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issue 8  
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GLOBAL JOURNAL OF MANAGEMENT AND BUSINESS RESEARCH

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GLOBAL JOURNAL OF MANAGEMENT AND BUSINESS RESEARCH

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VOLUME 11 ISSUE 8 (VER. 1.0)

GLOBAL ASSOCIATION OF RESEARCH

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GLOBAL JOURNAL OF MANAGEMENT AND BUSINESS RESEARCH  
Volume 11 Issue 8 Version 1.0 August 2011  
Type: Double Blind Peer Reviewed International Research Journal  
Publisher: Global Journals Inc. (USA)  
Print ISSN: 0975-5853

# Corporate Governance and Firm Performance a Case Study of Pakistan Oil and Gas Companies Listed in Karachi Stock Exchange

By Laib A Dar, Muhammad Akram Naseem, Ramiz Ur Rehman, Dr. G. S. K. Niazi

*Quaid-e-Azam University, Islamabad, Pakistan*

**Abstract** - In this study the relationship between four Corporate Governance Mechanisms (board size, chief executive status, annual general meeting and audit committee) and two Firm Performance Measures (return on equity, ROE, and profit margin, PM), of Karachi Stock Exchange listed oil & gas firms is examined for the period 2004 - 2010. The t-test and Multiple Regression analysis are applied to examine the significance & dependency of the above mentioned variables. By using the panel methodology and OLS as a method of estimation, the results provide an evidence of a significant effect and positive relationship between ROE and board size as well as annual general meeting. But ROE has negative relationship with audit committee and CEO status and both have significant effect on it. The results further expose a positive relationship between PM, board size and annual general meeting and they have no significant effect. The study, however, could not provide a significant effect between PM and audit committee. The CEO status and audit committee have a negative relationship with PM but CEO status has a significant effect. The implication of this is that the board size should be limited to a sizeable limit and that the post of the chief executive should be occupied by different persons.

**Keywords** : *Corporate Governance, Corporate Governance Mechanisms, Firm Performance Measures.*

**GJMBR Classification** : *JEL Code: G34*



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# Corporate Governance and Firm Performance a Case Study of Pakistan Oil and Gas Companies Listed in Karachi Stock Exchange

Laib A Dar<sup>α</sup>, Muhammad Akram Naseem<sup>Ω</sup>, Ramiz Ur Rehman<sup>β</sup>, Dr. G. S. K. Niazi<sup>ψ</sup>

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**Keywords** : Corporate Governance, Corporate Governance Mechanisms, Firm Performance Measures.

## I. INTRODUCTION

Corporate governance is the set of processes, customs, policies, laws, and institutions affecting the way company is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the corporation is governed. In contemporary business corporations, the main external stakeholder groups are shareholders, debt holders, trade creditors, suppliers, customers and communities affected by the corporations activities. Internal stakeholders are the board of directors, executives, and other employees.

The term “corporate governance” came into popular use in the 1980's to broadly describe the general principles by which the business and management of companies were directed and controlled. Although its usage is now common, and the objectives to be achieved thereby generally understood, there is no universally accepted definition of “corporate governance”. Although the utility of definitions is invariably exaggerated, definitions do have the advantage of providing a general framework for discussion and debate. For this purpose, and in view of the comparative infancy of the subject in Pakistan, a limited discussion of the definition of corporate governance is provided below.

A basic definition of corporate governance, which has been widely recognized, was given in a report by the committee under the chairmanship of Sir Adrian Cadbury titled (the Cadbury Report): This definition of corporate governance has been endorsed in various other discourses on the subject, including the 1998 final report of the Committee on The Financial Aspects of Corporate Governance.

“Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the directors include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The Board's actions are subjected to laws, regulations and the shareholders in general meeting.”

