for innovation. Society's support for entrepreneurship should continue because support is critical in providing motivation. The media can play a powerful and constructive role through appropriate reportage on entrepreneurial spirit by highlighting success cases. Similarly, big companies should promote a strong nexus in entrepreneurship-intrapreneurship through functional research and development efforts.

X. Conclusions

Entrepreneurship is a process by which individuals pursue opportunities, fulfilling needs and wants through creativity and innovation, without regard to the resources they currently have. The concepts of risk-taking, innovation and creation of wealth constitute the web around which entrepreneurship have be woven. The decision to start a venture consists of several steps including the decision to leave a present career or life style, the conviction that the venture is desirable and worthwhile, and the belief that both external and internal factors can make the venture creation possible.

Allawadi (2009) has suggested that there are both "pushing" and "pulling" influences active in the decision to leave a present career: the "push" resulting from dissatisfaction or even layoff, and the "pull" towards entrepreneurship of seeing an unfulfilled need in the market. Any of these factors can function as a source of encouragement for entrepreneurship together with support from government, relations, family or role models.

The study of entrepreneurship helps entrepreneurs to better fulfill their personal needs as well as the economic contribution they make. Beyond increasing the national income through job creation, entrepreneurship acts as a positive force in economic growth by serving as a bridge between innovation and the market place. Although an entrepreneur frequently lacks both technical and business skills, they nonetheless serve as the major link in the process of innovation, development and economic growth. The literature suggest that success in highly competitive business environment depends on entrepreneurship. And managing a small business is different from entrepreneurship, just as not all business managers are entrepreneurs.

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The Effects of Macroeconomic Factors on the Nigerian Stock Returns: A Sectoral Approach

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Abstracts - There is a growing literature on how macro-economic variables can have effects on equity return in both developed and emerging stock markets. The objective of this study is to empirically test the performance of the Arbitrage Pricing Theory (APT) in the Nigerian Stock Exchange (NSE) for the period of 2000 up to 2004 on monthly base. In this paper, 3 macro-economic variables (inflation, exchange rate and market capitalization) are investigated against 20 sectors of the Nigerian Stock Exchange to observe the effects of inflation exchange rate were carried out by Chen Roll & Ross (1986); Gangem, Brooks & Fatt (2000); Tursoy Gunsel Rjoub (2008); and Nikolaos, Grigoris, Nikolaos & Nikos (2009). This study in addition, includes Market capitalization variable. Using Ordinary Least Square (OLS) we observed there are no significant effects of those variables on the stocks' return in Nigeria. The results are broadly consistent with similar studies carried for most developed and emerging economies.

Keywords : Arbitrate Pricing Theory (APT), Macro-economic Factors, Nigerian Stock Exchange (NSE).

GJMBR-B Classification : FOR Code : 150205 , JEL Code: E22

THE EFFECTS OF MACROECONOMIC FACTORS ON THE NIGERIAN STOCK RETURNSA SECTORAL APPROACH

Strictly as per the compliance and regulations of:

The Effects of Macroeconomic Factors on the Nigerian Stock Returns: A Sectoral Approach

Prince Famous Izedonmi[α], Ibrahim Bello Abdullahi[Ω]

Abstract - There is a growing literature on how macro-economic variables can have effects on equity return in both developed and emerging stock markets. The objective of this study is to empirically test the performance of the Arbitrage Pricing Theory (APT) in the Nigerian Stock Exchange (NSE) for the period of 2000 up to 2004 on monthly base. In this paper, 3 macro-economic variables (inflation, exchange rate and market capitalization) are investigated against 20 sectors of the Nigerian Stock Exchange to observe the effects of inflation exchange rate were carried out by Chen Roll & Ross (1986); Gangem, Brooks & Fatt (2000); Tursoy Gunsel Rjoub (2008); and Nikolaos, Grigoris, Nikolaos & Nikos (2009). This study in addition, includes Market capitalization variable. Using Ordinary Least Square (OLS) we observed there are no significant effects of those variables on the stocks' return in Nigeria. The results are broadly consistent with similar studies carried for most developed and emerging economies.

Keywords : Arbitrate Pricing Theory (APT), Macro-economic Factors, Nigerian Stock Exchange (NSE).

I. INTRODUCTION

The Arbitrage Pricing Theory (APT) is risk-return equilibrium based model. The disagreement by some researchers on the ability of Capital Asset Pricing Model (CAPM) to currently describe expected returns and the interpretation of the cross-section abnormal performance coupled with the inadequacy of the model to adequately test for market efficiency led to the formulation of the Arbitrage Pricing Theory (APT) by Ross in 1976. Chen, Roll & Ross (1986) examined the validity of the APT in the US securities market. They used the US macroeconomic variables as proxies for the underlying risk factors driven stock returns. They discovered that several macroeconomic variables are significant in explaining expected stock returns, particularly in industrial production, changes in riskpremium and twist in the yield curve. Similarly, set oftest is carried out in this study by using Nigerian data, to find out whether some of the findings reported by Chen, Roll and Ross in 1986 for US are valid to Nigerian market.

The objective of this study is to analyze the empirical applicability of the APT to pricing the Nigerian Stock Market (NSE) and identify the set of macro-economic variables which correspond more with the stock market factors in Nigeria. This study developed 3 macro-economic variables which include: inflation, exchange rate and market capitalization. This study concerns macroeconomic factors that have not been extensively explored in influencing the returns of a stock Market in Nigeria.

The structure of this paper is as follows. Section ii presents data sources. Section iii; discuss the literature review, Section iv Presents methodology and variables. Section v presents regression results, vi conclusion.

II. DATA SOURCES

The sample consists of the firms stocks listed in Nigerian Stock Exchange (NSE) for the time period of 2000-2004. Monthly data, with no missing observation after survival test process, 60 stocks left which are classified in 20 sectors. For the macro economic variables, we obtain the data from the Central Bank of Nigeria (CBN). Table 1 presents the market classification and the number of stocks in each sector (Portfolio).

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Table 1: Industry/Sector Classification

S/No	Sector	Number of firms
1	Agric	2
2	Automobile & Tyre	2
3	Banking	6
4	Building material	2
5	Breweries	2
6	Chemical paints	4
7	Commercial services	2
8	Conglomerates	3
9	Constructions	2
10	Engineering	2
11	Food/Beverages & Tobacco	4
12	Health	4
13	Industrial domestic products	4
14	Insurances	7
15	Managed fund	2
16	Packaging	2
17	Petroleum (Marketing)	3
18	Printing & Publication	3
19	Real Estate	2
20	Textiles	2
	Total	60

Gunsel and Cukur (2007) are of the opinion that that lagged effect of macro economic variables on stocks' return should be expected. Therefore, in a stock exchange market, investors usually take decisions base on expectations. If the expectation is realized, there will be no unexpected exchange in stock prices. This is valid for the stock exchange markets which are efficient. However, most of the stock exchange markets are not efficient and they respond to changes with a time lag. The reasons of the lag are that investors may wait until they realize the real effect of the change, to understand whether the changes are permanent or temporary, or some factors show their effects with a time lag because of its characteristics.

III. Literature Review

The relationship between economic fundamentals and stock returns has been studied by a large number of researchers (see Chen, Roll & Ross (1986); Fama (1990); Chen (1991); Nasseh & Strauss (2000); Dickinson (2000); Shanken, & Weinstein (2006); Samitas & Kenourgios (2007); Gunsel & Cukar (2007); Leon (2008); Ahmed (2008) ; Nikolaos, Grigoris, Nikolaos & Nikos (2009) and Abdullahi (2011). For instance, Chen, Roll and Ross (1986) studied 'The Effect of Macroeconomic Factors on the London Stock Return (a Sectoral Approach) and concluded that the macroeconomic factors have a significant effect on the UK stock exchange. The effect depends on the sector that the firm belongs to. Samitas and Kenourgios in 2007 expanded the study of Chen Roll and Ross (1986) to cover many European countries and pointed out the importance of economic activity on the formation of stock returns.

Chen Roll & Ross (1986) hypothesized and test a set of macroeconomic data series to explain US stock return. They investigated the sensitivity of macro economic to stock returns. They tested seven macroeconomic variables; term structure, industrial production, risk premium, inflation, market return, consumption and oil prices in the period of January 1952- Nov. 1984. They assume that the underlying variables are not serially correlated and all innovations are unexpected. In their research, they found that several of these economic variables to be significant in explaining expected stock return during the tested period. They observed that industrial production changes in risk premium, twist in the yield curve, and measure unanticipated inflation and changes in expected inflation during period when these variable, are highly volatile, are significant in explaining expected return!. They found that consumption, oil prices and market index are not priced by the financial market. They conclude that stock returns are exposed to systematic economic news that is priced by the market.

There are other related investigations to confirm the applicability of APT to stock market return generating process. Roll & Ross (1980) claim to fund empirically at least three or four factors adequate for the explanation of stock returns. Dhrymes, Friend & Gultekin (1984) examine the techniques used by Roll & Ross and found out several limitations in this study. They found that the number of 'factors' extracted increase with the number of securities (variables) in the group to which APT factor analytic procedures are applied. As a second major limitation, they identified the difficulty of identifying the

actual number of factors characterizing the return generating process. Dhrymes, Friend, Gultekin and Gultekin (1985) focused on the attention of financial profession on factor analysis. They reach substantially different conclusion from those drawn by Roll & Ross (1980) regarding the empirical evidence supporting arbitrage pricing theory (APT). They found that the number of factors increases with the number of time series observations used to estimate factor loading. They conclude that the evidence on the usefulness of the APT model is at best mixed.

Brown and Wein (1983) estimate and test the APT in the context of the bilinear paradigm introduced by Kruskal (1978). They examine the special case of the APT in which the numbers of factors are pre-specified, using the same data of Roll and Ross (1980) but through forming 60 securities groups instead of 30 grouping securities according to their industrial classifications instead of alphabetical order. They find a 3-factor APT model rejecting the 5 or 7-factors version. Also, they show that specific firm or industry effects that may be diversified are not price in the APT scenario. This means that there are few rather than many economy wide factors that appears to be prized in the APT. Lehman & Modest (1987) show that of all the decision choices, the number of factors has the least affect on the model estimates. If the factors are specified macroeconomic shocks, one uses simple regression of factor providing security returns on the factor scores to estimate the factor loadings.

Cited in Gunsel & Cukur (2007) there are few empirical investigations, namely Diacgiannis (1986), Poon & Taylor (1991), Cheng (1995), Beenstock & Chen (1988), Clare & Thomas (1994), and Priestley (1996) that analyze the variables that are put by Chen,Roll&Ross(1986) as to the applicability of APT to UK stock market. Diacogiannis (1986) employed for 200 securities and he formed 5 master groups for 40 randomly selected securities. Poon & Taylor (1991). Consider monthly and annual growth rate of industrial production, the unanticipated inflation, risk premium, term structure and return on value weighted market index. To incorporate potential lag relationships, the procedure carried out for each of the market indices and macroeconomic factors. Cheng (1995) employ the monthly return of 61 securities, in UK stock market. The results suggest that there are two stock market factors in the UK, but only one factor and the risk-free coefficient are important for pricing. Cheng further concluded that the explanatory power of APT in pricing UK stock is not high.

In general findings of these researchers, Diacogiannis (1986) and Poon & Taylor (1991), have shown that macroeconomic factors Chen, Roll & Ross claimed to detect in the US market do not influence stock market pricing indiscriminately. Also they shown

that these pricing factors do not affect share priced in the UK market in a manner similar to US. These researchers think that some other macroeconomic factors are at work or the methodology in Chen, Roll & Ross is inadequate for detecting such relationship.

On the other hand, Beenstock and Chen (1988) investigated four factors – namely interest rates, money supply (M3), fuel, and material cost, and the retail price index. They fund that unanticipated increase in interest rate and fuel and material costs reduce security returns. They conclude that export volume and relative export prizes as risk factors, but were not significant.

Clare & Thomas (1994) are of opinion that a number of factors have been prized in the UK stock and are; oil prices, default risk and the retail price index. UK private sector bank lending, the current account balance and the redemption yield on an index of UK corporate debentures and loans. Priestley (1996) identified seven macro economic and financial factors; namely default risk, industrial production exchange rate, retail sales, money supply (M3), unexpected inflation, change in expected inflation, term structure of interest rate, commodity prizes and market portfolio. He found that with the factor generating from the rate of change approach, all factors are significant in the UK stock market.

Ozcam (1997) cited in Tursoy, Gunsel & Rjoub (2008) tested seven macroeconomic variables of Turkish economy. He separated into expected and unexpected series by a regression process then two step testing methodology is implemented on these series. The study covered 54 stocks for the period of January 1989 to July 1995. The result was beta coefficient of expected factors is found to be significant for asset return.

Altay (2003) employed various economic variables which consider the basic indicator of an economy; from those economic variables, he derived the factor analysis process and factor realizations of principle economic phenomenon for two countries Germany and Turkey. The idea behind employing macro economic variables is described to be just quantitative indicators of basic economic phenomena. He tested the period of January 1988 to June 2002 and January 1993 to 2000 for Turkey and Germany respectively. The tested economic variables are: consumer price index, wholesale price index, money market interest rate, imports, export foreign exchange rate, average yield of public bonds and industrial production index. For German Stock Market, he found the evidence of only one factor beta, unexpected interest rate level factor beta, reward in the market. For Turkey Market, the result can not present evidence for statistically significant unexpected macroeconomic factor beta on expected asset returns during the period tested.

IV. Methodology

In this study three macroeconomic variables are examined. The model below is designed to test economic conditions (inflation, exchange rate and market capitalization).

The variables can be incorporated into a linear model as suggested by Chen, Roll & Ross (1986)

$$Ri = bi_0 + bi_1 Fi_1 + bi_2 Fi_2 + bi_3 Fi_3 + \epsilon_i$$

Where Ri is the realized return on sectoral portfolio and bi is the reaction coefficient measuring the change in portfolio returns for a change in risk factor and Fi is the macroeconomic factor.

In this study, the following factors are employed

F_1 = Market capitalization
F_2 = Exchange rate
F_3 = Inflation
ϵ_i = A residual error for sector portfolio I

The APT introduced by Chen, Roll & Ross (1986), involves identifying the macro-variables which influence stock returns. This macroeconomic activities influence the returns on stocks and utilizing macro variables in the return generating process providing a basis to estimate stock returns. The simplest of theories of pricing a financial asset is by discounting future cash flows. The exogenous variables that affect the future cash flows or the risk discount rate of a firm must be considered to identify the macroeconomic factors that influence the stock market.

V. Regression Results

Model	Coefficients	Standard errors	t-statistic	Prob (t)
(Constant)	0.16	0.077	4.11	0.04
Market capitalization	0.026	0.018	2.58	0.12
Exchange rate	0.0211	0.017	2.42	0.16
Inflation	0.0016	0.010	2.06	0.29

The probability value for market capitalization (0.12), exchange rate (0.16) and inflation (0.29) are all greater than 0.05, which implies that they do not have significant influence on the firms in different sectors' return. Inflation has the highest probability value, which implies that, out of this three predictors of the sectoral returns, inflation has more level of non-influence on the Nigerian stock return followed by exchange rate (0.16) and market capitalization (0.12) has the least level of non-influence. The outcome of this study are in conformity with other studies across the globe (see Chen, Chen and Hsieh (1995), Chen, Roll and Ross (1986); Burnmeister & Wall (1986), Chen and Jordan (1993), Atlay (2003); Ozcam (1997); Gunsel and Cukur (2007); Tursoy, Gusel & Rjoub (2008); and Abdullahi (2011) .

Measurement of the model strength

R-squared	S.E. of Reg.	S.D. of dep. Var.	Durbin-watson
0.38	0.36	0.42	2.12

The R-squared (coefficient of determination) for this study is 0.38 which shows that about 38% of the variation in firms in different sectors' returns is explained by the APT model. As a further measure of the APT model fit, compare the standard error of regression (0.36) to the standard deviation of dependent variable (0.42) with the multiple linear regressions, the model error of the estimate is considerably lower which makes the fitted APT model sensible. The Durbin-Watson statistics of 2.12 implies no serial correlations between the variables.

VI. Conclusion

The regression results indicate that macroeconomic factors tested have no significant influence in the Nigerian stock exchange market. This indicates that other macro-economic factors affect the stock return in Nigeria, stock exchange or the multi factor APT model with macro economic variables fails to explain the effect in the Nigerian stock market. This result supported by Poon and Taylor (1991) and Tursoy, Gunsel & Rjoub (2008), which found that there is no relationship between the macroeconomic variables and stock market return. However each factor may insignificantly affect different sector in different manner. That is a macroeconomic factor may insignificantly affect one sector positively, but may insignificantly affect the other sector negatively.

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Modelling Bank Management, Rural Lending and Small Business Finance in Nigeria

By Adolphus J. Toby

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Abstracts - This study tests four regression models to examine the effects of selected bank management ratios on rural lending and small business finance in Nigeria. Published data were generated from the Central Bank of Nigeria (CBN) Statistical Bulletin for the period 1992-2007, and analyzed with the Software Package for Social Sciences (SPSS). It was found that a critical gap in bank intermediation still exists in the Nigerian rural and SME sectors. A significantly positive relationship exists between rural loan-to-deposit ratio (RLTDR) and aggregate loan-to-deposit ratio (LTDR) at the 5% level. However, when RLTDR is used as the explanatory variable, we should expect LTDR to rise significantly, as RLTDR declines and vice versa. The coefficient of determination (R^2) shows that 84.02% of the variation in RLTDR is accounted for by bank management variables (Liquidity Ratio - LR, Cash Reserve Ratio – CRR & Loan-to-Deposit Ratio LTDR). Furthermore, the bank management variables (LR, CRR & LTDR) varied negatively with the ratio of loans to SMEs (RLSMEs) at the 5% level of significance. Nearly 75% of the variations in the ratio of loans to SMEs is accounted for by the bank management explanatory variables. Overall, the results suggest that rural bank management expanded aggregate credit in such a manner that constrained their liquidity profiles, particularly from year 2007. The excess liquidity in the banking system between 1992-2007 did not improve the flow of credit to SMEs in Nigeria. Consequently, the banks have failed in their social role of financing the entrepreneur-innovator by restricting the spread of fiat money contrary to the expectations of the Keynes-Schumpeter model. There is also no evidence to show that the banks are dealing significantly with the problem of information asymmetries through improved relationship lending to the SMEs in Nigeria. Monetary policy should therefore focus on compliance with prudential standards, restoring the mandatory credit allocation regime to rural & SME sectors and deepening the rural financial system.

Keywords : *Bank management, rural lending, small business finance, modelling.*

GJMBR-A Classification : JEL Code: O16

MODELLING BANK MANAGEMENT, RURAL LENDINGAND SMALL BUSINESS FINANCE IN NIGERIA

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I. Introduction

According to the modern theory of financial intermediation, an important role of banks in the economy is to create liquidity by funding illiquid loans with liquid demand deposits (see Diamond, 1984; Ramakrishnan and Thakor, 1984). However, a large body of literature has shown that small firms experience difficulties in accessing the credit market due to

informational asymmetries (Zingales, 2000; Berger and Udell 1998; Beck *et al*, 2002; Gregory, *et al*, 2005). Banks can overcome these asymmetries through relationship lending, or at least mitigate their effects by asking for collateral. Small firms, especially if they are young, have little collateral and short credit histories, and thus may find it difficult to raise fund from banks (see Francesco, 2009 for a detailed survey).

Until recently, economic theory did not pay any significant attention to the issue of firm financing, that is, the mechanisms through which firms procure the means of payment necessary to carry out their investment decisions. The Keynesian theory supported the thesis of the non-neutrality of money by using more or less sophisticated versions of the IS-LM model, according to which investment decisions depend only on the interest rate whose level is determined by the money market equilibrium. The implicit hypothesis in these models is that firms are always able to obtain the liquidity necessary to carry out the desired investments. This approach found important theoretical support in the Modigliani-Miller Theorem that shows that a firm's investment decisions are independent of the choice of the form of financing. The monetarist theory motivates the irrelevance of the firm financing issue by stating that it is not possible to attribute to the credit market a role which is distinct from that played in the real sector, inasmuch as the credit market coincides with the real sector (see McCallum, 1989).

In a landmark article, Levine (1997) has shown that the financial sector leads to productivity growth and real economic growth. However, a number of studies have shown that banks have played no substantial and statistically significant role in small business lending (Pranti, *et al*, 2006; Obamuyi, 2007; Bonaccorsi & Gobbi, 2007). Although the eras of pursuits of market reforms in the Nigerian banking industry were characterized by improved incentives, these however, did not lead to increased credit purvey to the economy (Balogun, 2007). Current banking reforms in Nigeria have adopted a risk-based supervision (RBS) framework aimed at improving asset quality and enhancing lending growth.

Based on Nigerian data, the works of Emeni and Okafor (2008) have shown that the larger the size of a bank by way of mergers at acquisitions (M & A), the more it tends to lend to small businesses. Emeni and Okafor also show that change in banking focus.

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(e.g. cutting down of branches in local areas), otherwise referred to as the restructuring effect, resulted in poor lending to small businesses, even with M & A. The works of Toby (2005) show that the liberalization of the Nigerian banking industry between 1986-92 resulted in deteriorating corporate liquidity, declining bank credit to the manufacturing sector, outrageous increases in interest rates with the consequential decline in the contribution of the manufacturing sector to the GDP. It is also shown in Toby (2007a) that the current asset ratios of quoted SMEs are significantly sensitive to commercial banks' liquidity ratio, cash reserve requirement and the loan-to-deposit ratio, indicating a heavy reliance of the SME sector on banks for financing. However, Toby (2007b) shows that their risk class limits the flow of funds to the SMEs, and the consequential financial stress in a risk-averse financial system.

It is argued that SMEs in Nigeria can contribute as much as 30 per cent of the Gross Domestic Product (GDP) and employ up to 58 per cent of its work force (Galadima, 2006). The CBN is further quoted as stating that the formal financial system provides services to about 35 per cent of the economically active population in Nigeria, while the remaining 65 per cent are excluded from access to formal financial services (Anaro, 2006). The critical gaps in banking intermediation in the SME sector have necessitated the emergence of alternative financing options. The most recent initiatives include the Small and Medium Industries Equity Investment Scheme (SMIEIS), the Microfinance Regulatory Framework (2005), the Bank of Industry (BOI) and the N200billion SME credit Guarantee Scheme (SMECGS).

What is not known is the empirical determinant of rural lending in the context of aggregate bank behaviour. The nature and significance of the relationship between bank management variables and SME lending is not also known with certainty. The determination of these critical relationships would have far-reaching policy implications for the Nigerian banking industry, rural financial intermediation and small business financing.

Our research null hypotheses are:

H0₁: There is no significant relationship between aggregate bank loans behaviour and rural lending.

H0₂: There is no significant relationship between bank management behaviour (monetary policy outcomes) and rural lending

H0₃: There is no significant relationship between bank management practices and SME lending.

The next section of this article provides the background to the study, followed by a review of related literature, research methods and model specifications, empirical results, policy implications and conclusions.

II. Background Of The Study

The behaviour of interest rates in the post-liberalization era is summarized in Table 1. The post-liberalization era (1992-2005) was characterized by re-regulation and cumulative bank distress. The consolidation era (2006-2007) witnessed aggressive mergers and banking consolidation. Average savings rate declined drastically from 16.10% in 1992 to 3.83% in 2005. The savings rate dropped further to 3.55% in 2007. The prime lending rate offered to preferred borrowers also witnessed a decline from 29.8% in 1992 to 16.94% in 2007. The maximum lending rate equally declined from 31.2% in 1992 to 18.36% in 2007. On the average, maximum lending rate remained at 23.4% between 1992 and 2007.