The Cadbury Committee report defines it as “the system by which companies are directed and controlled”. A corporate governance system is comprised of a wide range of practices and institutions, from accounting standards and laws concerning financial disclosure, to executive compensation, to size and composition of corporate boards. A corporate governance system defines who owns the firm, and dictates the rules by which economic returns are

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distributed among shareholders, employees, managers, and other stakeholders. As such, a country's corporate governance regime has deep implications for firm organization, employment systems, trading relationships, and capital markets. Thus, changes in Pakistani system of corporate governance are likely to have important consequences for the structure and conduct of country business

Sound corporate governance practices help companies to improve their performance and attract investment while enabling them to realize their corporate objectives, protect shareholder rights, meet legal requirements, and demonstrate to a wider public how they are conducting their business. These practices have become critical to worldwide efforts to stabilize and strengthen global capital markets and protect investors. Good corporate governance contributes to sustainable economic development by enhancing the performance of companies and increasing their access to outside capital. In emerging markets good corporate governance serves a number of public policy objectives. It reduces vulnerability of the financial crises, reinforcement property rights; reduces transaction cost and cost of capital and leads to capital market development. Corporate governance concerns the relationship among the management, board of directors, controlling shareholders, minority shareholders and other stakeholders. In Pakistan, the publication of the SECP Corporate Governance Code 2002 for publicly listed companies has made it an important area of research of corporate sector.

The positive effect of good corporate governance on different stakeholders ultimately is a strengthened economy, and hence good corporate governance is a tool for socio-economic development. After East Asian Economies collapsed in the late 20th century, the World Bank's President warned those countries, that for sustainable development, corporate governance has to be good. Economic health of a nation depends substantially on how sound and ethical businesses are.

Corporate governance serves two indispensable purposes.

- ❖ It enhances the performance of corporations by establishing and maintaining a corporate culture that motivates directors, managers and entrepreneurs to maximize the company's operational efficiency thereby ensuring returns on investment and long term productivity growth.
- ❖ Moreover, it ensures the conformance of corporations to laws, rules and practices, which provide mechanisms to monitor directors' and managers' behavior through corporate accountability that in turn safeguards the investor interest. It is fundamental that managers exercise their discretion with due diligence and in the best

interest of the company and the shareholders. This can be better achieved through independent monitoring of management, transparency as to corporate performance, ownership and control, and participation in certain fundamental decisions by shareholders.

## II. SOME FAILURE IN PAKISTAN DUE TO LACK OF CORPORATE GOVERNANCE

### a) PTCL

The privatization of PTCL was also a big corporate scandal. An ex-Senior Vice President has claimed the privatization as Pakistan's Biggest Financial fraud. PTCL former official further commented that the deal was closed on 2.6 billion dollars including U-fone & Paktel, however only U-fone had enterprise value of more than 6 billion dollars which does not include assets of U-fone. Moreover, pricing decisions were made through old records instead of determining current market value, which means, it was like Buy One Get 2 Free offer. It has been reported further that in September 2006, when Etisalat had refused to honor the deal, they were offered a secret price discount of 394 million dollars along with commitment to lay off 20,000 employees and to bear the 50% cost of layout. Supreme Court of Pakistan has already given decision against the privatization of PSO and Pakistan Steel and if PTCL's privatization gets challenged on true facts, it will bring horrifying results.

### b) Crescent Bank Fraud

The entire board of directors and CEO Anjum Salaam of Crescent Standard investment bank were legally stopped from running their offices on evidences of suspected fraud and irregular accounting. External Auditors had predicted a missing amount of over Rs.6 Billion, apart from illegal maintenance of parallel accounts, concealment of bank assets, un-authorized massive funding of group companies, unlawful investments in real estate and stock market, etc. the SECP took legal action against the companies officers, although much of the actions taken were criticized as insufficient.

### c) ENGRO Group of Companies

SECP was at the receiving end of immense criticism once it had allowed Fertilizer giant ENGRO to establish its subsidiary ENGRO Foods. Critics believed that the company was associated with the urea business and were tremendously concerned about the extent to which hygiene requirements for the industry would be met by ENGRO foods. However SECP counter argument was based on the fact that ENGRO has had a rich history of sound corporate governance which satisfied SECP that ENGRO will be responsible in regards to hygiene issues associated with ENGRO foods. Time proved that Engro's corporate governance was in good practice and has led to the success of

ENGRO foods with products such as Olpers Milk.

d) *Taj Company*

The Taj Company was involved in poor corporate governance practices. The company was running a scheme through which it was able to receive huge amounts of deposits illegally. What was far more disappointing was the religious affiliation the company had attached with its name. Even 15 years after their fraudulent practices have been stopped; the company still owes heavy liabilities to over 25000 people.

e) *Mehran Bank*

The National Accountability Bureau (NAB) has recovered Rs1.6 billion in the famous Mehran Bank scandal case by selling Benami property of defunct banks chief Younus Habib in Islamabad. The amount is stated to be the country's biggest-ever single cash recovery in a willful loan default case. In addition, the Younus Habib Group will also pay Rs420 million. According to the NAB, Younus Habib, former chief operating officer of the defunct bank, had offered to settle his liability through the sale of his Benami property and accordingly entered into a settlement agreement of Rs1.6 billion with the National Bank of Pakistan. The Mehran Bank had been doing badly since its very beginning in January 1992, and banking experts attributed this poor performance to Younus Habib's penchant for 'extra-curricular banking activities

The main focus on this study is to examine the relationship between corporate governance and firm performance of listed Karachi Stock Exchange (KSE) oil and gas firms. In the firm level corporate governance characteristic we have considered Board Size, CEO status, Annual General Meeting and Audit Committee. And we have used indicators Return on Equity and Profit Margin for Firm Performance.

The plan of the study is as follows. Section 2 briefly reviews the corporate governance policy framework of Pakistan. The review of empirical findings of previous research is presented in Section 3. The methodology of this study is provided in Section 4. Section 5 explores the relationship between corporate governance and performance and provides a description of the data. Section 6 presents the results for the relationship between corporate governance and firm performance and last section concludes.

### III. LITERATURE REVIEW

a) *Corporate Governance in Pakistan*

The SEC, since it took over the responsibilities and powers of the Corporate Law Authority in 1999, has been acutely alive to the changes taking place in the international business environment, which directly: and indirectly impact local businesses. As part of its multi-dimensional strategy to enable Pakistan's corporate sector meet the challenges raised by the changing

global business scenario and to build capacity, the SEC has focused, in part, on encouraging businesses to adopt good corporate governance practices. This is expected to provide transparency and accountability in the corporate sector and to safeguard the interests of stakeholders, including protection of minority shareholders' rights and strict audit compliance.

During the past few years, the financial and corporate world has witnessed significant changes. Following the Asian financial crisis, recent accounting scandals have brought to light the importance of an effective institutional framework that would help corporate management increase shareholder value while protecting the interests of other stakeholders.

In March 2002, the Securities and Exchange Commission of Pakistan issued the Code of Corporate Governance to establish a framework for good governance of companies listed on Pakistan's Stock Exchanges. In exercise of its powers under Section 34(4) of the Securities and Exchange Ordinance, 1969, the SEC issued directions to the Karachi, Lahore and Islamabad Stock Exchanges to incorporate the provisions of the Code in their respective listing regulations. As a result, the listing regulations were suitably modified by the stock exchanges.

To achieve this goal, the Securities and Exchange Commission (SEC) of Pakistan in partnership with the United Nations Development Programme (UNDP) and the Economic Affairs Division of the Government of Pakistan, launched the SEC-UNDP Project on Corporate Governance in August 2002. Under the purview of the Project, UNDP has provided technical and financial assistance to the SEC for developing and implementing good corporate governance practices and establishing a sound regulatory framework for the corporate sector in the country. The work involves implementation of the Code of Corporate Governance, issued by the SEC in March 2002, creating stakeholder awareness, capacity-building and networking with other emerging markets. Shahnawaz Mahmood of the SEC of Pakistan is working as research officer on the UNDP Project on Corporate Governance.

The Code is a compilation of "best practices", designed to provide a framework by which companies listed on Pakistan's stock exchanges are to be directed and controlled with the objective of safeguarding the interests of stakeholders and promoting market confidence; in other words to enhance the performance and ensure conformance of companies. In doing this, the Code draws upon the experience of other countries in structuring corporate governance models, in particular the experience of those countries with a common law tradition similar to Pakistan.

Corporate entities in Pakistan are primarily regulated by the SEC under the Companies Ordinance,

the Securities and Exchange Ordinance, 1969, the Securities and Exchange Commission of Pakistan Act, 1997, and the various rules and regulations made there under. In addition, special companies may also be regulated under special laws and by other regulators, in addition to the SEC. In this way, listed companies are also regulated by the stock exchange at which they are listed; banking companies are also regulated by the State Bank of Pakistan; companies engaged in the generation, transmission or distribution of electric power are also regulated by the National Electric Power Regulatory Authority; companies engaged in providing telecommunication services are also regulated by the Pakistan Telecommunication Authority; and oil and gas companies are also regulated by the Oil and Gas Regulatory Authority.