Table 1 : Weighted Average Deposit and Lending Rates of Deposit Money Banks (Per cent)

Year	Savings	Prime [1]	Maximum
1992	16.10	29.80	31.20
1993	16.66	18.32	36.09
1994	13.50	21.00	21.00
1995	12.61	20.18	20.79
1996	11.69	19.74	20.86
1997	4.80	13.54	23.32
1998	5.49	18.29	21.34
1999	5.33	21.32	27.19
2000	5.39	17.98	21.55
2001	5.49	18.29	21.34
2002	4.15	24.85	30.19
2003	4.11	20.71	22.88
3004	4.19	19.18	20.82
2005	3.83	17.95	19.49
2006	3.13	16.89	18.41
2007	3.55	16.94	18.36
Average*	7.5	19.5	23.4

[1] Formerly referred to as First Class Advances
* Average calculations were by the author

Note: 2005 and 2006 Figures were revised
Source: Central Bank of Nigeria Statistical Bulletin

The selected financial ratios of commercial banks in Nigeria are presented in Table 2. The ratios represent monetary policy outcomes and critical bank management variables for the period 1992-2007. The liquidity ratio of commercial banks increased markedly from 29.1% in 1992 to 57.9% in 2007, with an average of 48.8% in the 1992-2007 period. Within the period under investigation, target monetary policy fixed minimum liquidity ratio (MLR) between 35-40%. Hence, most banks exhibited excess liquidity within the period 1992-2007. With a sharply declining savings rate, this liquidity profile of banks could have been determined by a high incidence of purchased money at rates much higher than 7.5%.

Table 3 : Selected Financial Ratios of Commercial Banks (Per cent)

Year	Liquidity Ratio[1]	Cash Reserve Ratio[2]	Loan-to-Deposit Ratio[3]
1992	29.1	4.4	55.2
1993	42.2	6.0	42.9
1994	48.5	5.7	60.9
1995	33.1	7.5	73.3
1996	43.1	7.8	72.9
1997	40.2	8.3	76.6
1998	46.8	11.7	74.4
1999	61.0	9.8	54.6
2000	64.1	10.8	51.0
2001	52.9	10.6	65.6
2002	52.5	10.0	62.8
2003	50.9	8.6	61.9
3004	50.5	9.7	68.6
2005	50.2	4.2	70.8
2006	57.9	4.2	64.6
2007	57.9	4.2	64.6
Average	48.8	7.7	63.8

[1]. *Liquidity ratio is the ratio of total specified liquid assets to total current liabilities*
[2]. *Cash reserve ratio is the ratio of cash reserve requirement to total current liabilities*
[3]. *Loan-to-deposit ratio is the ratio of total loa and advances to total current liabilities*
Source: *Central Bank of Nigeria Statistical Bulletin*

In the post-liberalization period, we notice a steeply rising cash reserve ratio (CRR) from 4.4% in 1992 to 9.7% in 2004, although we notice another radical drop to 4.2% in 2007. The increase in cash reserve ratio could have been defined by excess liquidity in the banking system in the 1992-2004 period. The further drop in CRR to 4.2% could have aggravated the excess liquidity problem in the Nigerian banking system. However, the loan-to-deposit ratio increased marginally from 55.2% in 1992 to 64.6% in 2007, below the prudential maximum of 80.0%. Lending growth remained conservative in the 1992-2007 period, although the banking system experienced excess liquidity. Apparently, monetary policy failed to curb excess liquidity and boost lending growth in the Nigerian banking system.

The deposits and loans of rural branches of Deposit Money Banks in Nigeria are summarized in Table 3. Although maximum lending rates showed a decline, the rural loan-to-deposit ratios increased drastically from 41.1% in 1992 to just 738.0% in 2007. The significant increase from 55.5% in 2006 to 738.0% in 2007 could have been explained by the desire of rural bank managers to grant all loan applications at exorbitant rates as banking consolidation gained momentum. The fact that total loans portfolio of rural banks far exceeded their total deposits portfolio means that rural bank management must have relied heavily on purchased funds to grant these loans in 2007. Apart from exceeding the regulatory maximum of 80.0% for loan-to-deposit ratio (RLTDR), the rural bank branches increased their illiquidity and consequently constrained further lending to rural dwellers and businesses beyond 2007. The Rural Banking Programme which started in 1977 sought to moderate the problem of poor access to credit by the rural sector operators, including most of the SMEs. The scheme was discontinued after 1989 due to widespread criticism of the programme and the emergence of community banks.

Table 3 : Deposits and Loans of Rural Branches of Deposit Money Banks (N million)

Year/Quarter	Deposits	Loans	Ratio[1]
1992	4612.2	1895.3	41.1
1993	19542.3	10910.4	55.8
1994	4855.2	1602.2	33.0
1995	8807.1	8659.3	98.3
1996	12442.0	4411.2	35.5
1997	19047.6	11158.6	58.6
1998	18513.8	11852.7	64.0
1999	15860.5	7498.1	47.3
2000	20640.9	11150.3	54.0
2001	16875.9	12341.0	73.1
2002	14861.6	8942.2	60.2
2003	20551.8	11251.9	54.7
3004	64490.0	34118.5	52.9
2005	18461.9	16105.5	87.2
2006	40775.9	22637.4	55.5
2007	3337.5	24600.6	738.0
Average	19167.3	12446.0	64.9

Ratio of loans rural customers of Deposit Money Banks to deposit mobilized with the rural branches.

Source: *Central Bank of Nigeria Statistical Bulletin*

The number of bank branches in Nigeria and abroad is shown in Table 4. The average number of urban branches was 1208 (68.2%), while rural branches was just 556 (31.4%). The concentration of bank branches in the urban centres could have been easily explained by better infrastructure and more lucrative business. The rural sector remains heavily constrained by its small economic capacity and infrastructural bottlenecks. Public sector intervention in the rural sector remains weak with non-existent capital market activities. Banking policy in Nigeria has remained urban-biased with insufficient outreach to rural communities.

Table 4 : Number of Deposit Money Banks' Branches in Nigeria and abroad

Year	No. of Banks	Urban	Rural	Abroad
1977	19	474	13	5
1978	19	511	98	5
1979	20	533	133	6
1980	20	565	168	7
1981	20	622	240	7
1982	22	676	308	7
1983	25	694	407	7
1984	27	810	432	7
1985	28	839	451	7
1986	29	879	529	7
1987	34	947	602	7
1988	43	1057	756	7
1989	47	1093	765	6
1990	58	1169	774	6
1991	65	1253	775	6
1992	65	1495	763	6
1993	66	1577	701	6
1994	65	1534	675	6
1995	64	1661	675	6
1996	64	1727	714	5
1997	64	1727	714	5
1998	54	1466	722	5
1999	54	1466	722	5
2000	54	1466	722	5
2001	90	1466	722	5
2002	90	2283	722	5
2003	90	2520	722	5
Average*	48	1208(68.2%)	556(31.4%)	6(0.4%)

* A erage calculations were by the author

Source: *Central Bank of Nigeria Statistical Bulletin*

34

The ratio of loans to small-scale enterprises to total commercial banks' credit is shown in Table 5. Up till October 1, 1996, most banks were mandated to allocate 20 per cent of their total credit to small-scale enterprises wholly owned by Nigerians. Hence, between 1992 and 1995, average SME lending in Nigeria was between 22.9% and 48.8%. The bank distress era (1997-2003) recorded significant declines in small business lending from 25.0% in 1996 to 7.5% in 2003. The decline in the ratio of SME loans averaged 0.7% in 2007. Apparently, the consolidation of the Nigerian banking industry seems to have worsened the financial constraints of SMEs in Nigeria.

Table 5 : Ratio of Loans to small-scale Enterprises to Commercial Banks to Credit [1]

Total Quarter	Commercial Banks loans to small scale Enterprises (₦m)	Commercial banks Total Credit (₦m)	% Commercial Banks Loans to small scale enterprises as percentage of total credit
1992	20400.0	41810.0	48.8
1993	15462.9	48056.0	32.2
1994	20552.5	92624.0	22.2
1995	32374.5	141146.0	22.9
1996	42302.1	169242.0	25.0
1997	40844.3	240782.0	17.0
1998	42260.7	272895.5	15.5
1999	46824.0	353081.1	13.3
2000	44542.3	508302.2	8.7
2001	52428.4	796164.8	6.6
2002	82368.4	954628.8	8.6
2003	90176.5	1210033.1	7.5
2004	54981.2	1519242.7	3.6
2005	50672.6	1899346.4	2.7
2006	21201.7	1847822.6	3.9
2007	26481.3	3821282.2	0.7
Average	42742.1	859778.7	15.0

[1] *The abolition of mandatory bank's credit allocations of 20% of its total credit to small-scale enterprises wholly owned by Nigerians took effect from October 1,1996.*

Source: *Computed from Deposit Money Banks' returns*

The ratio of small enterprises' loans to merchant banks' total loans is summarized in Table 6. SME lending also recorded a sharp decline from 31.2% in 1992 to 10.2% in 2000. It is important to note that from 2001, Universal Banking commenced in Nigeria, hence merchant banking activities were abolished.

Table 6 : Ratio of Small Enterprises' Loans to Merchant Banks' Total Credit

Year/Quarter	Loans to small scale enterprises (₦m)	Merchant Bank's Total Credit (₦m)	Merchant Bank's loans to small scale enterprises as Percentage of Total Credit (%)
1992	3493.9	11188.8	31.2
1993	4900.0	25189.8	19.5
1994	5489.3	30185.1	18.2
1995	9159.6	30612.2	29.9
1996	5595.8	41139.5	13.6
1997	7137.9	54491.5	13.1
1998	7800.0	60290.6	12.9
1999	7537.5	55767.6	13.0
2000	17899.8	190604.4	10.2
Average	7668.3	55496.6	18.0

Note: [1] *The abolition of mandatory banks credit allocations of 20% of its total credit to small scale enterprises wholly owned by Nigerians took effect from October 1, 1996.*

[2] *With effect from year 2001, Universal Banking commenced hence Merchant Banking activities were abolished*

Source: *Computed from Merchant Bank's returns.*

The emergence of community banks could have been explained by the disturbing level of financial exclusion in the rural and SME sectors in Nigeria. Between 1992 and 2000, 902 community banks reduced to just 367 apparently due to management failure and operational constraints (Table 7). Their liquidity ratio declined drastically from 75.14% in 1992 to just 23.48% in 2000. However, the loan-to-deposit ratio improved marginally

Table 7 : Summary of Assets and Liabilities of Community Banks (₦ million)

	1992	1993	1994	1995	1996	1997	1998	1999	2000
ASSETS:									
Cash in hand	66.70	190.70	233.10	286.30	278.70	414.10	830.40	1299.00	709.80
Balance with other banks	245.90	781.20	879.80	897.50	944.90	614.90	1230.70	1817.60	1016.0
Money at call	197.70	695.70	773.20	403.80	157.80	327.80	155.00	177.30	110.77
Bills Discounted	23.30	23.40	24.70	4.80	6.40	113.20	97.20	116.00	71.07
Loans & Advances:	135.80	654.50	1220.60	1129.80	1400.20	1618.80	2526.80	2958.30	1828.7
(a) Agriculture & forestry	29.50	123.20	155.40	98.60	229.40	367.40	962.70	1007.20	656.63
(b) Mining & Quarrying	3.70	5.70	32.20	17.90	17.60	28.50	31.00	27.00	19.33
(c) Manufacturing & Food Processing	7.70	69.60	98.30	68.90	81.60	125.00	172.90	200.00	124.57
(d) Manufacturing & Others	12.20	60.00	102.70	55.90	73.80	75.00	126.50	92.70	73.07
(e) Real Estate & Construction	14.60	47.50	34.90	102.60	92.70	105.20	67.10	71.90	46.33
(f) Transport/Commerce	45.60	280.00	513.80	575.70	695.00	729.90	1042.70	1447.80	830.17
(h) Others	22.50	68.50	283.30	210.20	210.10	187.80	123.90	110.90	78.27
Investments	118.40	326.60	491.40	354.30	254.00	384.00	218.40	436.80	218.40
Equipment on Lease	-	-	6.00	1.60	7.20	139.60	48.80	74.70	41.17
Fixed Assets	124.90	406.40	753.70	673.40	728.30	940.20	656.80	1010.70	555.83
Other Assets	54.50	120.10	310.70	355.00	655.00	153.80	713.10	1013.20	575.43
TOTAL ASSETS	967.20	3198.60	4693.20	4106.50	4432.50	4706.40	6477.20	8903.60	5126.3
LIABILITIES:									
Deposits	639.60	2188.20	3216.70	2834.60	2876.30	3181.90	4454.20	4140.30	2864.3
(a) Demand	207.90	588.50	836.30	832.90	780.70	842.10	1252.40	3332.60	1528.3
(b) Savings	304.20	1107.90	1865.70	1672.30	1786.20	1945.70	295.30	807.70	1134.33
(c) Time	127.50	491.80	514.70	329.40	309.40	394.10	606.50	-	202.17
Money at Call Takings		-	5.10	0.70	-	5.20	-	-	-
Balances held for Banks	39.50	63.90	33.60	14.40	13.70	28.80	-	-	-
Matching Loans	36.90	74.60	71.10	107.90	38.10	68.90	42.30	62.50	34.93
Other Loans [1]/		-	108.20		60.90	9.00	94.70	-	31.57
Shareholders Funds	227.00	625.30	935.40	861.00	870.70	1385.80	1479.30	1858.40	1112.7
(a) Paid up Capital	197.90	417.20	769.00	787.40	803.70	774.80	1123.50	1514.20	879.23
(b) Reserve	29.10	208.10	166.40	73.60	67.00	611.00	355.80	344.20	233.33
Others Liabilities	24.20	246.60	323.10	287.90	572.80	26.80	406.70	2842.40	1083.3
TOTAL LIABILITIES	967.20	3198.60	4693.20	4106.50	4432.50	4706.40	6477.20	8903.60	5126.3
Number of Reporting Banks	334.00	611.00	902.00	745.00	693.00	674.00	552.00	550.00	367.00
Loans to Deposit Ratio [2]/	23.43	30.10	38.25	39.81	48.67	53.86	58.91	27.60	28.84
Liquidity Ratio [3]/	75.14	74.05	57.94	55.71	47.80	42.19	49.75	20.70	23.48

Note: 1/ Other Loans consists of donations/grants/subventions.

2/ Loans to Deposit ratio = (Loans and advances + Bills discounted)*100/(deposits + money at call Taking + balances held for banks)

3/ Liquidity Ratio = (Cash in hand + Balance with other banks + Money at Call/(Deposits + Money at call Takings + Balances for banks)

/*100 With effect from December 2006, all the existing Community Banks were asked to transform to Microfinance banks.

Source: Central Bank of Nigeria

from 23.43% in 1992 to 28.84% in 2000. Most community banks could not create sufficient credit as a result of liquidity shortages. On the other hand, very low loan-to-deposit ratio coupled with rising non-performing loans portfolio could have also aggravated community banks' liquidity crisis.

III.   Review Of Related Literature

The extensive works of Bertocco (2003) have outlined the theoretical models defining the role of banks in financing small and medium firms. The study provides a shift from the asymmetric information approach to a meaningful theory elaborated on the basis of the works of Keynes and Schumpeter.

The asymmetric information (AI) approach abandons the hypothesis of perfect markets on which the neoclassical theorems on the irrelevance of money and the financial variables were founded. The conclusions of this approach apply in particular to small and medium firms, as there is less information about them (see Meyers, 1984; Carpenter and Peterson, 2002). The first conclusion under AI approach is that the presence of asymmetric information renders the Modigliani-Miller theorem inapplicable. If the potential creditors have less information than the entrepreneur who plans to carry out a new investment project, then it is not indifferent for the firm to choose among self-financing, debt or a new share issue. The second result under the AI approach is that it provides a convincing theory of financial intermediaries (banks) according to which their function is to reduce the costs associated with asymmetric information.

The Keynes-Schumpeter (K-S) approach leads us to analyze in a more complicated way the role of the financial structure (see Keynes, 1933a, 1933b, 1937a, 1937b, 1937c, 1939; Schumpeter, 1912, 1917, 1939, 1954). This approach underlines that bank money, banks, credit markets are elements that mark an economy that is completely different from the pure exchange economy to which the principle of the neutrality of the monetary variables is applied. It is an economy in which: (1) the object of the credit market is not the resources saved but the means of payment created by the banks; (2) the credit market is based on the relation between banks and firms and not on the relation between savers and firms; (3) there are no automatic mechanisms that guarantee the full employment of resources;   (4) the evolution of the economic system is determined by the innovations that are made through investment decisions that are taken in conditions of uncertainty.

These elements make it possible to highlight the social role of the banks, which do not act on behalf of a particular group of economic subjects, but they act on behalf of the entire society. By creating money to finance the entrepreneur-innovator, they express the consensus of society towards the investment project which is funded (Stiglitz and Weiss, 1981; Jaffe and Stiglitz, 1990; Bertocco, 2001; De Meza and Southey, 1996; De Meza, 2002). The social responsibility of the banks becomes evident when, following Schumpeter, we observe that it is the investment decisions financed by the bank that influence the choice of the goods to produce and not the preference of consumers, and it is society in its entirety through the banks that assumes the risk of the investment.

The Keynes-Schumpeter approach has important implications. This approach leads us to minimize the importance of the asymmetric information in explaining the characteristics of the financial structure. According to Keynes and Schumpeter, the existence of the banks is not explained by the presence of asymmetric information, but it is explained by the spread of fiat money. The Keynes-Schumpeter approach emphasizes the monetary role played by the banks, that is, their ability to create new money through credit. Moreover, in the presence of uncertainty, the difference between the financial structures of small – medium firms with respect to the big firms can be explained on the basis of the selection criteria applied by the banks rather than on the basis of the presence of asymmetric information.

IV.   Empirical Evidence on Relationship Lending

Empirical evidence shows that relationship lending can offer substantial economic advantages both to banks and to firms (Berger and Udell, 2002; De Young *et al*, 2004). The available studies have mostly focused attention on the advantages of relationship lending for businesses in terms of pricing, implicit terms and conditions and the availability of funding (Dewatripont and Roland, 2000; Kornai *et al*, 2003). Some other analysis empirically verifies the existence of a relation between the relationship-oriented model and the quality of the loan portfolio by using alternative measures to assess credit quality (see Acharya, *et al*, 2002; Coligno, *et al*, 2010).

Relationship banking can be understood as a bank intermediation model based on the development of a privileged, collaborative and repeated lending relationship with the firm, in respect of which the bank invests in the collection of private information (soft information) thus qualifying as a financial partner of reference with the objective of maximizing the profitability of the overall relationship in the medium and long-term (Sharpe, 1990; Stein, 2002; Scott, 2004; Berger, *et al*, 2010). A number of studies have shown that firms with a bank commitment relationship are less financially constrained (Bongini, *et al*, 2007; Brick and Palia, 2007; Elsas, 2005; Alexandrini, *et al*, 2009).

The works of Peterson and Rajan (1994) have analyzed the consequences of a lasting relationship between banks and firms on the financing conditions imposed, and in particular on the interest level applied and on the availability of credit. Their analysis, based on the data of small U.S. firms, shows that the duration of the relationship between the bank and the firm seems to have a slight effect on the interest rate and a significant

37

impact on the availability of credit (see Cole, 1998). Another set of studies analyze the Italian experience by investigating the influence of a lasting relationship on the firms' financing conditions (Finaldi & Rasi, 1999; Guiso *et al*, 2002; Alessandrini and Zazzaro, 2001; Angelini *et al*, 1998).

Meyer (1997) has outlined the importance of the bank-small business relationship as follows:

One of the reasons why the banking relationship is so important is that banks can efficiently gain valuable information on a small business over the course of their relationship, and then use this information to help make pricing and credit decisions. The financial conditions of small firms are usually rather opage to investors and the costs of issuing securities directly to the public are prohibitive for most small firms. Thus, without financial intermediaries like banks it would be simply too costly for most investors to learn the information needed to provide the credit, and too costly for the small firm to issue the credit itself. Banks, performing the classic functions of financial intermediaries, solve these problems by providing information about borrowers and monitoring them over time, by selling loan contract terms to improve borrower incentives, by renegotiating the terms if and when the borrower is in financial difficulty, and by diversifying the risks across many small business credits.

Some empirical research suggests that as the relationship matures, banks typically reduce interest charged and often drop the collateral requirements on small business loans. The bank-borrower relationship appears to be an efficient means for overcoming information and cost problems in small firm finance, and for allowing fundamentally creditworthy small firms to finance sound projects that might otherwise go unfunded. The implication of the importance of the bank-small business relationship is that it may impose limits on the migration of small business finance out of the banking sector.

Petersen and Rejan (1995) have identified a countervailing aspect of small business lending competition. They model a "relationship effect" in which an increase in banks' market power – that is, less competition – also increases their ability to form lending relationships with young firms, which typically have relatively uncertain prospects. Specifically, banks with more market power can afford to offer low interest rates to young firms because the banks can raise the rates when those firms are old without losing their business. Low interest rates are important because they are compatible with prudent behaviour. Interest rates that are too high increase "moral hazard" – firms take bigger risks with the bank's money in order to have a chance of paying back the high-priced loans and retaining some profit for themselves.

V. Banking Concentration And Small Business Lending

The research of Petersen and Rajan (2002) analyzes the consequences of the processes of merger and concentration experienced by the U.S. banking sector on the small firms' financing conditions. They highlight two, apparently contradictory, phenomena. On the one hand, they observe, in tandem with the process of mergers and concentration, that the physical distance separating small firms and creditor banks grew substantially in the period from 1973 to 1993; on the other hand, they note that this greater distance did not lead to greater difficulties in financing for the small firms. This combination of apparently contradictory phenomena is due, according to Peterson and Rajan, to the effects of the information technology revolution allowing banks to gather a larger quantity of information despite the greater distance from the firms.

Laderman (2008) concludes that a positive association between competition and lending is consistent with the empirical result of studies of other areas of banking done at metropolitan statistical area (MSA) level and is consistent with the traditional theory that is the foundation of antitrust enforcement, which holds that greater competition reduces prices and increases supplies. Cetorelli and Strahan (2006) study the effect of bank competition on the number and size distribution of firms within industries. They find that across MSAs, for industries that depend on external sources of finance, increases in bank competition are associated with increases in the proportion of total firms in that industry that are small. The authors did not examine the effect of competition on small business loan volumes explicitly. But, it is reasonable to suppose that a greater proportion of small firms in an industry in one MSA than in the same industry in a second MSA may be the result of greater bank funding for small firms in that industry in the first MSA.

The works of Park (2008) examine how banking concentration affects small business lending. Using the Survey of Business Finance, the empirical model shows that bank concentration may adversely affect the amount of credit supplied to small businesses. It is found that bank concentration decreases the line of credit (L/C) limits of firms significantly, while there is no statistically significant difference in L/C balance across banking markets. The research also shows that bank concentration lowers the overall debt-to-asset ratio of small firms that includes loans from non-bank institutions, suggesting that credit from non-bank institutions do not fully make up the effect of bank concentration.

Gerther and Gilchrist (1991) present evidence on the cyclical behaviour of small versus large

manufacturing firms, and on the response of these two classes of firms to monetary policy. They find that, following tight money, small firms sales decline at a faster pace than large firms sales for a period of more than two years. Further, bank lending to small firms contracts, while it actually rises for large firms. Monetary policy indicators tied to the performance of banking, such as M2, have relatively greater predictive power for small firms than for large. Gerther and Gilchrist show that small firms are more sensitive than are large to lagged movements in GNP.

VI. Rural Financial Intermediation

Historically, the financial performance of credit markets and small business in rural areas has been a topic of active professional discourse. At the centre of the debate is whether or not gaps exist in rural financial markets. Edelman (1997) notes among others that: (1) rapid concentration of bank assets due to merger activity may limit lending to rural businesses, (2) financial market regulations impose greater costs to smaller lenders that are characteristic of rural communities; (3) rural borrowers with unique credit needs (large amount, start-up, unfamiliar venture) face greater difficulty obtaining credit, and (4) rural equity markets are unorganized and virtually non-existent.

Other studies have not found significant shortfalls in rural small business financial markets. Surveys of small businesses in Arkansas and Illinois found adequate availability of debt and equity capital (see Gruidi, 1991; Lamberson and Johnson 1992). Shaffer and Pulver (1990) found that availability of capital is not a widespread problem and no one type or stage of business had difficulty acquiring capital. Gustafson (2003) has also shown that small businesses possess higher credit worthiness, but nearly one-fourth still report being delinquent on business obligations.

The works of Drabenstott and Mecker (1997) provide the concensus that rural businesses have a smaller menu of products and often pay more for access to capital. This is due in part to the limited and declining supply of loanable funds, bank consolidation, and undeveloped equity markets in rural areas. Jones (2008) has shown that formal-sector financial institutions can learn much about rural financial service needs from the financial products and processes of their informal counterparts.

VII. Data Sources And Model Specifications

The data for this study were generated for the Central Bank of Nigeria Statistical Bulletin for the period 1992-2007. The author computed the averages to shed more light on the average performance of critical variables. The variables studied include aggregate Loan-to-Deposit (LTDR), Rural Loan-to-Deposit Ratio

(RLTDR), Liquidity Ratio (LR), Cash Reserve Ratio (CRR) and Ratio of Loans to Small and Medium Enterprises (RLSMEs).

The following regression equations were formulated and computed with the aid of the Software Package for Social Sciences (SPSS):

(1) $RLTDR = \alpha + \beta LTDR + \varepsilon_i$
(2) $LTDR = \alpha + \beta RLTDR + \varepsilon_i$
(3) $RLTDR = \alpha + \beta_1 LR + \beta_2 CRR + \beta_3 LTDR + \varepsilon_i$
(4) $RLSMEs = \alpha + \beta_1 LR + \beta_2 CRR + \beta_3 LTDR + \varepsilon_i$

The t-test is employed for the purpose of testing the equality of two regression coefficients as in equation 5:

$$(5) \quad t = \frac{(\hat{\beta}_1 - \hat{\beta}_2) - (\hat{\beta}_1 - \hat{\beta}_2)}{Se\,(\hat{\beta}_1 - \hat{\beta}_2)}$$

This equation follows the t distribution with (n-3) df, where k is the total number of parameters estimated, including the constant term. The se (β_1 - β_2) is obtained from the well-known formula given in equation (6).

$$(6) \quad se\,(\hat{\beta}_1 - \hat{\beta}_2) = \sqrt{Var\,(\hat{\beta}_1) + var\,(\hat{\beta}_2) - 2\,Cov\,(\hat{\beta}_1, \hat{\beta}_2)}$$

If the computed t variable exceeds the critical value at the 5% level of significance for given df, we reject the null hypothesis, otherwise the alternative hypothesis would be accepted.

The F-ratio is employed to test the overall significance of the regression model, as given in equation (7):

$$(7) \quad F = \frac{\beta_1 \sum y_i \chi_{2i} + \beta_2 \sum y_i \chi_{3i})/2}{\sum \mu^2/(n-3)\,i}$$

In this context if $F > F\hat{\alpha}$ (k-1, n-k), reject H_0; otherwise you accept the alternate hypothesis. Note that $F\alpha$ (k-1, n-k) is the critical F value at the α level of significance and (k-1) numerator df and (n-k) denominator df.

The multiple coefficient of determination (R^2), akin to the simple coefficient of determination is conceptually given in equation (8) as the ratio of explained sum of squares (ESS) to the total sum of squares (TSS).

$$(8) \quad R^2 = \frac{ESS}{TSS}$$

$$\sum y^2 = \frac{\hat{\beta}_1 \sum y_i \chi_{2i} + \hat{\beta}_3 \sum y_i \chi_{3i}}{i}$$

VIII. Empirical Results And Discussions

The relationship between bank loans behaviour and rural lending is presented in Table 8. The two regression models assume the rural-loans-to-deposit

ratio (RLTDR) and the aggregate loans-to-deposit ratio (LTDR) to be the dependent variable interchangeably. With LTDR as the explanatory variable, the results show a correlation of 0.3769. Since the computed t-statistic of 1.5230 lies outside the acceptance region of ±0.1501 at the 5% significance level, we reject null hypothesis (H0₁) and accept the alternative hypothesis. Hence we find a significantly positive correlation between RLTDR and LTDR. This means that as aggregate loan-to-deposit ratios rise, we should expect the rural loan-to-deposit ratios to rise also, and vice versa.

However, when the RLTDR is used as the explanatory variable, we find a negative correlation coefficient of -0.4335. Since the computed t-statistic of -1.8000 falls outside the acceptance region, we still reject the null hypothesis 1 ($H0_1$) and accept the alternate hypothesis at the 5% level of significance. This means that as the rural loan-to-deposit ratios rise, we should expect the aggregate loan-to-deposit ratios of commercial banks to fall significantly, and vice versa. Hence under the regime of declining RLTDRs, we should expect the aggregate LTDRs to rise significantly.

Table 8 : Relationship Between Bank Loans Behaviour and Rural Lending:
Simple Regression Results

Model Parameters	Loans-to-Deposits Ratio (LTDR)*	Rural Loan-to-Deposit Ratio (RLTDR)**
β Tolerance	9.5192	-0.0213
SEB (VIF)	6.2514	0.1182
Interval (B)	22.9271	0.0041
β (Beta)	0.3769	-0.4335
SE (Beta)	0.2475	0.2408
Correlation partial	0.3769	-0.4335
T-Statistic	1.5230	-1.8000
Significance T	0.1501	0.9340
Beta In	0.3769	-0.4335

*   The dependent variable is rural loans-to-deposit ratio (RLTDR)

**   The dependent variable is Loans-to-Deposits Ratio (LTDR)

The results in Table 9 show the relationship between bank management and rural lending in Nigeria. The liquidity (LR) ratio of banks correlates positively and significantly with rural loan-to-deposit ratio (RLTDR). Although the observed partial correlation coefficient is 0.1287, the computed t-statistic of 3.5620 falls outside the accepted region of ±0.0039 at the 5% level of significance. The partial correlation coefficient of -0.6347 shows an inverse correlation between cash reserve ratio and rural lending. Since the computed t-statistic of -5.1270 falls outside the acceptance region of ±0.0003, we find that the inverse correlation between CRR and rural lending is significant at the 5% level of significance. In relating RLTDR and LTDR, a correlation coefficient of 0.3809 is significant at the 5% level since the t-statistic

of 2.1040 falls outside the acceptance region of ±0.0572. Hence the significantly positive correlation between LTDR and RLTDR agrees with the earlier results in a simple regression model.

The beta coefficients in the multiple regression model are for liquidity ratio (LR) 0.5963, cash reserve ratio (CRR) -0.8625 and loan-to-deposit ratio (LTDR) 0.3142. Holding CRR and LRDR constant, as aggregate liquidity ratio increases, the rural loan-to-deposit ratio (RLTDR) also increases but not by as much. In another respect, as CRR increases, we should expect a significant decline in RLTDR and vice versa. The sensitivity of RLTDR to aggregate LTDR is less significant.

Table 9 : Relationship Between Bank Management and Rural Lending in Nigeria:
Multiple Regression Results *

Model Parameters	Liquidity Ratio (LR)	Cash Reserve Ratio (CRR)	Loan-to-Deposit Ratio (LTDR)
β Tolerance	2.7683	- 2.0566	1.7757
SEB (VIF)	0.7771	0.4011	0.8441
Interval (B)	4.4614	- 1.1827	3.6148
β (Beta)	0.5963	- 0.8625	0.3142
SE (Beta)	0.1674	0.1682	0.1494
Correlation partial	0.1287	- 0.6347	0.3809
T-Statistic	3.5620	- 5.1270	2.1040
Significance T	0.0039	0.0003	0.0572
Beta In	0.1964	- 0.8625	0.3809

*   The dependent variable is the ratio of rural loans-to-deposits (RLTDR)

The relationship between bank management and SME lending in Nigeria is summarized in Table 10. The liquidity ratios of commercial banks correlate inversely with SME lending. A correlation coefficient of -0.7063 is significant at the 5% level since the computed t-statistic of -6.2210 is less than zero.

The cash reserve ratio is also inversely correlated with the ratio of loans to SMEs in Nigeria. However, the computed correlation coefficient of -0.3270 is not statistically significant at the 5% level since the t-statistic of 0.2410 falls within the acceptance region of ±0.8139. The aggregate loan-to-deposit ratio (LTDR) is also inversely related to the ratio of loans to SMEs. The correlation coefficient of -0.3875 is significant at the 5% level since the computed t-statistic of -5.0160 falls outside the acceptance region of

±0.0003. The results suggest we reject the null hypothesis 3 (H0₃) between bank management and SME lending only in terms of the Cash Reserve Ratio (CRR). The alternative hypothesis of a significant relationship between bank management and SME lending is accepted in terms of the liquidity ratio (LR) and the Loan-to-Deposit Ratio (LTDR).

The beta coefficient of -0.8757 shows that as the liquidity ratio of commercial banks increases, the level of SME lending in Nigeria decreases but not by as much. However, the beta coefficient is 0.3354 shows that as the cash reserve ratio increases, the level of SME lending also increases but not by as much. The beta coefficient is -0.6003 for the aggregate loan-to-deposit ratio. All the beta coefficients are statistically significant at the 5% level.

Table 10 : Relationship Between Bank Management and SME Lending in Nigeria: Multiple Regression Results*

Model Parameters	Liquidity Ratio (LR)	Cash Reserve Ratio (CRR)	Loan-to-Deposit Ratio (LTDR)
β Tolerance	-1.2251	0.1638	-0.7438
SEB (VIF)	0.1969	0.6808	0.1483
Interval (B)	-0.7960	1.6472	-0.4208
β (Beta)	-0.8757	0.3354	-0.6003
SE (Beta)	0.1408	0.1394	0.1197
Correlation partial	-0.7063	-0.3270	-0.3875
T-Statistic	-6.2210	0.2410	-5.0160
Significance T	0.0000	0.8139	0.0003
Beta In	-0.8757	-0.4276	-0.3875

* The dependent variable is Ratio of Loans to Small and Medium-Scale Enterprises (RLSMEs)

The model summary results are shown in Table 11. The coefficient of determination (R^2) for model 1 is 0.1421, meaning that 14.21 of the observed variation in rural loans-to-deposit ratio (RLTDR) is accounted for by variations in aggregate loan-to-deposit ratio (LTDR). However, in model 2, we observe that 18.82 of the variation in aggregate LTDR is explained by variations in RLTDR. Model 3 shows that 84.02% of the variation in rural loan-to-deposit ratio (RLTDR) is accounted for by

variation in liquidity ratio (LR), cash reserve ratio (CRR) and aggregate loan-to-deposit ratio (LTDR). Model 4 also shows that nearly 75 per cent of the variations in ratio of loans to SMEs (RLSMEs) is accounted for by variations in liquidity ratio (LR), cash reserve ratio (CRR) and aggregate loan-to-deposit ratio (LTDR). The variations in the bank management variables are critical in explaining the variations in rural and SME lending.

Table 11 : Model Summary Results

Model Parameters	Model 1*	Model 2**	Model 3 ***	Model 4****
Mult. R	0.3769	0.4335	0.9166	0.8625
R^2	0.1421	0.1880	0.8402	0.7438
Adj. R^2	0.0808	0.1300	0.8003	0.6798
F-Ratio	2.3190	3.2400	21.0340	11.6150
Sig. F	0.1500	0.9300	0.0000	0.0010
RsqCh	0.1421	0.1880	0.8402	0.7438
Durbin-Watson Test	0.7509	0.3204	1.6395	2.7119

* Model 1: $RLTDR = \alpha + \beta LTDR + \varepsilon_i$ *** Model 3: $RLTDR = \alpha + \beta_1 LR + \beta_2 CRR + \beta_3 LTDR + \varepsilon_i$
** Model 2: $LTDR = \alpha + \beta RLTDR + \varepsilon_i$ **** Model 4: $RLSMEs = \alpha + \beta_1 LR + \beta_2 CRR + \beta_3 LTDR + \varepsilon_i$

IX. Policy Implications Of The Study

The failure of banks to adhere to monetary policy targets, particularly in terms of the minimum liquidity ratio (MLR) and the loan-to-deposit ratio (LTDR)

has continued to hurt rural lending and SME financing in Nigeria. The empirical results suggest that monetary policy has failed to curb excess liquidity or improve lending growth, particularly to the rural and SME sectors. The multiple regression model shows that the

explanatory power (R^2) of critical bank management variables (LR, CRR & LTDR) is about 84 per cent. In addition, nearly 75 per cent of the variation in the ratio of bank loans to SMEs (RLSMEs) is accounted for by variations in the bank management variables.

Specifically, the liquidity ratio (LR) of banks correlates positively and significantly with the rural loan-to-deposit ratio (RLTDR). Hence, rural loan-to-deposit ratio (RLTDR) will suffer under tight monetary policy, and possibly improve under loose monetary policy, provided RLTDR does not exceed the prudential maximum set by the regulatory authorities. The results also show that rural lending is inversely sensitive to changes in the cash reserve ratio (CRR). Hence, further reduction of CRR from 4.2% in 2007 to the current 2.5% in 2011 means that rural lending is expected to improve significantly, provided the surviving rural branches of Deposit Money Banks are not more cash offices, mobilizing deposits for the purpose of urban lending.

The result that banks' liquidity ratio (LR) and loan-to-deposit ratio (LTDR) are significant in determining the ratio of loans to SMEs (RLSMEs) has another monetary policy implication in this study. Targeting both LR and LTDR is significant in improving the flow of funds to the SME sector. The significant inverse correlation coefficients between bank management (LR & LTDR) and SME lending means that most Deposit Money Banks in Nigeria have failed to use their initiatives in boosting SME finance. Banks have therefore failed in their social role of financing the entrepreneur-innovator by restricting the spread of fiat money as posited in the Keynes-Schumpeter model. The aggregate behaviour of bank management failed to deal with the problem of information asymmetries through improved relationship lending to the SMEs in Nigeria. This may be the reason why banks have failed to access the Small and Medium Enterprises Credit Guarantee Scheme (SMECGS) launched in 2010 with the CBN guaranteeing 80% of bank loans to SMEs.

Hence, discontinuing with the mandatory sectoral allocation of credit to the SME sector in 1996 was both ill-timed and ill-advised. The hurried liberalization of the Nigerian banking industry in the 1986-92 period could have propelled the clamour for increased market orientation in the allocation of credit. However, the deteriorating liquidity and significant increases in interest rates accompanying banking sector liberalization did not provide a sufficient impetus for abolishing the mandatory sectoral allocation of credit policy. Infact the bank distress era (1997-2003) recorded more significant declines in bank lending to SMEs in Nigeria. The consolidation of the Nigerian banking industry in 2006 seems to have worsened the financial constraints of SMEs contrary to the findings in Petersen and Rajaran (2002) and Emeni (2008).

The implications of the results for bank management and policy are varied. First, banking

policy in Nigeria has remained urban-biased, with a significantly increasing exclusion of the rural and SME sectors from financial services. The simple regression models 1 & 2 show their coefficients of determination as $r^2 = 0.1421$ (model 1) and $r^2 = 0.1882$ (model 2). The explanatory power of aggregate LTDR in explaining RLTDR is weak in both models. The significant and unexplained proportion could have been accounted for by bank management's preference for urban dwellers and businesses in their loans portfolio. Second, top bank management has failed in its supervisory role over rural bank branches, with RLTDR hitting 738% in 2007. This portrays a gross breach of internal control and credit risk management standards. The apparent declining bank-small business relationship will encourage the migration of small business finance out of the banking sector at exorbitant interest rates. The beta coefficient show the SME lending is particularly sensitive to liquidity ratio (LR) and loan-to-deposit ratio (LTDR). Hence the pursuit of prudent liquidity management in the banks under a loose monetary policy could facilitate and improve the ratio of total bank loans to SMEs (RLSMEs).

X. Conclusion

The gap in bank intermediation in the rural and SME sectors is further explained by model results. Graduating increases in the aggregate loan-to-deposit ratio (LTDR) would likely improve the rural loan-to-deposit ratio (RLTDR). The average LTDR between 1992-2007 is 63.8%, below the prudential maximum of 80.0%. The liquidity and hence lending growth of rural bank branches can be enhanced significantly, provided the aggregate loan-to-deposit ratio (LTDR) is prudently and significantly improved. The creation of more rural branches would further enhance the financial inclusion of rural dwellers and firms. There is no evidence to show that the commercial banks mobilized rural deposits to unlend to urban customers.

The results also indicated that the liquidity profiles of rural bank branches could have been constrained by a build-up in non-performing loans and excessive cost of funds, especially after the consolidation of the banking industry in 2006. Raising the rural-loan-to-deposit ratio (RLTDR) further beyond the prudential maximum of 80.0% could constrain liquidity further in the rural credit markets, and the entire banking system. The radical drop in mobilized deposits shows a shrinking in the number of rural branches for the 2006-2007 period. The radical increase in the loans portfolio shows a high incidence of purchased funds and possibilities of outrageous cost of funds to rural dwellers and businesses. Therefore, it appears bank management has not favoured least-cost rural lending, particularly after banking consolidation.

The high sensitivity of the cash reserve ratio in influencing rural lending provides another platform for

redefining monetary policy. Moderating the cash reserve ratio downwards can improve the liquidity of rural banks and their lending growth, provided prudential limits are observed. Targeting aggregate liquidity in the banking system through the liquidity ratio (LR) and the loan-to-deposit ratio (LTDR) could complement the cash reserve ratio in facilitating increased fund flow into rural financial markets.

The results also suggest that the excess liquidity in the banking system has not improved the flow of funds into the small and medium enterprises (SMEs) sector. The regulatory stance which moderates the CRR downwards and the LTDR upwards has not actually favoured SMEs. Apparently, bank management has favoured large businesses because of their size and relatively low risk class. The stressed rural financial services sector, coupled with an urban-biased banking industry have excluded SMEs financially. Monetary policy should therefore target critically bank management variables (LR, CRR & LTDR) ensuring compliance with prudential standards and balancing aggregate portfolios between large and small-scale businesses. Restoring the mandatory credit allocation regime could also help in improving SME lending. However, the ensuing moral hazard problem could be moderated through cutting-edge professional relationship lending.

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Impact of Guerrilla Marketing on Consumer Perception

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Abstracts - *Purpose :* Guerilla marketing is one of the growing marketing techniques which are used in advertising industry. Stealth marketing is also a most popular technique use in the Guerilla marketing. There are number of techniques are used in stealth marketing in which one technique, celebrity marketing is in practice mostly by the market leaders. This paper seeks to find the significant effect of the Guerilla marketing on the consumer perception.

Methodology : After reviewing the literature of celebrity marketing and consumer perception, we develop a questionnaire for the population of 300 graduate and post graduates' students of universities and colleges in Islamabad and we select a random sample of 60 students. We take the consumer perception as a dependent variable and celebrity marketing as an independent variable. We use the simple regression model to check the significant effect of celebrity marketing on consumer perception. For the study we get the value of "R" is 0.945.

Findings : The value of "R" which is 0.945 which shows that celebrity marketing has a significant effect on consumer perception.

Originality/ Value : This paper design on quantitative analysis to examine in what way celebrity marketing which is used in ad industry in cellular industry in Pakistan effectively used in molding the perception of a consumer in reaching buying decision.

IMPACT OF GUERRILLA MARKETING ON CONSUMER PERCEPTION

Strictly as per the compliance and regulations of:

Impact of Guerrilla Marketing on Consumer Perception

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Keywords : Guerilla marketing, Celebrity marketing, Advertising, Consumer perception

I. INTRODUCTION

In the scientific era, no one can be left without experiencing the influence of marketing communication has on our lives. The marketing communication we mean the range of tools marketers using in order to attract the attention of the consumer. These tools have many means of promotion such as advertising through television, radio, newspapers and billboards, direct marketing and personal relations (Miller, 1993). Combined these promotion tools are use to sent a strangler massage to improve the result for the company employing advertising agencies. Marketer introducing combining of the different promotions was as Integrated Marketing Communication (IMC) which allows one companies marketing campaign fully integrated and that the single message trying to sent the public will not be confusing by the other section of the organization (Duncan, 2002). By using IMC practices do not hit inadequately the potential consumer groups but since the viewer are bombarded with increasingly advertising messages, they thought that they are persuaded with information foe selling some thing so they became on defended policies. These consumers are called as generation Y are millennial (Yin, 2003; Griffin 2002; Syrett & Lammiman, 2003). Generation Y's are those whom are born between 1977-1994 (Paul, 2001). Therefore companies have to rethink new and special measures to get welcome for commercial messages with open arms by the Gen Y (Paul, 2002). In resulting the companies have to reshape their techniques and the increase he quality of their offerings in order to avoid negative word of mouth (Livenson, 1998). Word of Mouth (VoM) stands for when a friend tells a friend that tells a friend about the new product that he had bought last weekend (Vranica 2005). According to Chura and Fernando (2004), marketers are aiming for VoM that is planned and executed by people in order to spread the "Buzz". Yen (2003) states that, Gen Y is approachable through VoM which is considered an alternative way of promoting which leads us to an alternative marketing and promotional approach.

Guerrilla Marketing to be a well known marketing approach that applies more alternative methods changing the ways in which conventional marketing media such as advertising, direct marketing, PR and others alike executed (Levinson, 1998).under the cover of Guerilla Marketing an approach known as under cover marketing are stealth marketing is used as performed on face to face basis and does not appear to be a marketing too (Karolina Stenberg & Sabina Parcic, 2005). The existing the Undercover Marketing (UCM) is not as spread are as accepted through out the world, therefore it is largely unknown how public as well as marketer / advertiser react when faced with these method and how application of UCM would practically function (Karolina Stenberg & Sabina Parcic, 2005).

The generation Y is the (Paul,2001)generation that has born in mid 1980's decade .which are bombarded heavily increasing number of advertising massages which are turn to high their level of irritation

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due to which they stand against to give the defense that these massages are trying to sale the products. This is the basic reason which is faced by the marketers how to approach the generation Y so that they started to paying attention on these massages which is the only way that the presentation of the massages should not be a conventional way. This need pressured the marketers to start boosting the unconventional way for marketing which is called undercover marketing (stalls marketing) (kaikati&kaikikati, 2004)

The key objective of this type of marketing is to grasp the targeted people for the sale product without letting them know that it is the company's marketing campaign (Kaikati & Kaikati, 2004). Another main reason for the marketer to divert their attention in this kind of marketing that it is very hard to focus on potential customers because of fragmentation, due to which these customers divided in to very small number of groups in the result of ever increasing TV channels, radio stations and publications (Kaikati & Kaikati, 2004). Moreover it is reveled from the researches 7.7 % young males are not watching the prime time TV then year ago. The advent of the other technologies like personal television recorders and digital video recorders etc. providing the facility to the consumers that he may skip or eliminate the commercials have become the more threatening for conventional marketing due to which the marketer are diverted to under cover marketing because it is much difficult for the potential customer convincing to sit through the TV commercials. It is also supported by the different studies which showed that more than 50% marketer showed the intentions in using non conventional method like product placement deals and program sponsorship (Kaikati & Kaikati, 2004). The messages can be delivered in different methods through celebrity or trendsetters in which they participated with physical appearance. Thus the markers are looking to move for away from the conventional marketing which is depend on 30 seconds commercials that elaborated the importance of the stealth marketing techniques that are now becoming the emerging issue for marketing way in conventional marketing which is becoming order and order to reach the target marketing (Kaikati & Kaikati, 2004).