### So the parties involved in corporate Governance are

- ❖ Board Of Directors
- ❖ Shareholders
- ❖ Audit Committee
- ❖ Chief Executive Officer & Management

### The Role of BOD

The board of directors has the responsibility to ensure that corporate behavior conforms to best governance practices. This requires directors to exhibit certain behavioral norms, including: (a) informed and deliberative decision-making; (b) division of authority (c) effective monitoring of management; and (d) evenhanded performance of duties owed to the company and to shareholders as a Class.

### BOD's responsibilities inherently demand

- ✓ The exercise of judgment.
- ✓ Guiding business strategy,
- ✓ Determine an appropriate corporate appetite for risk
- ✓ Selecting a chief executive from a pool of candidates involves decision-making that cannot be reduced to a mechanical series of steps.
- ✓ Monitoring and supervisory functions may comprise a range of reasonable approaches.
- ✓ Ensure the integrity of accounting and financial reporting systems and oversee the process of disclosure and communications

### The Role of Shareholders

Some of the important roles of the share holders are listed below:

- ✓ Shareholders nominate a Board of Directors to manage the affairs of the corporation
- ✓ Shareholders make a financial investment in the corporation, which entitles those with voting shares to elect and remove the directors and auditors.
- ✓ Shareholders should have effective communication with the board to understand the business, risk profile, financial condition and the operating

performance of the firm.

- ✓ Opportunity should be given to shareholders to ask questions about the direction of the firm and especially on the remuneration policy of key executive members and board members, this should be linked to performance.
- ✓ Shareholders holding at least 20% of the issued capital of a firm should, as far as possible have a representative on the board, except they are disqualified by the virtue of their being competing business with the firm or they have other conflicts of interest.
- ✓ There should be at least one director on the board representing the minority shareholders.

### The Role of Committee

The audit committee ("committee") shall assist the board of directors (the "board") in the oversight of (1) The integrity of the financial statements of the company (2) The effectiveness of the internal control over financial reporting (3) The independent registered public accounting firm's qualifications and independence (4) The performance of the company's internal audit function and independent registered public accounting firms and (5) The company's compliance with legal and regulatory requirements

The role of the audit committee, as a central facet in the execution of first-rate corporate governance, is continually evolving. From time to time, the audit committee may be called upon to address specific issues that fall outside of its primary role.

The audit committee's main roles are elaborated in the Code principles, which can be summarized as:

- ✓ To monitor the integrity of the company's financial statements and announcements;
- ✓ To review internal financial controls and (unless there is a separate risk committee) risk management systems;
- ✓ To monitor and review the internal audit function;
- ✓ To recommend the appointment or replacement of external auditors and to review the effectiveness of their work.
- ✓ To develop and implement policy on the use of the auditors for no audit services.
- ✓ The primary duties and responsibilities of the Committee include, amongst others,
- ✓ The review of the external auditors' audit plan, the internal auditing process, accounting standards and practices
- ✓ Financial information, system of accounting systems, internal controls and the reliability of information, financial risk management, any certifications required by regulatory authorities.
- ✓ Review of quarterly and annual financial statements and reports and budgets prior to approval by the board.

- ✓ The committee is responsible for ensuring the independence of the external auditors. The Committee must maintain a direct relationship with the board, the management as well as with the shareholders.
- ✓ External and internal auditors. The external and internal auditors must report directly to the Committee.

### The Role of CEO & Management

The main role of CEO and Management are:

- ✓ Operating the firm in an effective and ethical manner.
- ✓ Preparing the strategic plans and annual operating plans and budgets for the board's approval.
- ✓ The integrity of the firm's financial reporting system that fairly presents its financial position.
- ✓ The financial reports are expected to comply with relevant statutory and professional pronouncements.
- ✓ Establishing an effective system of internal controls to give reasonable assurance that the firm's books and records are accurate, its assets safeguarded and applicable laws complied with.
- ✓ Approving the Audit Committee Charter; Endorsing the internal audit work program;
- ✓ Reviewing internal audit reports submitted;
- ✓ Requesting audits be conducted as may assist senior or other management in discharge of their responsibilities.

## IV. CORPORATE GOVERNANCE MECHANISMS

For measuring corporate governance and Firm performance different variables are used by the researchers such as Board Size, Audit Committee, Annual General Meeting and the Status of CEO.