"The growing popularity of under cover marketing or stealth marketing drives from three factors that contributed the dimension effectiveness of television advertising and other traditional techniques, the first factor about the growing criticism of the advertising industry. The second factor is about cost effectiveness of stealth campaigns is implicit and recommendation to embrace non-traditional techniques. The third factor is about the need to explore different type of stealth marketing techniques as viable alternatives to reach and increasing fragmented audience" (Kaikati & Kaikati, 2004).

Stealth marketing techniques can be used to be

gain the competitive advantage there are six main types i.e. Viral marketing, brand pushers, celebrity marketing (endorsement), and bait- and – tease marketing, video game marketing and pop and rap music marketing. As these marketing techniques are based on many disguises based and it is to note worthy that in these marketing techniques some of them are stealthier in nature more than others that is why these are represented a useful alternative technique to conventional marketing techniques (Kaikati & Kaikati, 2004). As per extent to the Pakistan cellular industry is now using stealth marketing techniques rather than using conventional commercials in which they are considered one of the technique which is celebrity marketing is more prominent.

"The celebrity endorsement (marketing) is one of the most accepted kind of the marketing which is now most practicable in promotion of products and services so the use of this in commercial is not one way process, therefore, as celebrities are becoming in there own right with there own value existing of the minds of there audiences in a similar way to corporate and consumer brands" (Seno & Lukas, 2007). Celebrity endorsement conventionally focused on characteristically source of the endorser along with transfer of meanings between endorser to the endorse products and brands (Alina Hellomen- Knight & Leila Hurmerinta, 1998)

Media has changed the market conditions and influences and has the ability to change the perception and behavior in strong way that traditional analytical tools for studying the market are insufficient (Nilson 1995). The consumer perception and behavior is one of the most widely studied subjects which grasped the constructs in marketing. In last two decades, almost 20,000 academic articles have been published on this particular topic (cf. Peterson & Wlison 1992).

II. Research Objective

Gaining competitive edge in terms of marketing is one of the utmost objectives, which companies are focusing on, as a result to change psychological and social perception of the society. Reaching the customers and prospects in a right way with a definitive roadmap is a succession key in this regard. Aim of this dissertation is to find out the effectiveness of the unconventional tools or techniques. In these tools UCM is one of the most popular tools which are being used to attract the potential consumers and hence changing their perception. Object of this paper is to find out the impact of Guerilla marketing on consumer perception through one of its technique called Celebrity marketing or endorsement.

III. Literature Review

Marketing Communication (MC) has an influence on consumers. MC is indented to gain the attention of the consumers, through different means i.e.

PR, direct marketing and advertising (New Papers, Radio, T.V and Billboard), (Miller, 1993). "The promotional tools jointly set out a much stronger message by the advertising agencies showed the improving results. Marketing practitioners introduce the practice of combined a different promotion mean as integrated marketing communication. This practice allows one company's marketing campaign to be fully integrated that the single message they are trying to send to the public will not be confused by other section by the organization" (Duncan, 2002). According to Yin (2003), Griffin, (2002) & Syrett & Lammiman, 2003) consumers are set to be fed up with the huge attacks of advertisings and known as generation Y. The impact of generation Y, born between 1977 to 1994 (Paul, 2001), has on the marketing end advertising for the result of the generation Y members place on the importance of the individuality with strong focus.

"The community and networks they forms have there own rules of loyalty violate the same time influencing there brand loyalty. The brand loyalty they might have had as children has fated through adult hood. This mean that companies have to use special measure to earn there commitment by using technique that were not necessary for their parents the baby boomers" (Syrett & Lammiman, 2003).

"Companies have to take into considerations as well that Gen Y has a "proof it to me" mentality as it does not welcome commercial messages with open arms (Paul, 2001)"

Celebrity endorsers give positive payback to companies. The medium most often used to associate them with a chosen product is advertising; where celebrities are known to induce more positive feelings toward ads than non-celebrity endorsers (Atkin & Block, 1983; Kamins, 1990; O'Mahony & Meenaghan, 1998). They spin vague products into recognized entities full of personality and appeal (Dickenson, 1996), and help out companies to re-brand and re-position their donations (Louie et al., 2001). Consumer recall rate is heightened when exposed to celebrity ads (Kamen, Azhari, & Kragh, 1975; O'Mahony & Meenaghan, 1998) and they report greater Purchase intentions (Atkin & Block, 1983; Friedman & Friedman, 1976).But on the other hand all celebrity endorsements will not turn out well for companies. Italian shoemaker Sergio Tacchini was sued by their celebrity endorser, tennis stars Martina Hingis, for what she claimed that of having serious injuries experienced from trying their products. As a result Hingis not only took legal action against the company, but she also said no to use the products and brought bad names for them to the press (Trout, 2007).Celebrity endorsers are paid by a sponsor company   for endorsement of their products (see e.g., Farrell & Van Riper, 2008; Sinclair, 2006b; Sirak, 2008). It has been revealed from researches that celebrity endorsers are proved more efficient communicator when they are

objectives (Atkin & Block, 1983; Friedman & Friedman, the products are   promoted by them (Erdogan, 1999).when an attractive and trustworthy celebrity endorser is visible in a ad, the viewers are become more associate positively viewing the promotion ad, the brand, and through this there is aroused in purchasing perceived as trustworthy, and attractive in connecting of 1976; Kamins, 1990;O'Mahony & Meenaghan, 1998). If we have view in accepting the view that celebrities are slotted in firm activities of different kinds, it is doubtful whether the source models are enough. In simply these models do not deal with engagement problem and as a result of which they do not allow for discrepancies in situational reasons which may concern about common result procedures (Ohanian, 1990; Silvera & Austad, 2004). For example, consumers are often asked aboutthe celebrity's trustworthiness in relative of a product but   conditions relevant to endorsement activities are held constant so the situational relationship between celebrity and product is hidden (see e.g., Friedman & Friedman, 1976; Friedman & Friedman, 1979). "Essentially, researchers ask experimental participants to tell them if a celebrity is trustworthy in the things they say about a product, or an expert on it, without informing them if the celebrity uses the product, has experience with the product, are paid to use the product, or are investors in the product. Any one of these additional pieces of information could alter a participants' opinion (directly or indirectly), regarding the trustworthiness or expertise of a celebrity endorser (Cronley et al, 1999; Robertson & Rossiter, 1974, Silvera & Austad, 2004)."Employment may also be source of conditional information which can obtain an attribution from consumers and in turn affect their attitudes towards brands and ads (Folkes, 1988; Kelly & Michela, 1980). By employing with the product endorsement may take a celebrity show more trustworthy and attractive. In any combination   of   these   influence   statement   of Effectiveness. Understanding the effects on any kind of engagement on Communication.   Cronley et al. (1999) find out a muscular relationship between consumers considers   a   celebrity   make   use   of   a   product (irrespective of whether they actually do) & message usefulness.

The result was sustained and extended by Silvera & Austad (2004) who explored that a celebrity's anecdotal character towards a product (i.e., whether they like or use the product) was as strong of a interpreter of attitude towards the ad as the attractiveness dimension adopt by McGuire (1985) Consumers are normally able to differentiate between an endorser and the product being endorsed (Stem, 1994). Consequently, when negative information is revealed to consumers, their reaction can be different depending on if it is directed towards the celebrity or the product. When the negative information is about the celebrity,

then the reaction usually extends only to the advertisement and inversely, when the information is regarding the company it usually only extends to the brand (Stem, 1994). Friedman & Friedman (1979) referred to celebrities as individuals who are known to the public (including actors, sports figures, and entertainers) for their achievements in areas other than that of the product class endorsed. Friedman & Friedman (1979) referred to celebrities as individuals known by the public (including actors, sports figures, and entertainers) for their achievements in areas rather than that of the product class endorsed. To clearness in definition is the assumption that in acquiring celebrity one must be firstly achieved something. Compared with celebrities of the past, such as Caesar, Napoleon, Alexander Graham Bell, and Babe Ruth, who earned their celebrity through the positions with notable achievements, present-day celebrities have appeared as exemption from this requirement. Moreover, Turner (2004) deemed they were often a product manufactured by celebrity intermediaries such as agents, publicists, marketing personnel, and promoters (Marshall, 1997; Turner, 2004). Noting this cultural shift, Boorstin (1961) pointed out that achievement was no longer a necessary condition for acquiring celebrity. To him, "the test of celebrity is nothing more than well-knowness" (p. 59) and a celebrity was simply a "person who is known for his well-knowness" (p. 57). This distinction allows us to consider individuals such as Paris Hilton, Lindsey Lohan and Osama Bin Laden celebrities while at the same time some politicians, sport stars, members of royalty and religious icons. The celebrities are sharing at least three important aspects; Firstly, in their domain of celebrity, should be well known for well knowing, Secondly, in their field they have to embrace weight over the public, finely, celebrities should belong to all spheres of life, along with politicians, actresses, athletes, successful business leaders, lottery winners, etc. Thus definition of celebrity given below comprises with above mentioned elements.

Celebrity: an individual who is recognized by the public for their famous-ness and has an impact on public perception. Celebrities slotted in a range of paid activities working with companies and products. As discussed by Kamen, Azhari, & Kragh (1975) that the way of presenting the celebrities can described into four categories: Testimonial, endorser, actor, and spokesman. In a testimonial "the individual attests to the superiority or excellence of a product or service on the basis of personal experience with it" (p. 17), when an individual is often explicitly coupled with a brand while endorsing the product or a company. When playing the role of an actor "the individual is merely a character in a dramatic presentation… Endorsement is implicit, but no testimonials are ordinarily rendered" (p.17). Last but not least the spokesman is characterized as "the individual representing the company or brand (much like a salesperson), where the role is more official in nature

since the spokesperson is authorized to express the position of their sponsor" (p. 17). Each category shares a common denominator: in some form or another celebrity is associated with the brand. Actually, researchers are not drawing a line of differentiation between the different characters played by celebrities and even when they often submit to celebrity spokespersons (Desarbo & Harshman, 1985; Kamins et al., 1989;Kamins & Gupta, 1994) or celebrity endorsers (Erdogan & Baker, 1999;Kahle & Homer, 1985; Klebba & Unger, 1982; Knott & St. James, 2004) but mean empirically similar things. This is captured in an of cited definition of celebrity endorser that can be found in McCracken (1989, p. 310):"any individual who enjoys public recognition and who uses this recognition on behalf of a consumer good by appearing with it in an advertisement." Moreover, celebrities are discharging role of endorser bonding themselves with various products (Kamen et al., 1975; Stem, 1994). Similarly, Seno and Lucas (2007, p. 123) state that endorsements can be "be explicit ("I endorse this product"), implicit ("I use this product"), imperative ("You should use this product"), or co-presentational (merely appearing with the product)". The environment of bonding does not give the impression to limiting an advertisement circumstances. Therefore it looks very important in doing definition of celebrity endorser is that they should be in some way associated with a product regardless of either taking the form of advertisement or not and in this way of with the intention of creating some enviable results for the sponsors:

Celebrity Endorser: a publicly well known individual associated with a brand/company/product in order to acquiring required outcomes for sponsor. Companies exercise celebrity endorsers due to a number of reasons. As the celebrities accredited the ability of instantly turning an unknown product into a recognized ones with personality and appeal; also engaged in re-branding and re-positioning ((Dickenson, 1996, Louie et al., 2001). They are exclusively effective in generating PR for a product (Chapman & Leask, 2001; Larkin, 2002; Pringle & Binet, 2005) driven by the insatiable desire consumers have to learn more about their private lives (Gamson, 1994; Ponce de Leon, 2002). The medium used most oftenly in bonding celebrities with a product is advertising; whereas celebrities are known as one who inducing more positive feelings toward ads than non-celebrity endorsers (Atkin & Block, 1983; Kamins, 1990; O'Mahony & Meenaghan, 1998). This in turn may be one explanation for the high recall rates consumers experience when exposed to celebrity ads (Kamen et al., 1975; O'Mahony & Meenaghan, 1998) and greater reported purchase intentions (Atkin & Block, 1983; Friedman & Friedman, 1976).

The important incidents effecting on consumers may be defined as negative situations with little are no

control at the end of the producer or retailer (Dutton & Jackon, 1987; Clark, 1988). The event can be resulted of the bad judgment calls and managerial mistakes during manufacturing (Mitchell, 1986). The faults produced in products by it self (Tory, 1993), the external events such as politics are social attraction which can be proliferated through the world-of-mouth (Hadjikhani, 1996; McClellend, 1961 & Goodwin, 1987; Herr *et al,* 1991 & Richins, 1983).in all these cases media played directly or indirectly its role by spreading the news (Bruck, 1989). On the other hand some researches explore the role of media to be a positive one, in communication generally, to be used as the managerial tools in producing a positive change in the perception of the consumers (Kotler, 1996). According to these researches which observe the media played a role in opposite direction i.e. tending to defend the crisis but rather to create it (Raboy & Dagenais, 1995; Neuzil & Kovarik, 1986).

According to Assael, (1992) in the buyer seller relationship media played a dominate role in the field of consumer marketing and this role is unspoken and it is used a positive way the marketing strategy for seller in promoting the positive changing in the consumer perceptions in opening of new research field are successful or unsuccessful marketing (Cronier & Mories, 1989; McKenna, 1991). It is also consider that in competency and managerial level can be correlated to the negative perception on the consumers (Everette et al, 1994; Richens, 1983). The environmental incident influenced that is spread by the media and have the casual effect social interactions (Evans et al, 1996). Keane, (1991) points out that in the case of important events the media due to its uncertain authenticity and vague lines of responsibility may influence the position of the companies negatively or positively at the same time. The media can play according to the demand of business players and effect a positive change in the behavior of the society when advertising are relaying

news. It can take a neutral position when broadcasting the news are even can create the impression of an impending crises in changing the negative perception the public might have of a company or product into a positive one (Kaptalan-Nagy; Ulrika Ljungren; Amjed Hadjikhane & Nazeem Seyed- Muhammad 1998).

Besides of focusing on management, some other studies aim to be more exploratory in which there is pay a closer antation in describing the events in the environment and linking them to the change of the perception to consumer by giving a powerful roll by consumer in its attraction in the environment this model kind of model that is centralized the role of media and its influence on consumers, presented by the Tory (1993).
On having both kind of media role, as managerial tools and as explanatory, our paper played a neutral role as one of the player for covering events and crisis that will in the end influence the perception of the consumers.

Those who have the view in expansion of the this thought and interrelate the disturbed world event to marketing have chose the a different position either static or process prospective, the static prospective concentrate on the decision making level in any given organization along with the studying how timings be a crucial in the dissemination of information in a critical condition (Glazar & Weiss, 1993; Smart & Vertinsky, 1977). On the other hand for process prospective are forced on the behavioral change of the individual consumer and affect of use being on the consumer (MacCrimmon & Wehrung, 1986). In this theory it is further explained in the consumer changing and its ability t be aware and able adapt to a situation applying and a company level and also studied changing to the behavior by discussing the process change form the initial shock to adaptation a consumer might under go and gives the attention to the changes that are the result of turbulent events and having no aim at studying the source of these changes (Kauseman & Garman, 1992; Arnlond, 1980).

IV. CONCEPTUAL FRAME WORK

Elements

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┌─────────────────────┐      ┌─────────────────────┐      ┌─────────────────────┐
│  Celebrity Marketing │─────▶│  Guerrilla Marketing │─────▶│ Consumer Perception │
└─────────────────────┘      └─────────────────────┘      └─────────────────────┘
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a) *Hypothesis*

On our literature review we can stand a hypothesis as describe below.

Ho: Celebrity marketing has significant effect on consumer perception

b) *Methodology*

This study is quantitatively based on questionnaire which is constructed to acquire the

answers that is relevant to our study. We are interested in knowing to that in what way the consumers can be induced through guerrilla marketing using one of techniques i.e. celebrity marketing. We are also interested in verifying significant occurrence between guerrilla marketing and consumer precepyion.

We use the Likert Scale for our questionnaire from 1 to 5 representing strongly disagree

to strongly agree. We select the random sample from population of 300 graduate and post graduate students from different colleges and universities in Islamabad, from this population we select 60 responses, 10 respondent could not fill the questionnaire completely 5 more discarded from different ground.

c) Statistical Instrument

We use the simple regression model. We regress the celebrity marketing of which has the constructs trustworthiness and attractiveness of as an independent co-efficient with dependent co-efficient which is consumer perception. We check the significance of trust worthiness comprises of four to five question similarly we also check our construct on attractiveness of the celebrity in the advertisement also four to five questions included our questionnaire. We also check the dependency of the consumer perception on celebrity marketing which is our main goal.

d) Statistical Analysis

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.945[a]	.893	.865	.29696

Table 1

We regress consumer perception on celebrity marketing, the result are showing in table 1. According to the table 1 we find that the consumer perception has strong significantly effected by the celebrity marketing which has maximum value which is 0.945.

Report			
Celebrity endorsement in cellular ads has an influence on my perceptions			
	Mean	N	Std. Deviation
Strongly Disagree	3.0000	4	.00000
Disagree	3.5000	8	.53452
Neutral	2.9524	21	.66904
Agree	4.0000	17	.50000
Strongly agree	4.5000	10	.52705
Total	3.5833	60	.80867

Table 2.

It is also clear from the Table 2 that the questions in answering strongly agree and agree have the mean values greater than 3, this prove our hypothesis that consumer perception has strongly significant effect by the celebrity marketing.

V. Discussion

The analytic framework confirms the relationship between guerrilla marketing and consumer perception with respect of celebrity marketing. On having careful interpretation of sample.As illustrated by the table no. The Q1, Q2, Q3 which explain the significant effect between trustworthiness which is facet of celebrity marketing and preference, belief and brand, which are the facet of this effect is to the extent of .007. Which is calculated by using statistical two way t-test? This shows the positive relationship between these factors. Similarly Question Nos. 4, 5, 8,10,11,12 of our questionnaire shows the negative relationship with the consumer perception. Whereas Question Nos.6, 7 and 9 has also shows positive relationship between trustworthiness and attractiveness and consume perception This study shows the trustworthiness and attractiveness as potential strategies to enhancing consumer percept in to facilitate purchased behavior.

VI. Conclusion

The aim of the research was to identify the association of the celebrity endorsement on the consumer perception. This was studied by the reviewing of literature of both celebrity endearment and the consumer perception dependent upon the questionnaire distributing among the target population, we sure the collectively positive influence on the consumer perception. Recognizing the right celebrity endorser is one of the essential discussions for a brand which is engaged to endorse. Celebrities can be beneficiaries from this view that endorsement as means of linking there brand for a product or corporate brand and take into consideration the potential positive and negative effect that may have on there on image and brand equity (Elina Halonen-Knight & Leila Hurmerinta, 2010).

a) Limitation of the study

This study attempt to discover the positive relation between Guerilla Marketing and the consumer perception, by using the celebrities and endorser in cellular sector of Pakistan. To generalize the result of this study is limited in using the celebrities' endorsement in a cultural back ground.Second research need to be conducted using the other technique stealth marketing

which is not in practices in Pakistan regarding t cellular industry.

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Adjusted Narver and Slater's Market Orientation Concept and Firm Performance in Nigerian Companies

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Abstracts - Market orientation as a business philosophy in which understanding and satisfying the customers is essential has been suggested to be a vital variable for a successful business operation. To test this assertion empirically, this study looks into the nature of the correlational relationship between market orientation and firm performance using sample data from firms in Nigeria. How Narver and Slater's scale for measuring the extent of market orientation is investigated, tested, adjusted and used for Nigerian context. The results show that there is a significant positive correlation between market orientation and business performance .i.e the performance of the firms understudy have been greatly enhanced by their adoption of market orientation, and the Narver and Slater's scale was discovered to be better suited for Nigerian context when seen as comprising of com petitor and customer orientation.

Keywords : Market orientation, Customer orientation, Competitor orientation, Firm performance, Nigeria.

GJMBR-B Classification : JEL Code:M31

Strictly as per the compliance and regulations of:

Adjusted Narver and Slater's Market Orientation Concept and Firm Performance in Nigerian Companies

Olalekan Asikhia

Abstract - Market orientation as a business philosophy in which understanding and satisfying the customers is essential has been suggested to be a vital variable for a successful business operation. To test this assertion empirically, this study looks into the nature of the correlational relationship between market orientation and firm performance using sample data from firms in Nigeria. How Narver and Slater's scale for measuring the extent of market orientation is investigated, tested, adjusted and used for Nigerian context. The results show that there is a significant positive correlation between market orientation and business performance .i.e the performance of the firms understudy have been greatly enhanced by their adoption of market orientation, and the Narver and Slater's scale was discovered to be better suited for Nigerian context when seen as comprising of com petitor and customer orientation.

Keywords : Market orientation, Customer orientation, Competitor orientation, Firm performance, Nigeria.

I. Introduction

The different definitions of market orientation reveal a central focus on tracking and marketing customers' need profitably. The definitions of Kohli and Jaworski (1990) and Gerhardt, Carpenter & Sherry Jr. (2006) are in the same vein as Deshpande, Farley and Webster (1993) who view it as the organization's belief that see it as a business philosophy in which understanding and satisfying the customers is essential. And it is expected that a satisfied customer would always make a repeat purchase (Gray, Matcar, Boshoff, & Matheson, 1998), and hence an enhanced performance would be witnessed (for example, Ellis, 2006; Gebhardt, et al, 2006; Zhou, Gao, Yang & Zhou, 2005; Webster 1992). Subsequently, a number of empirical studies have attempted to assess the association of market orientation with profitability (for example, Gebhardt, et al, 2006; Bhuian, 1998; Pelham & Wilson, 1996; Greenley, 1995; Raju, Lonial & Gupta, 1995). Although the body of research related to market orientation is flourishing, most of the past studies on market orientation and firm performance have been undertaken in the context of western countries like the US. Virtually little or no serious study has attempted to investigate the relationship between market orientation and firm performance in Nigeria context.

More specifically, this study has two objectives each designed to contribute to the emerging body of empirical literature on effect of market-orientation on firm performance relationship. The first objective is to examine the psychometric properties of the Narver and Slater scale as a measuring instrument for market orientation in the Nigerian context, and secondly to determine the relationship between market orientation and firm performance.

II. Conceptual Framework

Two groups of authors provided different concepts for market orientation. Kohli and Jaworski (1990) conceptualize an organization's market orientation as implementation of the marketing concept.

McKitterick (1957), Felton (1959), and Keith (1960) define marketing concept as a corporate state of mind that insists on the integration and coordination of all the marketing functions that, in turn are melded with all other corporate functions, for the sole purpose of producing maximum long-range corporate profits.

McNamara (1972) regards the marketing concept as a business philosophy, an idea or a policy statement. Houston (1986) defines the concept as a willingness to recognize and understand consumers' needs and wants, and a willingness to adjust any of the marketing mix elements to satisfy those needs and wants. All these show that the marketing concept defines a distinct organizational process that puts the customers in the centre of the firm's thinking about strategy and operations (Deshpande and Webster, 1989; Deshpande, Farley & Webster, 1993; and Tse, Sin, Yau, Lee & Chow, 2003). And this process is seen as one that permeates every aspect of an organization's operation (Houston, 1986; Wong and Saunders, 1993; Baker, Black & Hart,1994; Hunt and Morgan, 1995; Zhou et al., 2005; Ellis 2006) So Kohli and Jaworski (1990) conceive market orientation as an organizational process, and state that this process involves:

- market intelligence generation
- dissemination
- responsiveness to such intelligence across departments'

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A different conceptualization was offered by Narver and Slater (1990:21) who defined market orientation "as organizational culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and thus continuous superior performance for business". And they see organizational culture as a driver of behaviors, and that the organization is weak if the culture lacks commitments to superior value for customers. They conceived such culture as focusing on:

- Customers (that is customer orientation)
- Competitors (that is competitor orientation)
- Marketing information sharing.

This paper adapts the conceptualization of Narver and Slater, namely that a market orientation includes both a customer and competitor orientation but believing that information sharing within an organization should be beyond market information only and as such inherent in the organizational framework already for it to be customer and competitor centered. Hence, it is presumed that orientation involves the total participation of the whole organization in activities that see the customers as kings and satisfy them better than the competitors and these activities must have included sharing of vital and relevant information to achieve these objectives.So for this study customer and competitor orientation are seen as the integral aspects of market orientation.

III. Literature Review and Hypothesis Development

Many researchers in other countries of the world have established that there is a positive relationship between market orientation and firm performance; for example, Narver and Slater, 1990; Ruekert, 1992; Jaworski and Kohli, 1993; Slater and Narver 1994; Raju et al., 1995; Pelham and Wilson, 1996; Pelham, 1997; Kumar, Subrmnanian & Yauger, 1998; Ellis, 2006 in the US established a positive relationship between market orientation and firm performance (for example sales growth, return on assets, profitability, organizational commitment, new product success, financial performance, market/product development, internal quality, product quality, firm effectiveness, growth in revenue, return on capital, success of new services/facilities, success in retaining patients, success in and controlling expenses are used as indicators for firm performance) while using different number of firms ranging from 113 small business units (SBU) to 160 manufacturing firms.

The non-US studies include Deshpande et al., (1993), (in Japan), Diamontopoulos and Hart (1993), Greenley (1995), Pitt, Caruana & Berthon (1996), Appiah-Adu (1997), Appiah-Adu and Raryhod (1998), Greenley and Foxall (1998);Tse et al., (2003) all in UK,

Deng and Dart (1994), in Canada, Au and Tse (1995), Chan and Ellis (1998), Zhou et al.,(2005) in Hong Kong, Gray et al (1998) in New Zealand, Bhuian (1998) in Saudi Arabia, Atuahene-Gima (1995) in Taiwan, Hooley, Cox, Fahy, Shipley, Beracs, Fonfara, & Snoj, (1999) in Hungry, Poland and Slovenia. All got a varying but positive relationship between market orientation and firm performance.

A number of authors have however questioned the link between market orientation and firm performance. For example Kaldor (1971) suggest that customers do not always know what is needed. And Gerken (1990) points out that it is unrealistic to be market oriented because firms are no longer able to keep up with erratic and constantly changing demand and market developments. Also Bennet and Cooper (1979) also suggest that few, if any, of the really significant product innovations that have been placed on the market to date are developed because the inventor sensed that a latent pool of needs are waiting to be satisfied. Also, that the ability of the customers to verbalize what they need is limited by their knowledge, and that when they suggest modifications, they take into account the limits of technology. Consequently a market oriented firm may be preoccupied with line extension and product proliferation (Tse et al.,2003).

Bernnet and Cooper (1979) and Hayes and Avbernathy (1980) argue that market orientation induces businesses into being interested in short-term and intermediate customer needs, which can be detrimental to innovation and long term success of a companion.

Jaworski and Kohli (1993) also established that market orientation has no relationship with market share of 222 SBUs of 102 companies in the US, Pelham and Wilson (1996)'s finding is consistent with this, as they also found out that 68 small firms in US have a no relationship between their market orientation and sales growth/ market share. Deshpande et al (1993) studying 50 quadrads from public firms and their customers in Japan established a no relationship of market orientation with overall performance based on managers' assessment. Diamontopoulos and Hart (1993) studied 87 manufacturing firms in UK and established a weak relationship of market orientation and return on investment, new product success rate, sales growth and market success.

It is obvious that there is a mixed result and notion of the relationship of market orientation with different performance criteria in other parts of the world, these underscore the relevance of this study. It will thus be hypothesized that;

Ho: There is no significant relationship between market orientation and firm performance.
Ha: There is a significant relationship between customer orientation and firm performance.
Ho: There is no significant relationship between

customer orientation and competitor orientation components of market orientation.

Hb: There is significant relationship between customer orientation and competitor orientation components of market orientation.

IV. JUSTIFICATION OF THE STUDY

Although some authors have studied the link between market orientation and firm performance in other parts of the world, additional studies on the topic can be justified on the following grounds. First of all, few or no study on the market orientation – performance relationship exists in Nigerian context. Secondly, this study intends to look at the components issue as it is in all firms. i.e. both service and manufacturing. Finally, more importantly this study hopes to test the validity` of the scales used for measuring market orientation in the Nigerian context. Thus far, no serious attempt has been made to validate the asserted link between market orientation and business performance. Hence, the objectives of this study are two folds. The first objective is to collect data in a Nigerian context to determine if the adjusted Narver and Slater's scale can be extended to a Nigerian cultural context, and if the scale is found to be valid and reliable, the hypothesized positive association between market orientation and performance can be tested. In addition to the contribution of validating the scale in a Nigerian context, this study provides results of testing the asserted relationship between market orientation and business performance in another culture and organization settings. The need for this kind of replicate work was emphasized by Kohli et al (1993) to be a fundamental requirement of the science of marketing.

V. METHODOLOGY

Market orientation was hypothesized as a one-dimensional construct consisting of two components customer orientation and competitor orientation. The inter-functional coordination of Narver and Slater was supposed to have been subsumed into the two earlier variables i.e. customer orientation and competitor orientation in this study. So altogether, 15 items were developed from the Narver and Slater (1990).

The sample of 100 firms in both service and manufacturing sector of the economy was randomly drawn from a database of the Corporate Affairs Commission.

A questionnaire titled "Business practice survey" with a cover letter explaining the purpose of the survey was given to the marketing manager/chief executive officer of the selected firms.

The questionnaire contained questions on the following areas:

i.   Customer orientation (11 items)
ii. Competitor orientation (4 items)
iii. Sales growth (5 items)
iv. Company background (8 items)

Respondents were assured of their anonymity. A total of eighty nine (89) firms returned the questionnaires and fifty-two were found to be duly completed and thus useable, giving a response rate of 52%. Then multiple regression and correlational analysis were applied to the data so collected.

VI. RESULT AND DISCUSSION

With the 52 responses from the survey, reliability analysis was conducted. The scale reliability values (coefficient) and item-to-total correlations are reported in table 1; reliability for the scales exceeds 0.70 the threshold Nunnally (1994) recommended for exploratory research.

Table 1: Scale description for Market Orientation

Item	Cronbach Alpha	Item-to-total correlation
Customer orientation	0.84	
Review of the likely effect of changes in our business environment (e.g. technology or regulation changes) On customers.		.70
The firm analyses data on customer satisfaction		.71
The firm makes use of information that states customer preferences		.72
The firm has a structured program that obtains the feedback necessary to fully understand customers		.69
The firm studies underlying trends or patterns in its customers dispositions		.75
A major strength of this firm is effective and efficient customer analysis		.77
The firm responds to negative customer satisfaction information.		.79
The firm responds to changing customer requirements.		.82
If customers complain, changes are made.		.83
A high priority is placed on implementing changes to increase future customer satisfaction		.81
Competitor orientation	0.79	
The top management team discuss competitor's strengths and weaknesses		.70
We target customer and customer groups where we have, or can develop, a competitive advantage		.78
Sales growth	.71	
Our sales have witnessed unstable growth in the last five years.		.69
We have not made significant growth in sales relative to the market leader in our industry.		.72
Our sales growth is better than our competitors generally		.70
Our sales growth has changed our market share of the industry in the last three years.		.72

Table 1 shows that the question items for each of the construct correlated well with the constructs with cronbach alpha ranging from .71 to .84 and the item to item correlation ranges from .69 to .83.

Table 2 : Psychometric properties of the scale

Measurement Model	Range of Standard Factor Headings	Cronchα	NFI	FI	SRMR	RMSEA	X_2(d.f,P-value
Market Orientation	0.69⁻0.83	0.92	0.84	0.87	0.10	0.09	89.72(89, p<.01)
Customer Orientation	0.69⁻0.83	0.90	0.82	0.85	0.08	0.10	81.14(89, p<.01)
Competitor Orientation	0.70-0.79	0.88	0.85	0.87	0.09	0.11	7.04(89, p<.01)
Sale Growth	0.67-0.83	0.71	0.93	0.94	0.07	0.10	21.53(89, p<.01)

The range of standardized factor loading was highest in market orientation, customer orientation and sales growth while competitor orientation was lowest and yet within the acceptable range of 0.70, and the chi-square ranges from 7.04 to 89.72, the Non-Normed Factor Index (NNFI) ranges from .82 to 0.93, Confirmatory Factor Index(CFI)= 0.85 to 0.94,

Table 3: Correlation between the components of Market Orientation

	U	CO
CU	.00	.82
CO	82	1.00

All correlations are statistically significant at 0.01 and 0.05 level
CU- Customer Orientation
CO- Competitor Orientation

Table 3 shows that there is a positive strong correlation between the customer orientation and the competitor orientation, that is as firms become more customer conscious they are inadvertently taking care of competition.

Table 4: The relationship between Market Orientation and Firm Performance

R	Adjusted R^2	F	H_0
0.565**	0.310	36.859	Reject

*P<0.01, **P<0.05

Table 5: The Discriminant validity result for the Market Orientation scale

X	Df	P
13.65	2	5 %

Standardized Root Mean Square Error (SRMR) and Root Mean Square Error of Approximation (RMSEA) are within the acceptable range of 0.60 to 0.11, (As shown in table 2) these result shows there is internal consistency of the overall homogeneity among items and that the model fits the data with items loading high on the hypothesized constructs.

VII. DISCRIMINANT VALIDITY

Discriminant validity concerns the degree to which measures of conceptually distinct constructs differ. Conventionally, it has been assessed by the pattern of correlation across versus within traits in the multi-traits – multi method matrix (Campbell and Fiske, 1959). More recently, like convergent validity, it has been

assessed by analyzing the co - variance structure of the data. A modified version of the procedure recommended by Burnkrant and Page (1982) was used to assess discriminant validity. This is done by comparing the goodness of fit statistics for two measurement models, one modeling the two related dimensions of market orientation-CU and CO- as perfectly correlated and the other with a constraint. The

the unconstrained model improves over the constrained model would indicate whether the two dimensions achieve discriminant validity.The chi square difference values for the constrained and unconstrained model was found to be 13.46 with 2 df which is significant at the 5% level as shown in table 5. This finding implies that the unconstrained model has a significantly better fit than the constrained model. Conclusively therefore, the result shows that the market orientation scale developed in this study has acceptable discriminant validity.
 The following are noted:
• The findings suggest that Narver and Slater's scale with slight modification is a reliable and valid scale that can be used in a Nigerian business environment. Although the scale was originally developed in the US at the Strategic Business Unit (SBU) level, the finding of this study suggests that the scale appears to capture the construct of market orientation in a Nigerian cultural context.
• Results of this research support the asserted correlational relationship between market orientation and company performance with R=0.565 significant at both 0.01 and 0.05 levels of significant. And Market orientation contributes 31% variations in firm performance as shown in table 4. The evidence provided by this study further strengthens the positive link between market orientation and firm performance, a result obtained by previous studies of the same nature in the US and some other countries (e.g. Narver and Slater, 1990; Ruekert, 1992; Jaworski and Kohli, 1993; Slater and Narver 1994; Raju et al., 1995; Pelham and Wilson, 1996; Pelham, 1997; Kumar et al., 1998; Ellis, 2006 in the US; Deshpande et al., 1993; (in Japan), Diamontopoulos and Hart,1993; Greenley,1995; Pitt et al.,1996; Appiah-Adu,1997; Appiah-Adu and Raryhod,1998; Greenley and Foxall 1998; Tse et al., (2003) all in UK, Deng and Dart,1994; in Canada, Au and Tse,1995; Chan and Ellis,1998;Zhou et al.,2005 in Hong Kong, Gray et al.,1998; in New Zealand, Bhuian, 1997;1998 in Saudi Arabia, Atuahene-Gima,1995/1996; in Taiwan, Hooley et al.,1999; in Hungry, Poland and Slovenia).

VIII. POLICY IMPLICATION AND CONCLUSION

This section elaborates on the potential implication of the research.Customers today are highly

informed and more demanding. Responsiveness to customers' needs and changing market conditions become important for the success of firms and this calls for the introduction of market-oriented products and services, and re-orientation of firms operating in the economy to be market oriented in their processes, routines, and outputs.

It is important that firms enhance their efforts to assemble market-oriented resources which are especially important to firms that want to gain competitive advantage. The findings suggested that market-orientation could lead to a firm's ability to continually satisfy his customers in the face of changing market conditions and thus increase firm performance. These results apart from its relevance to the academicians also help foreign marketing practitioners engaging in Nigeria trade, in collaborating or competing against Nigerian enterprises. Market orientation is a critical success factor for companies operating in Nigeria. Highly market-oriented firms in a Nigerian business environment would outperform those with low level of market orientation. It is paramount for managers to study and continuously scan their environment to know the degree of dynamism in the tastes and fashion of their consumers so as to continue to satisfy them profitable and ensure their continuous existence in the business environment.

IX. LIMITATION AND FUTURE RESEARCH

It is important to note that this study is not without limitations though it has provided relevant and interesting insights to the understanding of the impacts of market orientation on firm performance. The cross sectional data used in this research has the disadvantage of not being able to allow the time sequence of the relationship between market orientation and firm performance to be determined unambiguously. The result therefore, might not be interpreted as proof of a causal relationship, but rather as lending support for a prior causal scheme. The development of a time-series database and testing of the market orientation relationship with firm performance in a longitudinal framework would provide more insight into probable causation.

Future research may dwell on how the extent of market orientation would be affected by antecedent factors such as company attributes and attributes of top management personnel, and factors that moderate the relationship between market orientation and business performance – factors like market turbulence, technological turbulence, and degree of competition.

Also, data for this study were collected by the key single informant approach although the data so collected are reliable and valid, future research should attempt to use the multiple informants approach.

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60

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62

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Impact of Training and Development on Organizational Performance

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Abstracts - Training and Development, On the Job Training, Training Design and Delivery style are four of the most important aspects in organizational studies. The focus of current study is to understand the affect of Training and Development, On the Job Training, Training Design and Delivery style on Organizational performance. The back bone of this study is the secondary data comprised of comprehensive literature review. Four Hypotheses are developed to see the Impact of all the independent variables on the overall Organizational Performance. The Hypotheses show that all these have significant affect on Organizational Performance. These Hypotheses came from the literature review and we have also proved them with the help of literature review. Results show that Training and Development, On the Job Training, Training Design and Delivery style have significant affect on Organizational Performance and all these have positively affect the Organizational Performance. It means it increases the overall organizational performance. We also prove our Hypothesis through empirical data. However, results are strongly based on the literature review.

Keywords : *Training and Development, On the Job Training, Training Design, Delivery style, Organizational Performance.*

GJMBR-A Classification :JEL Code: M53

IMPACT OF TRAINING AND DEVELOPMENT ON ORGANIZATIONAL PERFORMANCE

Strictly as per the compliance and regulations of:

Impact of Training and Development on Organizational Performance

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Abstract - Training and Development, On the Job Training, Training Design and Delivery style are four of the most important aspects in organizational studies. The focus of current study is to understand the effect of Training and Development, On the Job Training, Training Design and Delivery style on Organizational performance. The back bone of this study is the secondary data comprised of comprehensive literature review. Four Hypotheses are developed to see the Impact of all the independent variables on the overall Organizational Performance. The Hypotheses show that all these have significant effect on Organizational Performance. These Hypotheses came from the literature review and we have also proved them with the help of literature review. Results show that Training and Development, On the Job Training, Training Design and Delivery style have significant affect on Organizational Performance and all these have positively effect the Organizational Performance. It means it increases the overall organizational performance. We also prove our Hypothesis through empirical data. However, results are strongly based on the literature review.Results show that Training and Development,On the Job Training and Training Design and Delivery style have significant effect on Organizational Performance and all these have positively effect the Organizational Performance.

Keywords : Training and Development, On the Job Training, Training Design, Delivery style, Organizational Performance.

I. INTRODUCTION

Training has the distinct role in the achievement of an organizational goal by incorporating the interests of organization and the workforce (Stone R J. Human Resource Management, 2002). Now a days training is the most important factor in the business world because training increases the efficiency and the effectiveness of both employees and the organization. The employee performance depends on various factors. But the most important factor of employee performance is training.Training is important to enhance the capabilities of employees. The employees who have more on the job experience have better performance because there is an increase in the both skills & competencies because of more on the job experience

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(Fakhar Ul Afaq, Anwar Khan).Training also has impact on the return on investment (Richard Chang Associates, INC.). The organizational performance depends on the employee performance because human resource capital of organization plays an important role in the growth and the organizational performance. So to improve the organizational performance and the employee performance, traning is given to the employee of the organization.Thus the purpose of this study is to show the impact of traning and the design of traning on the employee performance.

Training & development increse the employee performance like the researcher said in his research that traning & development is an important activity to increase the performance of health sector organization (Iftikhar Ahmad and Siraj-ud-din, 2009).Another researcher said that employee performance is the important factor and the building block which increases the performance of overall organization(Qaiser Abbas and Sara Yaqoob).Employee performance depends on many factors like job satisfaction, knowledge and management but there is relatinship between traning and performance (Chris Amisano,2010).This shows that employee performance is important for the performance of the organizationand the and the traning & and development is beneficial for the employee to improve its performance.Thus the purpose of this study is to show the impact traning & development on the employee performance .

The main objective of our study is how the traning increase the employee performance. A researcher said that traning increase or develop the managerial skills (Robart T.Rosti Jr, Frank shipper, 1998).despite focusing on efficiency and cost control the spending on traning should increse because organization get more efficiency , effectiveness out of the traning and development (workforce special report, 2006) .This shows that traning increase the efficiency and the effectiveness of the organization.

"I think people are talking more about performance and results and consequences.They are not necessarily doing more about it", (Roger Kaufman Florida State University).From this it is clear that traning and development is the important factor.So the significance of our study is that the traning improves the organization performance.Traning is important for the

employees development and the employee development encourage self-fulfiling skills and abilities of employee,decreased operational costs,limits organizational liabilities and changing goals & objectives (Donald Nickels,M.A,2009).

II. Literature Review

Human resource is the very important and the backbone of every organiztion and it is also the main resource of the organization.So organizations invest huge amount on the human resource capital because the performance of human resource will ultimatiley increase the performance of the organization. Performance is a major multidimensional construct aimed to achieve results and has a strong link to strategic goals of an organization (Mwita, 2000) .As the Mwita (2000) explanis that performance is the key element to acheieve the goals of the organization so to performance increase the effectiveness and effeciancy of the organization which is helpful for the acheivement of the organizational goals.But the question arise that how an employee can work more effectively and efficiently to increase the growth and the productivity of an organization(Qaiser Abbas and Sara Yaqoob). There are many factors which improves the work of the employee such as flexible scheduling, training etc.

It is very necessary for the organization to design the training very carefully (Michael Armstrong, 2000). The design of the training should be according to the needs of the employees (Ginsberg, 1997). Those organizations which develop a good training design according to the need of the employees as well as to the organization always get good results (Partlow, 1996; Tihanyi *et al.*, 2000; Boudreau *et al.*, 2001). It seems that Training design plays a very vital role in the employee as well as organizational performance. a bad training design is nothing but the loss of time and money (Tsaur and Lin, 2004).

On the job training helps employees to get the knowledge of their job in a better way (Deming, 1982).

People learn from their practical experience much better as compare to bookish knowledge. On the job training reduces cost and saves time (Flynn *et al.*, 1995; Kaynak, 2003; Heras, 2006). It is better for the organizations to give their employees on the job training because it is cost effective and time saving (Ruth Taylor *et al.*, 2004). It is good for organization to give their employees on the job training so that their employees learnt in a practical way (Tom Baum *et al.*, 2007).

Delivery style is a very important part of Training and Development (Carlos A. Primo Braga, 1995). Employees are very conscious about the delivery style Michael Armstrong, 2000). If someone is not delivering the training in an impressive style and he is not capturing the attention of the audience it is means he is wasting the time (Mark A. Griffin et al., 2000). It is very necessary for a trainer to engage its audience during the training session (Phillip seamen et al., 2005). Delivery style means so much in the Training and Development.

It is very difficult for an employee to perform well at the job place without any pre-training (Thomas N. Garavan, 1997). Trained employees perform well as compared to untrained employees (Partlow, 1996; Tihanyi *et al.*, 2000; Boudreau *et al.*, 2001). It is very necessary for any organization to give its employees training to get overall goals of the organization in a better way (Flynn *et al.*, 1995; Kaynak, 2003; Heras, 2006). Training and development increase the overall performance of the organization (Shepard, Jon *et al.*, 2003). Although it is costly to give training to the employees but in the long run it give back more than it took (Flynn *et al.*, 1995; Kaynak, 2003; Heras, 2006). Every organization should develop its employees according to the need of that time so that they could compete with their competitors (Carlos A. Primo Braga, 1995).

III. Theoretical Framework

To implement the study following dependent and independent variables are shown in the theoratical
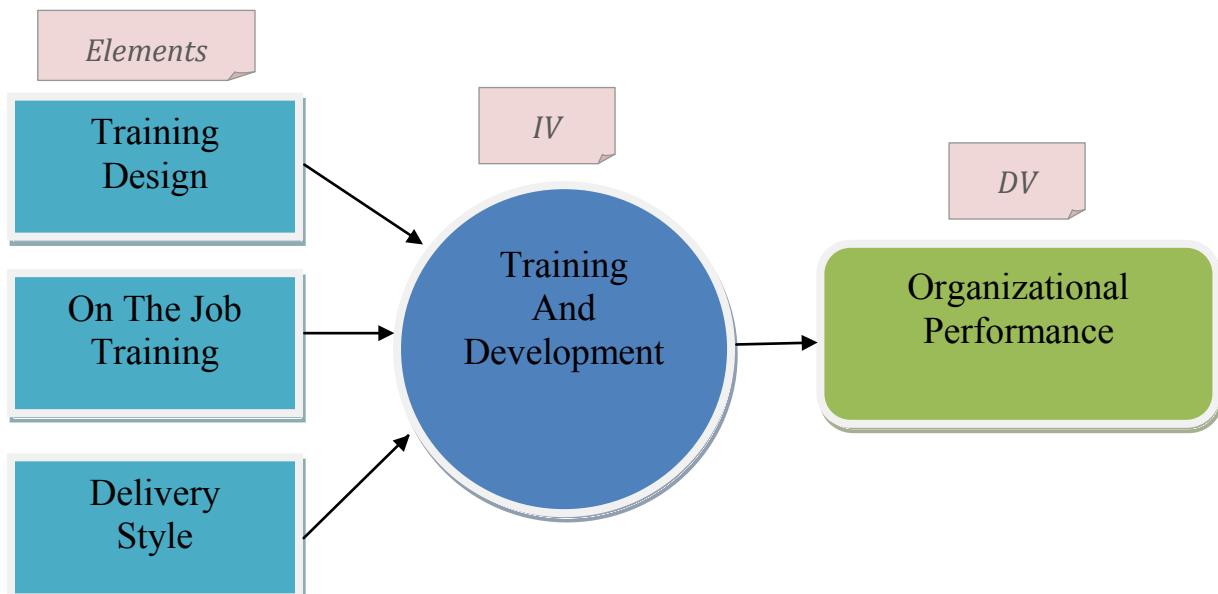
framework.The traning & development is the independent variable and organizational performance is the dependent variable.These two variables have been chosen to see the relationship between these variables i.e to see the impact of Training & development on the organizational Performance. The theoretical frame work can also be seen from the following diagram.