### a) Board Size

It is expected that limiting board size is to improve firm performance because the benefits by larger board of directors increased monitoring are outweighed by the poorer communication and decision-making of larger groups [Lipton and Lorsch (1992); Jensen (1993)]. Brown and Caylor (2004) add to this literature by showing that firms with board sizes between 6 and 15 have higher returns on equity and higher net profit margins than do firms with other board sizes. When board size increases, agency problems in the boardroom increase simultaneously, therefore leading to more director free-riding problems and internal conflicts among directors. What's more, a large board is more likely to be controlled by the CEO rather than the board controlling management. Eisenberg et al. (1998) maintain that when board size increases, coordination and communication problems increase. This causes greater agency problems and costs.

### b) Annual General Meeting

The Annual General Meeting (AGM) is the most important and most powerful body of our organization. The AGM is the ultimate decision maker. The AGM gives the organization direction in policy when dealing with the goals.

The AGM appears to have emerged as an accountability mechanism in early English local government and joint stock companies (Cordery, 2005) and, although prevalent in Western Society, there is a paucity of research on its effectiveness, if this is the primary rationale for the existence of perpetuation of AGMs. Extant research has considered shareholder activism in AGMs (e.g. Marens, 2002; Marinetto, 1998) and whether this activism is empirically successful (Karpoff, Malatesta, & Walkling, 1996). From another aspect, Strätling (2003) investigated the United Kingdom Department of Trade and Industry 1999 proposals for AGM reform to which respondents reacted negatively. Typically an AGM includes: the members electing the controlling committee, that committee presenting financial accounts and reflecting on the organization's successes. The controlling actors may report achievement against key performance indicators in both financial and nonfinancial terms (Pitchforth, 1994), thus fulfilling accountability demands. Roberts and Scapens suggested accountability "will be open to further negotiation and refinement in the actual course of interaction" (1985, p.450), and acknowledged that the place and manner in which the information is provided also impacts on accountability. As the AGM is an occasion for face-to-face accountability, members can question and challenge the controlling actors' reports, providing refinement and insight within the accountability process. Accordingly, this research assesses the potential for AGMs for effective scrutiny and the discharge of accountability, through a qualitative method employing observation and analysis of the process of accountability between members and actors at AGMs. The main function of the AGM is to receive and to react to reports on activities of the Board of Directors, the Executive, and the Auditor. This is where the democratic process of the Company is really shown. The membership has the opportunity or elect who they want to represent.

### c) Audit Committee

Audit committees serve as a bridge in the communication network between internal and external auditors and the board of directors, and their activities include review of nominated auditors, overall scope of the audit, results of the audit, internal financial controls and financial information for publication (FCCG, 1999). Indeed, the existence of an audit committee in a company would provide a critical oversight of the company's financial reporting and auditing processes (FCCG, 1999; Walker, 2004).

Klein (2002) reports a negative correlation between earnings management and audit committee independence. Anderson, Mansi and Reeb (2004) find that entirely independent audit committees have lower debt financing costs.

### c) CEO Status

A widely debated corporate governance issue is whether the two most important positions in a company the Chairman of the Board and the CEO— should be held by two different individuals (a dual leadership structure) or one person may be assigned both portfolios (a unitary leadership structure).

Many studies addressed the CEO duality-performance relationship; with inconsistent results (Brian K. Boyd 1994). There is only weak evidence that duality status affects long-term performance, after controlling the other factors that might impact the performance. (B. Ram Baliga et al. 1995). Berg et al (1978) and Brickley et al (1997) concluded that there is a chance of agency cost when CEO performs dual role. Therefore, the separation of the two positions enhances shareholder value. Fama et al (1983) also argued that concentration of decision management and decision control in one individual reduces a board's effectiveness in monitoring top management. For example, when a CEO doubles as board chairman, this results in conflict of interests and increases agency costs.

The separation of CEO and chairman affects firms' performance because the agency problems are higher when the same person holds both positions. Yermack (1996) shows that firms are more valuable when the CEO and board Chair positions are separate by analysing a sample of 452 U.S. public firms between (1984 and 1991). Core, *et al.* (1999) finds that CEO compensation is lower when the CEO and board chair positions are separate. Brown and Caylor (2004) conclude that firms are more valuable when the CEO and board chair positions are separate. Botosan and Plumlee (2001) find a material effect of expensing stock options on return on assets.

## V. METHODOLOGY

### a) Sample/ Research Design

The data used for this study is originated from Audited Financial Statements of the listed firms and Balance Sheet Analysis of joint stock companies listed on Karachi Stock Exchange (2004-2010). The firms used are selected by non-probability sampling technique. A total of 12 listed firms are used for analysis in which one firm's (Attock Petroleum) data is not available due to some limitations. Panel data methodology is taking on because it combines time series and cross sectional data. The method of analysis is that of multiple regressions and estimation is Ordinary Least Squares (OLS).

### b) Model Specification

The economic model used in this study is given as:

$$Y = \alpha + \beta_x + \varepsilon$$

Where, Y is the dependent variable.  $\alpha$  is constant,  $\beta$  is the coefficient of the explanatory variable (corporate governance mechanisms), x is the explanatory variable and  $\varepsilon$  is the error term (assumed to have zero mean and independent across time period). By adopting the economic model as in equation (1) above specifically to this study, equation (2) below evolves.

$$PERF = \alpha + \beta (BSIZE) + \beta (AGM) + \beta (CEO) + \beta (AUDCOM) + \varepsilon$$

$$ROE = \alpha + \beta (BSIZE) + \beta (AGM) + \beta (CEO) + \beta (AUDCOM) + \varepsilon$$

### Variable Description

Tables A and B below show the variables and their descriptions as used in this study.

Table A : Dependent variable description

Variable	Description/ Measurement
ROE = Return on Equity	$\frac{\text{Profit after tax}}{\text{Total equity shares in issue}}$
PM = Profit Margin	$\frac{\text{Profit after tax}}{\text{Turnover}}$

Table B : Independent variable description

Variable	Description/ Measurement
BSize = Board size	Number of directors on the board.
CEO = Chief Executive Status	Value zero (0) for if the same person occupies two or more posts among chairman, MD, GM and the Chief Executive and one (1) for otherwise.
AC = Audit Committee	The composition of audit committee that is outside as a proportion of the total for firm i in time t.
AGM = Annual General Meeting	The total number of meetings in a year

## VI. EMPIRICAL RESULTS AND DISCUSSION

### a) Descriptive Statistics

Table C shows the descriptive statistics of all the variables used in this study.

Table C :

	PM	ROE	BSize	AC	CEO	AGM
Mean	15.25	37.73	9.34	3.25	0.09	6.26
Median	3.70	41.70	10.00	3.00	0.00	5.00
Mode	2.60	0.00	11.00	3.00	0.00	5.00
Std. Deviation	22.59	99.68	2.14	0.59	0.29	3.69
Skewness	0.94	3.22	0.33	2.28	2.90	5.92
Kurtosis	-0.59	20.82	0.02	3.91	6.60	42.95
Range	91.20	899.30	9.00	2.00	1.00	30.00
Maximum Value	68.10	646.10	15.00	5.00	1.00	34.00
Minimum Value	23.10	253.20	6.00	3.00	0.00	4.00

From the above table we can conclude that mean of the PM of the firms is about 15.25 and ROE is 37.73. The result shows that for almost every N38 turnover, the profit earned is 15%. As the board size indicates that it is almost 10 in size that are perfect for the great performance of the company. The CEO status result shows that about 91% firms have the persons who occupy two or more positions in the firm; he may be the CEO or Chairman or Managing Director (MD) or may be the General Manager (GM). The result of the Audit committee indicates that round about 3 auditors are essential for good performance of a firm. The AGM indicates that at least 5 meetings are required for the firms.

## VII. REGRESSION RESULTS AND DISCUSSION

Table D presents the correlation among the variables.

Table D :

Model No.	Dependent variables	Independent variables	Co-efficient ( $\beta$ )	T-statistic	P-value
1	PM	AC	-8.96	-2.04	0.04
		CEO	-17.01	-1.93	0.06
2	ROE	AC	-8.31	-1.92	0.06
		CEO	-17.02	-1.93	0.06

By applying regression test we conclude that profit margin has positive effect on board size and AGM, level of significant is low so we reanalyze the data and then from table D using Pearson Correlation, Profit Margin is positively correlated with the firm's board size and it has no significant (sig.0.15) see in appendix A. Similar result appear for annual general meeting. But Profit margin has a negative relationship with audit committee and CEO status and CEO status has significant (sig.0.06). The intercept and slope co-efficient are same in different time periods and for individual Table D also shows that ROE is also positively correlated with two of the corporate governance Variables as firm's board size and annual general meeting except for audit committee and CEO status but they are significant (sig.0.06). Also see in appendix B.