IV. HYPOTHESIS DEVELOPMENT

Hypothesis development is very important because acceptance and the rejection of hypothesis show the significance of the study. On the basis of litrature review and above thoratical frame work we came to develop following hypothesis.

In the training & development organizational performance is also effected by the traning design.Therefore our first hypothesis is:

H_1: Training design has significant effect on the organizational performance.

To increase the knowledge and skills in the job traning is given to the employees therefore our second hypothesis is:

H_2: On the job training has significant effect on the organizational performance.

During training & development the delivery style of the person who is giving the traning also effects the organizational performance so our third hypothesis is:

H_3: Delivery style has significant effect on the organizational performance.

By combinng the above mentioned hypothesis our fourth hypothesis is:

H_4: Training & development has significant effect on the organizational performance.

V. METHODOLOGY

The study sample comprised of 100 employees of different organizations of Islamabad, capital of Pakistan. The sample is mixed like both male and female. The data is collected through a questionnaire consists of 15 questions. All questions are close ended questions with the use of a five point Likert scale consisted of strongly disagree, disagree, neutral, agree and strongly agree. All questionnaires were distributed and collected by hand from the offices of the organizations in the office timings.

Ninety five questionnaires were collected after one weak. 95 of them gave the response to our questionnaire. After checking them 79 were found correct and the respond rate was 83%. These 79 questionnaires were included in the study. The analysis of the questionnaire was undertaken using Statistical Package for Social Sciences (SPSS). All mean and medians were calculated using SPSS. Descriptive statistics was used to determine the independent

variables and to conclude the results on the basis of secondary and primary data. Most of the results consist of secondary data.

VI. DISCUSSION

It is very necessary for the organization to design the training very carefully (Michael Armstrong, 2000). The design of the training should be according to the needs of the employees (Ginsberg, 1997). Those organizations which develop a good training design according to the need of the employees as well as to the organization always get good results (Partlow, 1996; Tihanyi *et al.*, 2000; Boudreau *et al.*, 2001). It seems that Training design plays a very vital role in the employee as well as organizational performance. a bad training design is nothing but the loss of time and money (Tsaur and Lin, 2004). All these results prove our first Hypothesis which is H_1: Training design has significant effect on the organizational performance. And it has a positive effect on the organizational performance. It improves the organizational performance. As we see in the table that most of the means are in between the bracket of 4-5 and 3-4, it means that most of our respondents think that Training Design has significant affect on the organizational performance. This also proves our first hypothesis which is; H_1: Training design has significant effect on the organizational performance. If we see the z-test value it lies in the critical region. It means the data and the results are significant of our first hypothesis.

z - Test:	Variable 1	Variable 2
Mean	4.253164557	4.278481013
Observations	79	79
Hypothesized Mean Difference	0	
z	-0.205412008	
P(Z<=z) one-tail	0.41862512	
z Critical one-tail	1.644853627	
P(Z<=z) two-tail	0.83725024	
z Critical two-tail	1.959963985	

Descriptive Statistics				
	N	Mean	Std. Deviation	Variance
Training Design	79	4.2532	.79208	.627
Training Design	79	4.2785	.71498	.511
Training Design	79	3.8734	1.18069	1.394
Training Design	79	3.6203	1.14694	1.315
Training Design	79	3.1139	1.39585	1.948
On The Job Training	79	4.1519	1.18850	1.413
On The Job Training	79	4.1392	1.16282	1.352
On The Job Training	79	3.6709	1.09453	1.198
Delivery Style	79	3.8987	.95535	.913
Delivery Style	79	4.2025	1.29476	1.676
Delivery Style	79	2.7975	1.27480	1.625
Delivery Style	79	4.2278	.79983	.640
Training & Development	79	4.4430	.67457	.455
Training & Development	79	4.5316	.50219	.252
Training & Development	79	4.4557	.50122	.251
Valid N (listwise)	79			

z-Test:		
	Variable 1	*Variable 2*
Mean	4.151898734	4.139240506
Observations	79	79
Hypothesized Mean Difference	0	
z	0.066067436	
P(Z<=z) one-tail	0.473662068	
z Critical one-tail	1.644853627	
P(Z<=z) two-tail	0.947324136	
z Critical two-tail	1.959963985	

On the job training helps employees to get the knowledge of their job in a better way (Deming, 1982). People learn from their practical experience much better as compare to bookish knowledge. On the job training reduces cost and saves time (Flynn *et al.*, 1995; Kaynak, 2003; Heras, 2006). It is better for the organizations to give their employees on the job training because it is cost effective and time saving (Ruth Taylor *et al.*, 2004). It is good for organization to give their employees on the job training so that their employees learnt in a practical way (Tom Baum *et al.*, 2007). All these results prove our second Hypothesis which is H$_2$: On the job training has significant effect on the organizational performance. And

it has a positive effect on the organizational performance. It improves the organizational performance. As we see in the table that most of the means are in between the bracket of 4-5 and 3-4, it means that most of our respondents think that On the Job Training has significant affect on the organizational performance. This also proves our second hypothesis which is; H$_2$: O the job training has significant effect on the organizational performance. And it has a positive effect on the organizational performance. It improves the organizational performance. . If we see the z-test value it lies in the critical region. It means the data and the results are significant of our second hypothesis.

z-Test:		
	Variable 1	*Variable 2*
Mean	4.202531646	2.797468354
Observations	79	79
Hypothesized Mean Difference	0	
z	6.684927778	
P(Z<=z) one-tail	1.1552E-11	
z Critical one-tail	1.644853627	
P(Z<=z) two-tail	2.3104E-11	
z Critical two-tail	1.959963985	

Delivery style is a very important part of Training and Development (Carlos A. Primo Braga, 1995). Employees are very conscious about the delivery style Michael Armstrong, 2000). If someone is not delivering the training in an impressive style and he is not capturing the attention of the audience it is means he is wasting the time (Mark A. Griffin et al., 2000). It is very necessary for a trainer to engage its audience during the training session (Phillip seamen et al., 2005). Delivery style means so much in the Training and Development. All these results prove our third Hypothesis which is H_3: Delivery style has significant effect on the organizational performance. And it has a positive effect on the organizational performance. It improves the organizational performance. As we see the results some of the respondents disagree with the term that Delivery style has a significant effect on organizational performance. But most of the respondents lie between the brackets of 4-5. So if we consider the majority. The majority of our respondents say that delivery style is very important in the training. And it has a positive effect on the organizational performance. It improves the organizational performance. . If we see the z-test value it lies in the critical region. It means the data and the results are significant of our third hypothesis.

z-Test:		
	Variable 1	*Variable 2*
Mean	4.53164557	4.455696203
Observations	79	79
Hypothesized Mean Difference	0	
z	0.933440973	
P(Z<=z) one-tail	0.175296167	
z Critical one-tail	1.644853627	
P(Z<=z) two-tail	0.350592333	
z Critical two-tail	1.959963985	

It is very difficult for an employee to perform well at the job place without any pre-training (Thomas N. Garavan, 1997). Trained employees perform well as compared to untrained employees (Partlow, 1996; Tihanyi *et al.*, 2000; Boudreau *et al.*, 2001). It is very necessary for any organization to give its employees training to get overall goals of the organization in a better way (Flynn *et al.*, 1995; Kaynak, 2003; Heras, 2006). Training and development increase the overall performance of the organization (Shepard, Jon *et al.*, 2003). Although it is costly to give training to the employees but in the long run it give back more than it took (Flynn *et al.*, 1995; Kaynak, 2003; Heras, 2006). Every organization should develop its employees according to the need of that time so that they could compete with their competitors (Carlos A. Primo Braga, 1995). All these results prove our fourth Hypothesis which is H_4: Training & development has significant effect on the organizational performance. And it has a positive effect on the organizational performance. It improves the organizational performance. As we see in the table that most of the means are in between the bracket of 4-5, it means that most of our respondents think that Training and Development has significant affect on the organizational performance. This also proves our fourth hypothesis which is; H_4: Training & development has significant effect on the organizational performance. . If we see the z-test value it lies in the critical region. It means the data and the results are significant of our fourth hypothesis.

VII. Managerial Implications

Training and development is very important for an organization to compete with this challenging and changing world. Training and development is basically directly related to employee but its ultimate effect goes to organization because the end user is organization itself. This study will help organization to understand the importance of Training and Development. It will also help organization to understand which factors are important to keep in mind during the training and how a good training can be deliver to their employees. It will help them to understand that it is very necessary for them to give training to their employees so that they could perform the assign task in a better way.

VIII. Recommendations

In this research we review a lot of materials related to the variables used in this research and at the end we also proved our hypotheses. In the light of all this research and all the material which is being used to conduct this research and all the literature review we came to the decision that there should be Training and Development in every organization. Although we have review some disadvantages like it is costly to give training to the employees, but the advantages of Training are much more than its disadvantages which are briefly discussed in this study. We recommend that all organizations should provide Training their

employees. We already have discussed that Training and Development have advantages not only for employee but the ultimate benefit is for the organization itself. If the performance of the employee is not good it will affect the whole organization.

IX. CONCLUSION

Training and Development has positive effect on Organizational Performance. Discussion of all the results proves the hypotheses; H_1: Training design has significant effect on the organizational performance, H_2: On the job training has significant effect on the organizational performance, H_3: Delivery style has significant effect on the organizational performance and H_4: Training & development has significant effect on the organizational performance. All these have positive effects on the Organizational Performance. It improves the Organizational Performance. On the Job Training is very effective and it also saves time and cost. Training and Development, On the Job Training, Training Design and Delivery style have significant effect on Organizational Performance and all these have positively affect the Organizational Performance. It means it increases the overall organizational performance.

X. FUTURE STUDY

Primary data is not collected; the study only depends on secondary data. Study can be conduct on different departments of the organizations that which department needs more training and development. Study focus on gender can also provide different results and one can conduct a study on different types training and development programs.

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Assessment of Internal Factors Effects on Optimum Application of Production Cycle

By Morteza Ramazani, Hossien Rafiei Atani

Abstracts - Production cycle is considered as the heart of manufacturing firms and has special relationship with all internal departments in which other departments have duty to satisfy hardware and software needs of production cycle in order to optimum application. So this research tries to assess the effect of internal factors on optimum application of Production cycle. Research method is descriptive-survey and also application one in which researcher has used six hypotheses to satisfy research goals in this study T-test has been utilized to assess the effects of internal factors. Also in order to examine the uniformity of internal factors effect, Friedman test has been utilized in this research and in order to compare the uniformity of internal factors effect based on firm size Kruskal-Wallis test has been used in this study in which researcher has provided some recommendations to improve the relation between internal departments and production cycle.

Keywords : Internal Factors, Production Cycle, manufacturing firms, Zanjan Province.
GJMBR-A Classification : JEL Code: L23

ASSESSMENT OF INTERNAL FACTORS EFFECTS ON OPTIMUM APPLICATION OF PRODUCTION CYCLE

Strictly as per the compliance and regulations of:

Assessment of Internal Factors Effects on Optimum Application of Production Cycle

(Case Study of Manufacturing Firms in Zanjan Province)

Morteza Ramazani[α], Koshrouz Oji[Ω], Hossien Rafiei Atani[β]

Abstract - Production cycle is considered as the heart of manufacturing firms and has special relationship with all internal departments in which other departments have duty to satisfy hardware and software needs of production cycle in order to optimum application. So this research tries to assess the effect of internal factors on optimum application of Production cycle. Research method is descriptive-survey and also application one in which researcher has used six hypotheses to satisfy research goals in this study T-test has been utilized to assess the effects of internal factors. Also in order to examine the uniformity of internal factors effect, Friedman test has been utilized in this research and in order to compare the uniformity of internal factors effect based on firm size Kruskal-Wallis test has been used in this study in which researcher has provided some recommendations to improve the relation between internal departments and production cycle.

Keywords: *Internal Factors, Production Cycle, manufacturing firms, Zanjan Province*

I. Introduction

This is the period of excessive and unpredictable changes. Today in not the same as yesterday and then tomorrow will be so different from today. Therefore it is very dangerous to follow today's strategies. It is necessary for developing countries to revise their strategies and trade policies because any failure to utilize new update strategies will weaken their competitive position (Kotler, zool). Internal environment has great importance in strategies utilization. The identification of weak and strength points by firms will help them to select strategies which increase their success and stability in competitive environments in long term. Regarding different parts of a firm and their dependence on each other to satisfy hardware and software sources, dominant consideration in this study is focused to assess the effects of internal factors on optimum application of production cycle. Since the production cycle is the beating heart of manufacturing firms, it is very necessary to fulfill hardware and software

needs of this section. For example, marketing unit helps the production cycle by exact identification of the market needs (requirements). In this study researcher tries to answer this question: How extent internal factors can help production cycle to achieve its goals? Researcher has classified manufacturing firm into seven sections as follow based on organizational chart:

1) Management department
2) Office department
3) Accounting department
4) Production cycle
5) Marketing department
6) Quality management department
7) Research and development department

a) About Zanjan Province

Zanjan (Persian: زنجان; Azerbaijani: زنجان) is one of the thirty provinces of Iran. Located in the North West of Iran, its capital is Zanjan city. Zanjan province with an area of 36,400 km^2 has a mostly rural, population of 964,601 (2006).[2] The province lies 330 km northwest of Tehran, connected to it via a freeway. Zanjan also has an incredible cave called katale khor. It is near the Sultaniyeh.

Agriculture and industry: Agriculture is the principal occupation, and crops include rice, corn (maize), oilseeds, fruits, and potatoes. Poultry, cattle, and sheep are raised. In the region Zanjan is also famous for its seedless grapes. Manufactures include bricks, cement, milled rice, and carpets. Chromium, lead, and copper are mined. In the scientific world the Zanjan name is famous for IASBS, one of the most productive research centers of the country. Zanjan is also known for its beautiful handcrafts such as knives, traditional sandals called charoogh and malileh. Malileh is a handcraft made with silver wires. Zanjanian artists make many things like various decorative dishes and their special covers as well as silver jewelry. In ancient times, Zanjan was known for its stainless and sharp knives. But this tradition is gradually becoming extinct by introduction of Chinese knives to the market which are cheaper and better made than these primitive industries. Many villagers today are traditional carpet weavers. This is perhaps Zanjan's most popular handcraft.

The province economy is benefiting from the geographical location which is connecting central part of Iran to the north western provinces. The Railway and

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highway that connects Iran's capital city Tehran to Tabriz and Turkey is passing through Zanjan Province.

History : Zanjan city was a major ciry in pre-historicAzerbaijan. The name of Azerbaijan derives from Atropates, an Iranian satrap of Media under the Achaemenid empire, who later was reinstated as the satrap of Media under Alexander of Macedonia. The original etymology of this name is thought to have its roots in the ancient Zoroastrianism, namely, in Avestan Frawardin Yasht ("Hymn to the Guardian Angels"), there is a mentioning of: âterepâtahe ashaonô fravashîm ýazamaide, which literally translates from Old Persian as "we worship the Fravashi of the holy Atare-pata". Atropates ruled over the region of present-day Iranian Azerbaijan.

In Ptolemy's Geography, the city is referred to as Aganzana. It is said that the Sassanid king Ardashir I of Persia, reconstructed the city and called it Shahin but later it was renamed to Zangan, of which the present name is the arabicized form of. In past times Zanjan's name was Khamseh, which means "province with five tribes".

II. LITERATURE REVIEW

Depending on the product being manufactured, a company will employ one of the following production methods: Continuous processing creates a homogeneous product through a continuous series of standard procedures. Cement and petrochemicals are produced by this manufacturing method. Typically, under this approach firms attempt to maintain finished goods inventory at levels needed to meet expected sales demand. The sales forecast in conjunction with information on current inventory levels triggers this process.

Batch processing produces discrete groups (batches) of product. Each item in the batch is similar, requiring the same raw materials and operations. To justify the cost of setting up and retooling for each batch run, the number of items in the batch is usually large. This is the most common method of production. It is used to manufacture such products as automobiles, household appliances, and computers. The triggering mechanism for this process is the need to maintain fin fished goods inventory levels in accordance with projected sales requirements

Make-to-order processing involves the fabrication of discrete products in accordance with customer specifications. This process is initiated by sales order: rather than depleted inventory levels.

The actual procedures that make up the production system will vary with manufacturing method in use. The following discussion will focus on the processing system. This system determines in advance the exact quantity and of input materials, as well as the physical operations required to produce each batch.

a) Physical Reorganization Of The Production Facilities

Traditional manufacturing processes tend to evolve in piecemeal fashion over years into snake-like sequences of activities. Products move back and forth across shop floors, and upstairs and downstairs through different activities. Figure 1 shows a traditional factory layout. The inefficiencies inherent in the layout of traditional plants add handling costs, conversion time, and even inventories to the manufacturing process. Furthermore, because production activities are usually organized along functional lines, there is a tendency for parochialism among employees. This "us versus them" mentality is contrary to the team attitude and creates bottlenecks in the process.

A flexible manufacturing system is a much-simplified process. Figure 2 illustrates this idea. The flexible production system is organized into flows Computer-controlled machines, robots, and manual tasks that constitute the flow activities are grouped together physically into factory units called cells. This arrangement shortens the physical distances between the activities, thus reducing setup processing time, handling costs, and inventories in the flow.
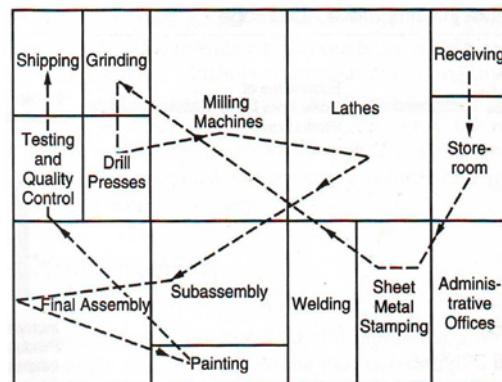

Fig.1. The Traditional Factory Layout

Fig.2. Flexible Production System
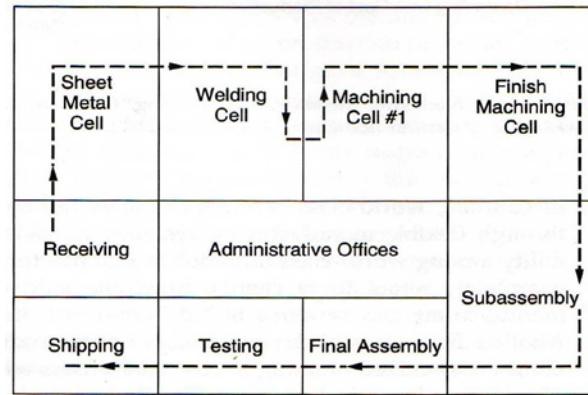
b) Research and Developing

Understanding the intricate relationships between market structure and propensity for R&D, the origins and evolution of inter-firm heterogeneity within a

70

given industry, and the forces behind entry and exit, is broadly viewed as one of the most pervasive challenges of industrial organization. Accordingly, several rich and largely independent strings of theoretical literature have attempted to shed light on these complex issues, the two most important of which are arguably those dealing with R&D and market structure, and industry dynamics. The former strand, in its dominant form, as represented e.g. by Brander and Spencer (1983) and d'Aspremont, and Jacquemin (1988).

c) The nature of the R&D activities

In order to define the nature of the R&D, the tasks of the R&D function are to be identified. Traditionally, R&D has been seen as a series of stages mirroring the progress of a certain technological programme (research, development, engineering etc.). Research works in different fields of study help to view it from a different perspective. Hedlund (1986) states that strategy can be seen as`` action patterns over time, of which there are two intertwined aspects": there are programmes of experimentation, the primary aim of which is to seek opportunities, and programmes of exploitation seeking the effective use of given resources. Key characteristics of experimentation programmes are a continuous search for new techno-organizational solutions, and a learning process aimed at enhancing the firm's knowledge base. Exploitation programmes aim to create value through current activities, and to innovate by exploiting the skills embedded in a firm's human resources and technical systems. Therefore, whereas exploitation programmes seek to identify and use the potential of the current paradigm, experimentation programmes aim to identify and define the future paradigm. In turn, technological activities have to fulfill two major tasks: the exploitation of the resources and knowledge base available to compete in the short term (exploitation programmes), and the development of a knowledge base that helps to sustain competition in the long term (experimentation programmes). This distinction is central to our analysis. Recently Coombs (1996) has stated that R&D has two major articulations: the investment mode, in which activities are concerned with the development of the firm's technological capabilities, and the harvesting mode in which the R&D function participates with the other functions to the market-driven exploitation of specific artifacts and services for customers. He also underlines that the characteristics of technology associated to the two ways of employing R&D activities change.

d) Quality Management Systems

The quality management (QM) movement started in Japan during the 1950s. During the 1980s it became increasingly popular in the United States and Europe most likely as a result of the success of Japanese firms in a number of global markets (Lawler, 1994). During the 1990s, QM is fast becoming one of the main issues in many organizations and is usually referred to as total quality management (TQM). A report, based on a survey of Fortune 1000 companies, concluded that 76% of the companies implemented TQM programs (Lawler et al., 1995). TQM is a management philosophy embracing all activities through which the needs and expectations of the customer and the community and the objectives of the organization are satisfied in the most efficient and cost effective way by maximizing the potential of all employees in a continuing drive for improvement (BS.4778: Part 2, 1991). The three main principles of TQM are customer focus, continuous improvement, and teamwork (Dean & Bown, 1994). People are the key element in achieving these principles (Kanji et al., 1995). TQM pushed the development and the enormous spread of the ISO 9000 quality standards. Adopting these standards enable an organization to demonstrate to its customers that its processes are both capable and under control, and there is effective control over procedures and systems (Dale, 1994). For many organizations attaining ISO 9000 certification is a necessity in order to survive (Meegan & Taylor, 1997). Both ISO 9000 and TQM focus on quality, but ISO 9000 lacks the participative decision-making (PDM) and the continuous improvement principles, two basic principles of TQM. The present study attempts to examine the contribution of these two variables within the QM context.

The scholarly published material on quality programs is rather limited (Shani & Rogberg, 1994). Most of the research on TQM has been performed from the manager's point of view. Research on employee responses is scarce. The present study attempts to fill in the gap by focusing on the employees and their responses. Specifically, the study attempts to tease apart PDM from the quality effort and estimate the impact of this component on employee improvement effort. The following sections briefly review the major topics of importance to the study.

Properly implemented, formal quality management systems provide a vehicle for achieving quality (i.e. conformance to established requirements). As defined by ANSI, a quality system is "the organizational structure, responsibilities, procedures, processes, and resources for implementing quality management" (Arnold, 1994). Quality management refers to the set of quality activities involved in producing a product, process, or service, and encompasses prevention and appraisal (Burati et al., 1992). It is "a management discipline concerned with preventing problems from occurring by creating the attitudes and controls that make prevention possible" (Crosby, 1979). Quality activities include the determination of the quality policy, objectives, and responsibilities and implementing them through quality planning, quality control, quality assurance, and quality improvement, within the quality system (ASQC, 1997).