Table E: ANOVA – Profit Margin as a dependent variable

Model	Sum of Sq	df	Mean Sq	F	Sig.
Regression	4255.18	4	1063.79	2.22	0.08
Residual	34526.19	72	479.53		
Total	38781.37	76			

Predictors : (constant), Bsize, CEO status, AGM, Aud Com  
Dependent variable : PM

Table F: ANOVA- ROE as a dependent variable

Model	Sum of Sq	df	Mean Sq	F	Sig.
Regression	3174.63	2	1587.31	3.30	0.04
Residual	35606.74	74	481.17		
Total	38781.37	76			

Predictors : (constant), Bsize, CEO status, AGM, Aud Com  
Dependent variable : ROE

Table E & F indicates the analysis of variance (ANOVA) of the variables. With F-values of 2.2184 (sig.0.08) & 3.2988 (sig.0.04) for Profit Margin and ROE as performance proxies respectively. It clearly indicates that there is a strong relationship between the dependent variables as PM and ROE and the independent variables as Bsize, CEO status, AGM and Audit Committee at 1%, 5% and 10% levels.

Table G : t-test

No.	Hypothesis	t-statistic	P-value
1	H <sub>0</sub> : There is no significance difference of profit margin between public & private companies.	-3.51	0.00
2	H <sub>0</sub> : There is no significance difference of return on equity between public & private companies.	1.04	0.15
3	H <sub>0</sub> : There is no significance difference of board size between public & private companies.	-0.72	0.23
4	H <sub>0</sub> : There is no significance difference of audit committee between public & private companies.	3.13	0.00

By applying t- test, we conclude that our hypothesis that there is no significance difference of profit margin between public and private companies is true as the p-value is 0.00 so it is also highly significant. Same is the case with our hypothesis of that there is no significance difference of audit committee between public & private companies. But our hypothesis of that there is no significance difference of return on equity between public & private companies and there is no significance difference of board size between public & private companies as the p values are 0.15 and 0.23 respectively.

## VIII. CONCLUSION

There is no doubt that a number of studies have been conducted so far and is still on going on the examination of the relationship between firm performance measures and corporate governance mechanisms, but the results of these studies are mixed. This study examines the relationship that exists between firm performances, by using indicators (ROE and PM) and four corporate governance mechanisms (board size, annual general meeting, chief executive status and audit committee). For data analysis we have used 11 oil and gas firms listed on the Karachi Stock Exchange for the period of 2004 - 2010. Panel data methodology is employed; the method of analysis is multiple regression and the t-test. The study discloses the following results:

- There is a positive relationship between two Firm Performance Measures (ROE and PM) and Two Corporate Governance Mechanisms (Board size & AGM) but they have no significant effect
- There is a negative relationship between ROE, CEO status and audit committees but they have significant effect.
- There is a negative relationship between PM and

CEO status and audit committee, but CEO status has a significant effect on PM.

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#### Karachi Stock Exchange Listed Firms

Serial No.	Company	Symbol
1	Attock Refinery	ATRL
2	Byco Petroleum	BYCO
3	Mari Gas Co.XD	MARI
4	National Refinery	NRL
5	Oil & Gas Development	OGDC
6	Pak Oilfields Ltd.	POL
7	Pak Petroleum	PPL
8	Pak Refinery	PRL
9	P.S.O.XD	PSO
10	Shell Gas LPG	SGLL
11	Shell Pakistan	SHEL

#### Appendix B

	<i>Coefficients</i>	<i>Standard Error</i>	<i>T-Stat</i>	<i>P-value</i>
<i>Intercept</i>	43.80	14.35	3.05	0.00
<i>Board Size</i>	7.85	5.43	1.44	0.15
<i>Audit Committee</i>	-8.31	4.31	-1.93	0.06
<i>CEO</i>	-17.02	8.77	-1.94	0.06
<i>Annual General Meeting</i>	-4.45	3.18	1.40	0.16