Service meets established requirements (AASHTO, 1995, cited in Weigel et al., 1996). Quality assurance (QA) refers to the activities performed to provide adequate confidence that a product or service will meet established requirements (AASHTO, 1995, cited in Weigel et al., 1996). ISO 9000 series standards furnish conceptual guidelines with which to structure and implement the elements of a quality system (Arnold, 1994). They provide guidance on quality management, and present models for quality assurance by fostering the structure through which to implement the total quality management (TQM) business philosophy (Arnold, 1994). TQM means thinking about quality as a system approach using all functions of the enterprise as a process, and integrating them at all levels (Omachonu and Ross, 1994). This management approach is geared towards engaging the entire organization in a system, for the purpose of satisfying customers through continuous improvement (Drummond, 1992). Quality is a product of the system, thus the system must be designed to guarantee that requirements will be met. Figure 4 displays the system approach to quality management for achieving quality.

In construction, achieving conformance to established requirements consists of a series of quality management activities during the various phases of a project. In the design phase, quality requirements for the end products and/or their performance are specified to meet the user's needs. Depending on whether the specifications are method-type, end-result or performance-related, construction methods and materials are specified by the owner's agent, or defined later by the contractor, to permit achievement of these requirements, and quality management procedures are developed to ensure compliance with the specifications. During construction, nonconformance in terms of end products (the finished state of the constructed product), output products of activities (the states through which the end-product passes during its construction), and/or in-process characteristics may be detected. Appropriate actions must then be taken to rectify nonconforming situations and, if possible, diagnosis and elimination of the reasons causing nonconformance, in order to avoid similar situations during the remainder of the project and on future projects (Battikha and Russell, 1998).
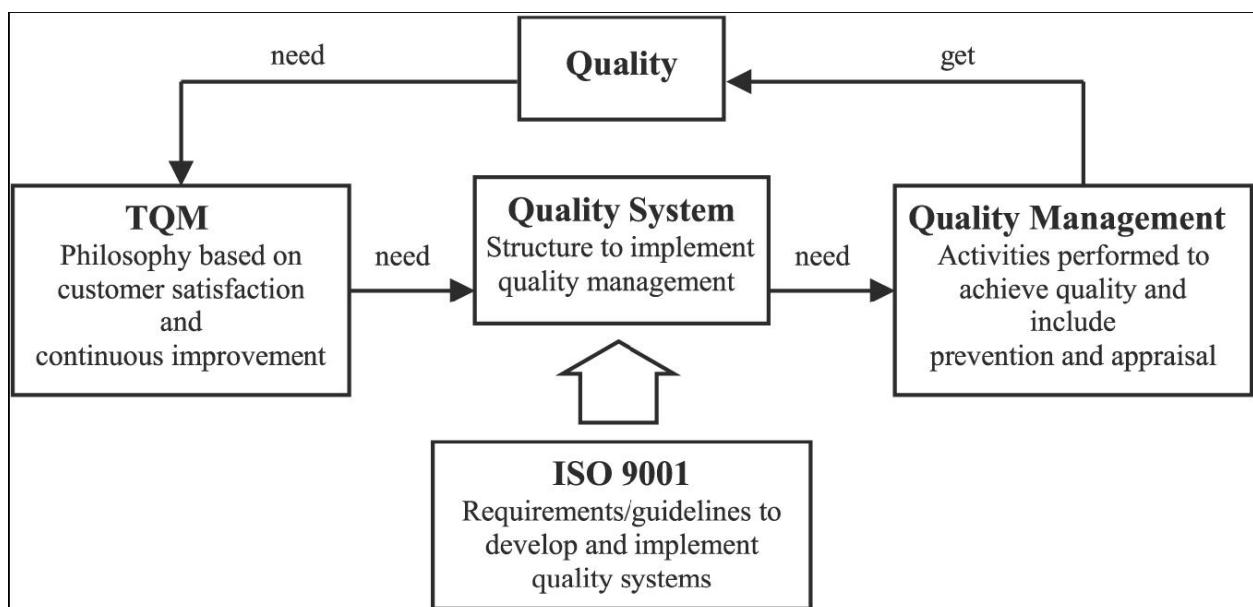

Fig.3. System Approach to Quality Management

e) Accounting and production Cycle

The production cycle is a recurring set of business activities and related data processing operations associated with the manufacture of products. Information flows to the production cycle from other cycles, e.g.:The revenue cycle provides information on customer orders and sales forecasts for use in planning production and inventory levels. The expenditure cycle provides information about raw materials acquisitions and overhead costs. The human resources/payroll cycle provides information about labor costs and availability.

Information flows to the production cycle from other cycles, e.g.: The revenue cycle provides information on customer orders and sales forecasts for use in planning production and inventory levels. The expenditure cycle provides information about raw materials acquisitions and overhead costs. The human resources/payroll cycle provides information about labor costs and availability. Decisions that must be made in the production cycle include:

f) The objectives of cost accounting

To provide information for planning, controlling, and evaluating the performance of production operations; to provide accurate cost data about products for use in pricing and product mix decisions; and to collect and process information used to calculate inventory and COGS values for the financial statements.

g) Production planning and control systems

Section 2 described the developments in the USA, Europe and Japan which were shown to be different, which has had an important impact on the organisation of production and production control in these parts of the world. Together with a historical overview and review of production planning and control systems, the development of 'pull' control systems for make-to-order production environments was discussed in detail. Kanban, ConWIP, and Polca 'pull' systems were discussed and compared. The review concludes that the developments in 'pull' system design focuses upon adapting well-known 'pull' mechanisms to different situations. The differences between the three systems relate to the characteristics of different production environments. The developments also place new demands on the type of IT support needed to implement these systems successfully in practice (Jan Riezebos and etc 2009).

h) Next generation manufacturers and IT

The agenda of IT functions for next generation manufacturers is likely to become dominated by the requirements for corporate transformation. Many management problems are likely to feature on the IT agenda. The search for synergy across, as well as within, companies is likely to be of a higher priority. As more manufacturers become networked to embrace customers and suppliers, compatibility of systems is likely to become a more significant issue. According to Hum and Sim (1994), competition, technological advancement and the ever-changing consumers' needs have led to a constant evolution of competitive strategies. In this evolution, three components of IT have emerged as the tools for achieving sustainable competitive advantage. These are: Internet-based e-business; knowledge management systems; and enterprise integration using ERP systems. In this part of the paper, we present a model that shows the role of information technology in NGM. The model is a revised version of Yusuf's agile manufacturing model. The new model describes how time, quality and costs are central to the value adding in next generation manufacturing. It also specifies risks (external and internal) as a critical set of factors to the performance of next generation manufacturing.

The model also identifies information technology as a prerequisite to successful next generation manufacturing. Recent advances in information technology and, in particular, Internet technology, knowledge based systems and enterprise resources planning (ERP) systems make it essential that information technology be used to reduce risks and improve value adding activities. These three technologies are well suited to provide to next generation manufacturers opportunities to reap huge benefits that might include: increase in productivity, ability to command a price premium, increase in market share, and increases customer loyalty. These benefits are influenced by the ability of next generation manufacturers to use IT to enhance the value adding activities and to minimize the risks involved in manufacturing. This important role of IT is supported by the findings of Hum and Sim (1994). They suggested that managerial reorientation to new priorities should recognize the importance of information technologies, its impact on managerial and organizational strategies, and more importantly, its impact on creating and managing the future learning organization. Accordingly, the proper use of these technologies would enhance the ability of the NGM to become time-based competitors.

The development of the Internet-based e-business has emerged as a fast growing trend in business. According to Mougayar (1997), the use of Internet based electronic-business has quickly become essential for companies. Next generation manufacturers' key strategies are likely to include the implementation of Internet-based e-business in their operations. Adopting inter-company trade over the Internet can cut costs, reduce order-processing time, and improve information flow (Cronin, 1996). For most next generation manufacturers, the rise in trade over the Internet also coincides with a marked decrease in telephone and facsimile use, allowing salespeople to concentrate on pro-actively managing customers' accounts rather than serving as information givers and order takers.

The Internet and its application tools have led to a global business information infrastructure, which now rivals the conventional telephone systems in size, coverage and popularity. As the commercial use of the Internet grows, it is becoming increasingly recognized that this is a very different business environment from its physical counterpart. Common ways of exploiting the Internet as a business tool include marketing and information distribution, electronic mail for inter-company communication, and provision of services and products. Rayport and Sviokla (1995) also suggested that next generation manufacturers could use the Internet to gain access to marketplaces (or ``markets paces''), which might otherwise be inaccessible.

The role of e-business in next generation manufacturing is to improve the business processes and hence improve the efficiency and competitiveness of the organization. Therefore using e-business could lead to enhancing the operational and strategic

decisions, reducing rework, standardizing many operational practices, increasing cross functional team effort as well as ensuring concurrent engineering in the processes of developing products and services.

Gide (1999) studied the success factors for the implementation of e-commerce and was able to identify the following ten critical success factors (CSF) for the implementation of e-commerce in manufacturing:

- Management commitment and support for e-commerce.
- Organizational and management objectives for e-commerce.
- Communication between users and e-commerce department.
- E-commerce system security and reliability.
- E-commerce department's service function.
- Integrating e-commerce into existing business functions.
- Change management for e-commerce system implementation.
- Appropriate e-commerce system applications.
- User participation and satisfaction for e-commerce implementation.
- Technological competence for e-commerce implementation.

III. Research Hypothesis

1- Accounting department affects the optimum application of production cycle.
2- Management department affects the optimum application of production cycle.
3- Research and Development department affects the optimum application of production cycle.
4- Quality management department affects optimum application of production cycle.
5- Marketing department affects optimum application of production cycle.
6- Office department affects optimum application of production cycle.

IV. Research Methodology

To achieve the goal of this research a questionnaire with Likret five option scales was provided and sent to 100 production firms (Small, Medium and Large firms). Of all only 85 questionnaires were received and became a basis for researcher to make conclusion. In order to analyze the collected information research has utilized Descriptive-deductive statistics. In descriptive statistics the number of examined firms and their human resources (firm size) and in deductive statistics T-test has been utilized to assess the effect of each variable and Friedman test to measure the conformity of research variables importance and Kruskal-Wallis test to examine the effects of firm size on research independent variables have been used in this research.

a) T-Test

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

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

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

b) Friedman Test

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

c) Pearson Correlation Test

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

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

d) Kruskal-Wallis Test

In statistics, the Kruskal–Wallis one-way analysis of variance by ranks (named after William Kruskal and W. Allen Wallis) is a non-parametric method for testing equality of population medians among groups. It is identical to a one-way analysis of variance with the data replaced by their ranks. It is an extension of the Mann–Whitney U test to 3 or more groups. Since it is a non-parametric method, the Kruskal–Wallis test does not assume a normal population, unlike the analogous one-way analysis of variance. However, the test does assume an identically-shaped and scaled distribution for each group, except for any difference in medians.

V. ANALYSIS

a) Research Validity and Reliability

A good test must contain some suitable features such as Objectivity, Execution Simplicity, Practicability, Comment Simplicity, Validity, and Reliability. Considering the above mentioned features, we focus more on Validity and Reliability here.Dealing with Reliability researcher has utilized Cronbach's Alpha and based on table 1 the measured value of Cronbach's Alpha done by Spss softwares equal to 0.76 which is more than 0.7; therefore the test is considerably valid in the view of its reliability. In Validity examination, 10 questionnaires were sent to subjects and after a week the same questionnaires were sent again to be answered. This research shows the uniformity of the answers during a week which indicates the questionnaires Validity.

Table No.1 Reliability Statistics

Cronbach's Alpha	N of items
0.760	43

b) Firm size

In this research the size of studied firms is defined based firms human resources numbers, meanwhile table 2 shows firms classification frequency and their frequency percents.

Table No.2 Frequency of Firms Size

Firm size		Frequency	Percent
Small	>10	19	22.4
Middle	10 to 50	22	25.9
Large	50 to 150	24	28.2
Very Large	More than 150	20	23.5
Total		85	100

c) Testing of Hypothesis

In order to test all hypotheses, Validation and Rejection hypothesis have been applied as following:

H0: $\mu > 3$

H1: $\mu \leq 3$

d) Testing of first hypothesis

Considering the statistical value T, -0.123 (Df) 84 and sig=0.902, the assumption of H0 is rejected in the level of more than 5% and H1 is valid in the meaningfulness level of 5% (Table N.3).therefore we can conclude that the Development and Research unit has no considerable effect on optimum application of production cycle.

e) Testing of second hypothesis

Considering the statistical value T, 0.421, (Df) 84 and sig=0.675 H0 is rejected in the level of more than 5% and H1 is valid in the meaningfulness level of 5% (Table N.3). So we can say that the accounting unit has no considerable effect on optimum application of production cycle.

f) Testing of third hypothesis

Considering the statistical value T, 6.408, (Df) 84, sig= 0.00 H0 is valid in the level of less than 5%, H1 is rejected in the meaningfulness level of 5% (Table N.3). So we can say that the Marketing unit has considerable effect on optimum application of production cycle.

Table No.3

Description Hypothesis	Test Value = 3				
	T	Df	Sig. (2-tailed)	Mean Difference	Result
First Hypothesis	-0.123	84	0.902	-.00784	Reject
Second Hypothesis	0.421	84	0.675	.03529	Reject
Third Hypothesis	6.408	84	0.000	.28235	Accept
Fourth Hypothesis	-1.910	84	0.060	-.10588	Reject
Fifth Hypothesis	2.526	84	0.013	.14118	Accept
Sixth Hypothesis	3.826	84	0.000	.25490	Accept

g) Testing of fourth hypothesis

Considering the statistical value T -1.910, (Df) 84 and sig=0.060 H0 is valid in the level of less than 5%, H1 is rejected in the meaningfulness level of 5% (Table N.3). So we can say that the Office unit has no considerable effect on optimum application of production cycle.

h) Testing of fifth hypothesis

Considering the statistical value T, 2.526 (Df) 84, sig= 0.060 H0 is valid in the level of less than 5%, H1 is rejected in the meaningfulness level of 5% (Table N.3). So we can say that the Management unit has considerable effect on optimum application of production cycle.

i) Testing of sixth hypothesis

Considering the statistical value T, 3.826, Df 84, sig=0.000 H0 is valid in the level of less than 5%, H1 is rejected in the meaningfulness level of 5% (Table N.3). So we can say that the Management unit has considerable effect on optimum application of production cycle.

j) Research independent variables Uniformity Testing

In order to prioritize and define the importance rate of each research independent variables (internal factors) Friedman test has been utilized in this research. This test states that if there is a factor more important than others among Preventive Factors or all of them are uniform in importance. Researcher has utilized following hypothesis (rejection-validation) in his testing as follow:

H0: Research independent variables (internal factors) have uniform importance in view of their effectiveness.

H1: Research independent variables (external factors) have not uniform importance in view of their effectiveness.

Considering the value in Table 3, P-value = 0.000 and Df=5 and statistic value of chi-square=50.09 we can conclude that the assumption of H0 is valid in meaningful level of %5, while H1 is rejected, in other words research independent variables (internal factors) have uniform importance in view of their effectiveness and classification order of independent variables is shown in Table 4.

Table No.4 Friedman test statistics	
N	85
Chi-Square	50.090
Df	5
P-value	.000

Table No.5 Mean Ranking of Variables						
Independent Variable Descriptive	Marketing Dep	Quality management Dep	Management Dep	R&D Dep	Accounting Dep	Official Dep
Mean Rank	4.32	3.96	3.62	3.19	3.08	2.77

k) Firm size and research independent variables

In this paper, in order to examine the effect of firm size on research independent variables (internal factors) Kruskal-Wallis test has been utilized by researcher. Table 5 shows the number and also the mean of each independent variable ranks based on firms size.

Table No.6			
Descriptive Independent Variables	Firm size	N	Mean Rank
R&D Dep	Small	19	53.66
	Medium	22	31.34
	Large	24	40.63
	Very large	20	48.55
Accounting Dep	Small	19	54.34
	Medium	22	32.80
	Large	24	35.90
	Very large	20	51.98
Marketing Dep	Small	19	41.13
	Medium	22	42.84
	Large	24	35.63
	Very large	20	53.80
Official Dep	Small	19	33.87
	Medium	22	42.43
	Large	24	41.04
	Very large	20	54.65
Management Dep	Small	19	41.16
	Medium	22	54.95
	Large	24	43.58
	Very large	20	30.90
Quality Management Dep	Small	19	41.47
	Medium	22	36.73
	Large	24	39.71
	Very large	20	55.30

Table No.7 the Results of Kruskal-Wallis Test						
Independent Variables Descriptive	R&D Dep	Accounting Dep	Marketing Dep	Official Dep	Management Dep	Quality Dep
Chi-Square	10.287	12.594	6.264	7.322	16.253	7.751
Df	3	3	3	3	3	3
P-value	0.016	0.006	0.099	0.062	0.001	0.051
Asymp.sig	Difference is meaningful	Difference is meaningful	Difference is not meaningful	Difference is not meaningful	Difference is meaningful	Difference is not meaningful

Considering the values, sig, in table N.7 we can conclude that the firm size significantly affects the variables of research and development unit, accounting unit and management unit but has no effect on variables of marketing unit, office unit and measurement control unit.

VI. RESULTS AND RESEARCH FINDINGS

This paper tries to present the result of a survey research obtained from some active manufacturing firms which are classified as Small, Medium, Large and Very large.The results obtained from T-test show the effects of marketing unit, management unit and quality management on optimum application of production cycle but Research and Development unit, accounting unit, and office unit have no effects on these variables. This result demonstrates that the units of marketing, management, and duality management have been succeed to make a good relationship with production cycle and fulfill all its demands and requirements. In other words, these units have satisfied all software needs of production cycle, but the units of Research and Development , accounting and office have not been succeed to do their duties in this area.The results obtained from Friedman test state that all six research independent variables have uniform importance to effect the production cycle. The results of Kruskal-Wallis test show the uniform effects of Research and Development, accounting, and management units between firms with different sizes, while marketing office and quality managements have not uniform effects.

The result of Kruskal-Wallis test shows the effect of all variables except to variable N.4 (management related problems).

In general we can state that the competition between firms in world markets have been more complicated and complex than the past and customers have many options to purchase their favorite goods. Nowadays high acceleration in technology development has brought more production and similar services about and provided customers with more purchase options. In this situation firms can survive and continue their performance to manufacture production which not only have good quality and competitive efficiency but have less firm cost to maintain and increase their market share and make their considered profit.

VII. CONCLUSION

Considering the importance of the subject matter and regarding the results obtained from research data some recommendation are listed as follow:
1- The main goal of the Research and Development unit is to provide required conditions in order to maintain and develop the technology efficiency of the organizational groups. Therefore it is recommended that the Iranian firms must try to

benefit from expert association of the Research and Development unit and utilize new methods.
2- It is necessary to apply some supportive policies in order to transfer research findings from research centers to manufacturing firms.
3- Regarding the importance of firms accounting information systems and their roles in optimum application of production cycle it is necessary for the firms to update their accounting information systems based on new technologies.
4- Firms must replace traditional and individualized methods by cooperative methods and multi-skilled personnel in order to increase the quality and minimize the firm cost.

VIII. ACKNOWLEDGMENT

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Marketing Strategies of Retail Stores: An Evaluation of Grocery Shops of Dhaka City

By S. S. M Sadrul Huda, Mahmud Zubayer, Omar Faruq

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Abstracts - The marketing strategy and behaviors of the retailers vary due to the differences in locations. There is a general assumption that people of different income levels live in different areas. Based on this assumption this study was conducted to identify the differences in the grocery shop owners' marketing strategy due to the differences in locations or residential areas. For the study grocery shop owners of different locations of Dhaka City were considered. Based on the different income group people's dwelling area the locations were selected. The locations i.e. Gulshan/Bonani/Baridhara and Dhanmondi/Mohammadpur were considered as higher income group people's living area. On the other hand Malibagh/Mogbazar and Old Dhaka were considered for middle and lower-middle income group people. The study found that keeping branded products, credit sells, promotion, building customer relations, etc. do not vary due to the differences in location. It is also found that the way of expressing the quality to customers, measurement of quality, price fixation, etc. differ due to the variations in locations.

GJMBR-A Classification: *JEL Code: G14,J14*

MARKETING STRATEGIES OF RETAIL STORES AN EVALUATION OF GROCERY SHOPS OF DHAKA CITY

Strictly as per the compliance and regulations of:

Marketing Strategies of Retail Stores: An Evaluation of Grocery Shops Of Dhaka City

S. S. M Sadrul Huda[α], Mahmud Zubayer[Ω], Omar Faruq[β]

Abstract - The marketing strategy and behaviors of the retailers vary due to the differences in locations. There is a general assumption that people of different income levels live in different areas. Based on this assumption this study was conducted to identify the differences in the grocery shop owners' marketing strategy due to the differences in locations or residential areas. For the study grocery shop owners of different locations of Dhaka City were considered. Based on the different income group people's dwelling area the locations were selected. The locations i.e. Gulshan/Bonani/Baridhara and Dhanmondi/Mohammadpur were considered as higher income group people's living area. On the other hand Malibagh/Mogbazar and Old Dhaka were considered for middle and lower-middle income group people. The study found that keeping branded products, credit sells, promotion, building customer relations, etc. do not vary due to the differences in location. It is also found that the way of expressing the quality to customers, measurement of quality, price fixation, etc. differ due to the variations in locations.

I. Introduction

Grocery shops meet the everyday requirement of the common people on a day-to-day basis. The product mix of the grocery shops depends on the socioeconomic profile of the customers. The homogeneity of customer group asks for a homogeneous group of products. The diversity in socioeconomic background of the customer groups makes the tasks challenging for the grocers, as they are required to meet varying demand of the heterogeneous customer groups. The marketing strategy i.e. product, price, place, promotion is a function of the socioeconomic profile of the customers. The present article assumes that Dhaka city has heterogeneous groups of customers living in different parts of the city. The general objective of the article is to see how the marketing strategies of the grocery shops located in the different parts of the city varied from one location to other location. This research has divided the Dhaka city into four locations assuming that the people living in those locations have distinctive socioeconomic profile.

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The locations on the considerations are Dhanmondi/Mohammadpur, Malibagh/Mogbazar, Old Dhaka, Gulshan/Bonani/Baridhara. Out of these four locations Gulshan/Bonani/Baridhara area is considered as the pouch area of the city and is famous for expensive consumptions. The another area under consideration Dhanmondi/Mohammadpur is composed of higher income and higher educated group. The Malibagh/Mogbazar area is considered as educated upper-middle income group. And the Old Dhaka area consists of lower-middle income group with mixed educational background with distinctive cultural orientation. Considering the variation in customer demography the local grocers are expected to develop and execute location specific marketing strategies.

II. Literature Review

The objective of this paper is to identify how marketing strategies for a grocery shop (mainly those are related to product quality, building customer relation, choosing location,price, promotion, place)differ from one loacation to another location at most of the part in Dhaka city.Many factors affect the store patronage decision like location, service levels, pricing policies, store environment and store image. At the same time, location also brings so many effects on all marketing strategies in business.

A **grocery store** is a store established primarily for the retailing of food. A grocer, the owner of a grocery store, stocks different kinds of foods from assorted places and cultures, and sells them to customers. Large grocery stores that stock products other than food, such as clothing or household items, are called supermarkets. Small grocery stores that mainly sell fruits and vegetables are known as produce markets (U.S) or greengrocers (Britain), and small grocery stores that predominantly sell snack foods and sandwiches are known as convenience stores or delicatessens. '…Grocery store outlet types included local store, discounter, supermarket, hypermarket and department store…' (Hortman *et al.*, 1990).Grocery or Retail location theory can be said to rest on four broad theoretical approaches, namely: central place theory; spatial interaction theory; land value theory; the principle of minimum differentiation.

Central place theory was first formulated by Christaller[5] and subsequently developed by Losch[12], and is described by Craig *et al.*[13] as "the best developed normative theory of retail location". Central place theory is predicated upon static, equilibrium-seeking assumptions which have become increasingly divorced from today's highly dynamic retailing environment. Spatial interaction theory is based on the hypothesis that consumers trade off the attractiveness of alternative shopping areas against the deterrent effect of distance. This offers an alternative normative model to explain behavioural interaction.. Land value theory proposes that the location of different activities (retailing formats) will depend on competitive bidding for specific sites. Lastly, the principle of minimum differentiation originates from Harold Hotelling's[3] classic paper "stability in competition". The principle suggests, in a retailing context, that a given number of stores operating within the same market sector will achieve superior performance if they are clustered together.

Now come to the store dimensions which are relevant for grocery store choice of customers may now be investigated. Grocery industry is strongly driven by price competitiveness (Taylor, 2003). Pricing is a dimension that can be identified from the perspective of the customer as well as that of the retailer/manufacturer (Sivakumar, 2000a, p. 294).Price defines a firm's competitive position in the market and consumers use price to evaluate quality of a brand or retailer (Dolan and Simon, 1996; Gabor and Granger, 1966). Usually, retail pricing strategies are described as either an every day low price (EDLP) or high low strategy (Aliabad). Bolton and Shankar (2003) propose, however, that grocery retailer's pricing strategies and tactics may be more diverse and complex, including decisions on the depth, frequency, and duration of deals, feature advertising, and displays for myriad brands and categories. They found that retailer pricing and promotion strategies are based on combinations of four underlying dimensions: Relative price, Price variation, Deal intensity, and Deal support (Bolton and Shankar, 2003).

Secondly, "Credit Sell" is a predictor of the selection of grocery shop's location. Product selection, assortment and courtesy of personnel are also very important in determining format choice and cleanliness is the most important attribute regardless of the format of grocery store (Carpenter and Moore, 2006; Teller *et al.*, 2006). In terms of many residents of small rural communities work in larger cities and towns and are able to shop at more convenient hours (Marjanen, 1993; Schiffman *et al.*, 1977). Larger centres also offer a wider choice of stores (LaForge *et al.*, 1984). There often is a perception that larger communities provide cheaper products and services (Lillis and Hawkins, 1974).

Moreover, Singh and Powell (2002) found that grocery shoppers consider quality to be most important, followed by price, locality, range of products and parking. Fox *et al.* (2004) found that shopping and spending vary much more across than within formats, and expenditures respond more to varying levels of assortment and promotion than price, although price sensitivity was most evident at grocers. Chinese supermarket shoppers found store location, price and product variety as the most important store attributes influencing satisfaction (McDonald, 1991). In an investigation of consumer shopping destination choice behavior for convenience goods shopping trips in Taiwan, spatial separation distance best explained respondents' shopping destination choice behavior, followed by store selection criteria (Yang, 2006).

In terms of Grocery sales and consumer behavior, Engel, Kollat, and Blackwell model of consumer behaviour, expanded by Engel *et al.* (1993), examined store patronage variables to obtain an explanation of store choice (Figure 2). Salient variables were organized into valuative criteria and perceived store characteristics. Valuative criteria, i.e. variables that could be quantitatively recorded, included store location (distance), assortment breadth and depth, price, advertising, sales and promotion, store personnel, and services. Matthews (1992) suggests that the rural poor have limited access to supermarkets and lower priced food products. Yet little is known about how psychographic and store patronage factors affect their grocery shopping practices. Two studies that examined behavioural segmentation, as applied to grocery shopping, have yielded salient findings that should be examined in the context of the present study.

The first study (Hortman *et al.*, 1990) employed a hierarchical cluster to examine demographic and socioeconomic variables, such as age of head of household, number of working adults in the household and number of years at the current address, in order to segment grocery consumers. The analysis yielded three customer categories: baby boomers, middle-aged families, and the elderly. A multinomial logit model was used to analyse store patronage patterns within and across market segments. Distance and low price were found to be key predictors of grocery store patronage.

In the second study, Marjanen (1995) employed factor analysis ratings to identify six choice orientation factors: recreation, quality and selection, accessibility, atmosphere, price consciousness, and family shopping. Grocery store outlet types included local store, discounter, supermarket, hypermarket and department store. ANOVA was used to identify significant differences between store groups regarding store patronage factors and demographic variables. Regression analysis determined that family shopping, price consciousness and distance predicted grocery shopping destination choice.

Finally from many previous researches it may be deduced that the dimensions that are relevant for

grocery store choice are: price-consciousness, assortment, behavior of the store personnel, cleanliness, quality, deals/specials/promotions, ease of shopping, time/day of shopping, no of outlets visited, location/distance, home order/delivery, shopping list/unplanned, recreational/time spent at store, frequent buyer schemes, payment/credit facility, shopping companions, in-store specialty, store signage/ambience, parking, expenditure/no of times shopping, apathy/stress, refund/exchange. And here location makes a significant influence in every aspect of the related marketing activitie like mentioned above.

III.   Research Objectives

The primary objective of this study is to observe the marketing strategy and behaviors of the grocers of different locations. The study tries to identify the differences in various marketing strategies due to the differences in location of the grocery shops. Thus the study tries to explore whether the shops keep the branded products, sell on credit, how they fix prices, measure quality, build customer relationships, etc.

IV.   Research Methodology

It is the nature of the research problem that should dictate the appropriate research method; sometimes quantification is required, sometimes not (Ackroyd and Hughes, 1992). Questionnaires offer a method of conducting a survey where all respondents are asked exactly the same questions in the same circumstance. To support this method, Easterby-Smith, Thorpe and Lowe (1999: 72) noted, "If researchers wish to obtain answers to a number of fairly simple questions then a questionnaire might well be more appropriate". In this research, questionnaire survey was conducted to identify the marketing strategies of the grocery shops situated at different locations. Structured questionnaire were formulated in order to identify the different marketing strategies. Hypotheses were formulated on the basis of core variables and conclusive research was applied to prove the hypothesis. Total of 70 grocers of Dhaka city were surveyed. Among these 70 respondents, 26 respondents have grocery shops in Dhanmondi/Mohammadpur location, 24 have in Malibagh/Mogbazar location, 11 have grocery shops in the Old Dhaka location, and 9 are from Gulshan/Bonani/Baridhara area. The sampling technique was random sampling method. Finally, the study considered both quantitative and qualitative analyses. The statistical package used to conduct the various analyses is the SPSS, which is one of the most commonly used packages for quantitative research methods for data analysis (Bryman and Cramer, 1994).

V.   Results and Discussions

Based on the quantitative data that is questionnaire survey following are the findings on the grocers' marketing strategies based on the location.

a)   Key Characteristics

I.   Ownership Structure

Among 70 grocers, 63 have sole proprietorship and rest of the 7 have partnership in business ownership.

II.   Distribution Channel

Only 1.4% owners of the grocery shops have their own distribution channel. Around 98.6% owners do not have their own distribution channel.

III.   Preference of Branded Products

Among 70 grocers 88.6% prefer for keeping branded products in their shops and only 11.4% do not prefer branded products.

IV.   Need Based Products

All the 70 grocers of the grocery shops keep need based products in their shops.

V.   Extra Storage Facilities

All the grocers do not have the extra storage facilities. Among 70 grocers, 45.7% have extra storage facilities and rests 54.3% do not have any extra storage facilities.

VI.   Control over Price in All Products

Most of the grocers, around 74.3% do not have control over price in all products. Only 25.7% have the control over the pricing of the products.

VII.   Understanding Customer Satisfaction

The grocers understand customer satisfaction through several ways. Among 70 grocers, 31.3% understand from the behavior of the customers, 25% from getting good quality products, 8.9% from large amount of sale, 27.1% from repeat purchase, and 7.8% from good brand or company.

VIII.   Delivering Higher Customer Value

The grocers also try to provide higher customer value in various ways. Around 31.5% deliver the higher customer value with behavior to customers, 23.4% by selling good quality of products, 6.5% by large amount of sale, 18.5% by repeat sales, and 20.1% by providing good band or company.

IX.   Considerations for Maintaining the Business

To maintain the business for higher value chain management the grocers emphasize on different elements of the value chain. Among 70 grocers, 14.7% consider the infrastructure of the shop, 17.8% consider the sales persons, only 0.6% considers the technology management, 18.4% consider procurement, 12.9%

consider inbound logistics, 7.8% emphasizes on storing/sizing/decorating, 2% on outbound logistics, 11.8% on marketing and sales, and 14.1% on services.

b) *Inferential Statistics*

i. *Relationship between Expression of Quality to Customer and Location*

Ho = Expression of quality to the customers does not vary for different locations

H_1 = Expression of quality to the customers varies for different locations

Cross tabulation Result: The Gulshan /Bonani /Baridhara grocers express their product quality mostly through brand name and product features. In Dhanmondi and Mohammadpur the quality is expressed mostly by the brand name. In Gulshan/Bonani/Baridhara

66.7% grocery shops express quality with brand name and product features and in Dhanmondi/Mohammadpur 88.5% grocery shops express quality with brand name. But in case of Malibagh and Mogbazar the quality is expressed by the product features. In Old Dhaka a prominent number of owners express quality with product features. In Malibagh/Mogbazar 75% and in Old Dhaka 63.6% of the grocery shops express quality with product features. Though the quality is expressed mostly by the product features in most of the areas, some area's grocery shops still express quality with brand name, high price and low price. So it can be said that the expression of quality varies for differences in location, which leads to the rejection of the null hypothesis.

Table 1: Cross tabulation of Expression of Quality and Location

Location	How do you express quality to customers							
	Brand name	percentage	Product features	percentage	High price	percentage	Low price	percentage
Gulshan/Bonani/ Baridhara	6	66.7%	6	66.7%	2	22.2%	1	11.1%
Dhanmondi/ Mohammadpur	23	88.5%	20	76.9%	0	0	2	7.7%
Malibagh/ Mogbazar	8	33.3%	18	75%	7	29.2%	5	20.8%
Old Dhaka	4	36.4%	7	63.6%	0	0	6	54.5%

ii. *Relationship between Measurement of the Product Quality and Location*

Ho =Measurement of the product quality does not vary with the locations

H_1 = Measurement of the product quality varies with the locations

Cross tabulation Result: From the cross tabulation it is found that in some locations the quality is measured with brand name and profit. In

Gulshan/Bonani/Baridhara area 77.8% grocery shops and in Old Dhaka 45.5% grocery shops measure the quality with brand name. But in other locations the quality is measured mostly with the demand. Both in Dhanmondi/Mohammadpur area and Malibagh/Mogbazar area 100% of the grocery shops measure the quality with demand. This leads to the rejection of the null hypothesis, which means that the measurement of quality differs from location to location.

Table 2: Crosstabulation of Measurement of Quality and Location

Location	Choosing the product how do you measure the quality			
	Brand name	Profit	Demand	Low price
Gulshan/Bonani/Baridhara	7	7	6	5
Dhanmondi/Mohammadpur	7	22	26	2
Malibagh/Mogbazar	11	6	24	3
Old Dhaka	5	4	4	4

iii. *Relationship between Building Customer Relationships and Location*

Ho =Building customer relationship does not vary in different locations

H_1 = Building customer relationship varies in different locations

Crosstabulation Result: It is found that most of the grocers in every location emphasize on the repeat customers the most to build customer relationship. In

Gulshan/Bonani/Baridhara area 88.9%, in Dhanmondi/Mohammadpur 84.6%, in Malibagh/Mogbazar 95.8%, and in Old Dhaka 81.8% of the grocers builds customer relationships based on the repeat customers. Then most of them give the second highest importance to the clients. So it can be said that the null hypothesis is accepted that is building customer relationship does not vary in different locations.

Table3 : Crosstabulation of Building Customer Relationships and Location

Location	Which of the factor do you emphasis more to make the customer relationship			
	Prospects	First time customers	Repeat customers	Clients
Gulshan/Bonani/Baridhara	3	6	8	6
Dhanmondi/Mohammadpur	1	11	22	16
Malibagh/Mogbazar	1	2	23	12
Old Dhaka	2	6	9	4

iv. *Relationship between Promotion and Location*
Ho =Promotion for the grocery shops does not vary in different locations
H₁ = Promotion for the grocery shops varies in different locations

Crosstabulation Result: From crosstabulation result it is found that most of the grocers in different locations promote their products through direct marketing. In Gulshan/Bonani/Baridhara area 88.9%, in

Dhanmondi/Mohammadpur 92.3%, and in Malibagh/Mogbazar 83.3% of the grocers promote their products through direct marketing. But in Old Dhaka the promotion is made through the sales discount mostly. Around 82% of the grocery shops make the promotion through sales discount in Old Dhaka. So it can be said that the promotional efforts do not vary due to the differences in locations that is the null hypothesis is accepted here.

Table 4: Crosstabulation of Promotion and Location

Location	How do you promote your product			
	Advertising	Sales promotion	Direct marketing	Sales discount
Gulshan/Bonani/Baridhara	0	1	8	4
Dhanmondi/Mohammadpur	1	4	24	12
Malibagh/Mogbazar	4	13	20	5
Old Dhaka	0	0	5	9

v. *Relationship between Considerations while Choosing the Location for Shop and Location*
Ho = Considerations while choosing the location for the
Ho = Considerations while choosing the location for the grocery shop does not vary due to the differences in location
H₁ = Considerations while choosing the location for the grocery shop vary due to the differences in location

Crosstabulation Result: Most of the grocers of different locations choose such a location for their shop that is a suitable market place. In

Gulshan/Bonani/Baridhara, Dhanmondi/Mohammadpur, and Malibagh/Mogbazar area 100% of the grocery shops and in Old Dhaka 90% of the grocery shops consider the suitable market place while choosing the location for the shop. The grocers' second choice is the large number of sale for selecting a location for the shops. Though there are little variations in selecting other dimensions of location, it can be said that the null hypothesis is accepted. Because considerations while choosing the location for the grocery shop does not vary due to the differences in location.

Table 5: Cross tabulation of Consideration while Choosing Location for Grocery Shop and Location

Location	What do you consider while choosing the location			
	Attractive to customers	Large number of Sale	Suitable market place	Own advantage
Gulshan/Bonani/Baridhara	3	7	9	2
Dhanmondi/Mohammadpur	20	12	26	1
Malibagh/Mogbazar	12	17	24	5
Old Dhaka	5	5	9	4

vi. *Relationship between Fixing the Price and Location*
Ho = Fixing the price of the products does not vary due to the differences in location
H₁ = Fixing the price of the products varies due to the differences in location

Around 89% grocery shops of

Cross tabulation Result: It is found that the grocery shop owners of Dhanmondi/Mohammadpur and Gulshan/Bonani/Baridhara mostly fix the price by own.

Gulshan/Bonani/Baridhara area and 80.8% grocery shops of Dhanmondi/Mohammadpur fix the price by their own. But in Malibagh/Mogbazar and Old Dhaka the price of the products are fixed mostly by the company. Around 83% of the grocery shops of Malibagh/Mogbazar and 100% grocery shops of Old Dhaka fix the price based on the company price. So it can be said that the price fixation varies in different locations for the grocery shop products. That's why it can be said that the null hypothesis is rejected.

Table 6: Cross tabulation of Price Fixation and Location

Location	How do you fix the price			
	Company	By own	Competitors	As much I can
Gulshan/Bonani/Baridhara	7	8	7	0
Dhanmondi/Mohammadpur	18	21	17	1
Malibagh/Mogbazar	20	1	16	0
Old Dhaka	11	2	5	1

vii. *Relationship between Location and Branded Products*

Ho =Location and preference of branded products by the grocery shop owners are not correlated
H1 =Location and preference of branded products by the grocery shop owners are correlated

Chi-Square Result: The significance value (Pearson Chi-Square) .386 is greater than the alpha value of .05. It means the null hypothesis is accepted. The variables are not correlated. The crosstabulation result also shows that most of the owners prefer branded products regardless the location issue. In Gulshan/Bonani/Baridhara 77.7%, in Dhanmondi/Mohammadpur 96.1%, in Malibagh/Mogbazar 91.3%, and in Old Dhaka 81.8% grocery shops prefer to keep branded products.

Table 7: Crosstabulation of Preference for Branded Products and Location

Location.	Do you prefer branded product				Total
	yes	percentage	no	percentae	
Gulshan/Bonani/Baridhara	7	77.7%	2	22.2%	9
Dhanmondi/ Mohammadpur	25	96.1%	1	3.84%	26
Malibug/Mogbazar	21	91.3%	3	12.5%	24
Old Dhaka	9	81.8%	2	18.1%	11
Total	62		8		70

viii. *Relationship between Location and Credit Sell*

Ho =Location of the grocery shop and credit sell are not correlated
H1 = Location of the grocery shop and credit sell are correlated

Chi-Square Result: The significance value (Pearson Chi-Square) .117 is greater than the alpha value of .05. It means the null hypothesis is accepted that is the variables are not correlated. The crosstabulation result also shows that most of the owners sell product on credit regardless of the location issue. In Gulshan/Bonani/Baridhara 88.8%, in Dhanmondi/Mohammadpur 76.9%, and in Old Dhaka 90.9% grocery shops sell on credit. Only Malibagh/Mogbazar is little different than the other areas, around 58.3% of the grocery shops of this area sell products on credit.

Table 8: Crosstabulation of Credit Sell and Location

Location.	Do you sell product on credit				Total
	yes	percentage	no	percentage	
Gulshan/Bonani/Baridhara	8	88.8%	1	11.1%	9
Dhanmondi/ Mohammadpur	20	76.9%	6	23.1%	26
Malibug/Mogbazar	14	58.3%	10	41.6%	24
Old Dhaka	10	90.9%	1	9.1%	11
Total	52		18		70

VI. Concluding Remarks

Meeting customer demand is the main target of the retailers as they gain sustainable competitive advantages through high customer satisfaction. The marketing strategies of the grocery shops vary in Dhaka city due to differences in the location of the grocery shops. As the customers of different locations behave differently as their income pattern and preferences for products are different. The grocery shops set their strategies regarding products, price, promotion, and place differently according to the customer preferences to satisfy the customer demands. According to the study findings the grocers considers the following issues, such as, how to express the quality of the products to the customers, measure the product quality, fix the prices, based on the differences in location. The grocers do not differentiate regarding whether to keep the branded products or not, whether to sell product on credit or not, how to build strong customer relationships, how to promote the products, etc. But the grocers should differentiate their marketing strategies based on the location as the consumer choice and preferences vary due to the differences in income level. Otherwise they will not be able to sustain in the market for a long time, as they will not be able to satisfy the customer demands.

VII. Limitations and Future Research

Due to time and financial restriction, this research could study only the grocery shops marketing strategy. In future this research should be extended for other types of retailers of Dhaka city to find out the differences of the marketing strategies due to the variation in location that will help to draw a conclusion regarding the retailers' marketing strategies based on the location.

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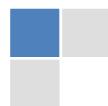
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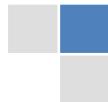
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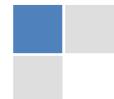
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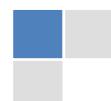
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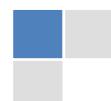
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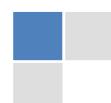
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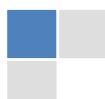
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- In manuscript, explain each of your consequences, point the reader to remarks that are most appropriate.
- Present a background, such as by describing the question that was addressed by creation an exacting study.
- Explain results of control experiments and comprise remarks that are not accessible in a prescribed figure or table, if appropriate.
- Examine your data, then prepare the analyzed (transformed) data in the form of a figure (graph), table, or in manuscript form.

What to stay away from

- Do not discuss or infer your outcome, report surroundings information, or try to explain anything.
- Not at all, take in raw data or intermediate calculations in a research manuscript.

- Do not present the similar data more than once.
- Manuscript should complement any figures or tables, not duplicate the identical information.
- Never confuse figures with tables - there is a difference.

Approach
- As forever, use past tense when you submit to your results, and put the whole thing in a reasonable order.
- Put figures and tables, appropriately numbered, in order at the end of the report
- If you desire, you may place your figures and tables properly within the text of your results part.

Figures and tables
- If you put figures and tables at the end of the details, make certain that they are visibly distinguished from any attach appendix materials, such as raw facts
- Despite of position, each figure must be numbered one after the other and complete with subtitle
- In spite of position, each table must be titled, numbered one after the other and complete with heading
- All figure and table must be adequately complete that it could situate on its own, divide from text

Discussion:

The Discussion is expected the trickiest segment to write and describe. A lot of papers submitted for journal are discarded based on problems with the Discussion. There is no head of state for how long a argument should be. Position your understanding of the outcome visibly to lead the reviewer through your conclusions, and then finish the paper with a summing up of the implication of the study. The purpose here is to offer an understanding of your results and hold up for all of your conclusions, using facts from your research and generally accepted information, if suitable. The implication of result should be visibly described. Infer your data in the conversation in suitable depth. This means that when you clarify an observable fact you must explain mechanisms that may account for the observation. If your results vary from your prospect, make clear why that may have happened. If your results agree, then explain the theory that the proof supported. It is never suitable to just state that the data approved with prospect, and let it drop at that.

- Make a decision if each premise is supported, discarded, or if you cannot make a conclusion with assurance. Do not just dismiss a study or part of a study as "uncertain."
- Research papers are not acknowledged if the work is imperfect. Draw what conclusions you can based upon the results that you have, and take care of the study as a finished work
- You may propose future guidelines, such as how the experiment might be personalized to accomplish a new idea.
- Give details all of your remarks as much as possible, focus on mechanisms.
- Make a decision if the tentative design sufficiently addressed the theory, and whether or not it was correctly restricted.
- Try to present substitute explanations if sensible alternatives be present.
- One research will not counter an overall question, so maintain the large picture in mind, where do you go next? The best studies unlock new avenues of study. What questions remain?
- Recommendations for detailed papers will offer supplementary suggestions.

Approach:

- When you refer to information, differentiate data generated by your own studies from available information
- Submit to work done by specific persons (including you) in past tense.
- Submit to generally acknowledged facts and main beliefs in present tense.

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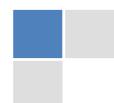
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Introduction	Containing all background details with clear goal and appropriate details, flow specification, no grammar and spelling mistake, well organized sentence and paragraph, reference cited	Unclear and confusing data, appropriate format, grammar and spelling errors with unorganized matter	Out of place depth and content, hazy format
Methods and Procedures	Clear and to the point with well arranged paragraph, precision and accuracy of facts and figures, well organized subheads	Difficult to comprehend with embarrassed text, too much explanation but completed	Incorrect and unorganized structure with hazy meaning
Result	Well organized, Clear and specific, Correct units with precision, correct data, well structuring of paragraph, no grammar and spelling mistake	Complete and embarrassed text, difficult to comprehend	Irregular format with wrong facts and figures
Discussion	Well organized, meaningful specification, sound conclusion, logical and concise explanation, highly structured paragraph reference cited	Wordy, unclear conclusion, spurious	Conclusion is not cited, unorganized, difficult to comprehend
References	Complete and correct format, well organized	Beside the point, Incomplete	Wrong format and structuring

INDEX

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