#### Appendix A

	<i>Coefficients</i>	<i>Standard Error</i>	<i>T-Stat</i>	<i>P-value</i>
<i>Intercept</i>	29.16	17.75	1.64	0.10
<i>Board Size</i>	1.74	1.20	1.44	0.15
<i>Audit Committee</i>	-8.96	4.39	-2.04	0.04
<i>CEO</i>	-17.01	8.81	-1.93	0.06
<i>Annual General Meeting</i>	0.08	0.70	0.11	0.91

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GLOBAL JOURNAL OF MANAGEMENT AND BUSINESS RESEARCH  
Volume 11 Issue 8 Version 1.0 August 2011  
Type: Double Blind Peer Reviewed International Research Journal  
Publisher: Global Journals Inc. (USA)  
Print ISSN: 0975-5853

# The Impact of the Implementation of the ISO 9000 Quality Management System upon the Perception of the Performance of the Organization's Worker

By Dr. Omer Abdel Aziz El Tigani

*Abstract* - Organizations in the region implement the ISO 9000 Quality Management System and obtain the consequent approvals, rewards and certificates, but unfortunately, without the actual and effective implementation on the ground. The purpose of this research study was to assess the impact of the implementation of the ISO Quality Management System upon the performance of participating workers. Qualitative as well as quantitative research was conducted. Data were collected using a quantitative survey administered to 150 participants from either governmental or private and both sectors in the State of Qatar. Findings include the implementation of the ISO 9000 QMS has no impact on the performance of the participating organizations' workers. This research study also revealed some important points related to the organizations' workers and their performances under the umbrella of the ISO 9000 Quality Management System, which leads the Researcher to raise some questions to the concerned people in the International Organization for Standardization (ISO).

*Keywords* : Quality, Performance, Workers, ISO 9000 Quality Management System, Organization.

*GJMBR Classification* : JEL Code: J61



*Strictly as per the compliance and regulations of:*



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## 1. INTRODUCTION

Quality is to produce products or present services that fulfill the requirements of the customer, standard technical specifications, and/or technical specification issued by the organization. This is one of the hundreds definitions of the word *Quality*. However, at all cases, *Quality* is the key word that all societies, organizations, individuals, are looking for and aiming to reach. ISO 9000 establishes a basic set of quality system requirements necessary to ensure that the process is capable of consistently producing products that meet the customer's expectations. Products and services are the result of activities or processes that transform inputs into outputs and the quality of products and services is directly related to the quality of the process that produces them. Therefore, product quality improvement necessitates process quality improvement. There are so many specifications related to ISO 9000. In 1999, all these specifications had been merged together to issue the two standard

specifications ISO 9001: 2000 and ISO 9004: 2000. The ISO 9000 series of standards are not static documents but will continue to be revised and amended.

The ISO International Standard requires that the adoption of a quality management system should to be a strategic decision of the organization. The design and implementation of an organization's quality management system is influenced by varying needs, particularly, objectives, the products provided, the processes employed and the size and structure of the organization. It is not the intent of the International Standards to imply uniformity in the structure of quality management systems or uniformity of documentation. The ISO International Standard consists of eight clauses which precisely describe its requirements.

Like a pillars to a building, there are eight Principles that the ISO 900 Quality Management System is based on. Those eight Principals are important for any successful ISO 9000 QMS, which are: 1) Customer Focus, 2) Leadership, 3) Involvement of People, 4) Process Approach, 5) System Approach to Management, 6) Continual Improvement, 7) Factual Approach to Decision Making, and 8) Mutually Beneficial Supplier Relationships.

### a) *Research Problem*

The workforce is considered as the backbone for organizations, societies, and for countries as the whole and nobody denies the importance of the workforce for the role that it plays in building the civilizations and developing the countries. In addition to that, involving workers and gaining their satisfaction is the key success factor for the implementation of any new management system.

Although the implementation of the ISO 9000 Quality Management System internationally proved its effectiveness and positive impacts on the overall performance of the organizations, BUT, the impacts of its implementation in the area of study remains questionable. Therefore, this research study will assess the impacts of the implementation of the ISO 9000 Quality Management System on the performance of the organizations' workers.

Self-motivation of the organization's workers is the corner stone in a successful implementation process. Unfortunately, most of the organizations in the area of study do not consider the satisfaction of their workers prior, during and following the implementation of the ISO 9000 Quality Management. As a result of that, organizations may succeed to obtain the required approvals for ISO 9000 certificate, BUT, unfortunately, without the actual and effective implementation on the ground.

#### b) *Research Objectives*

Assess the impact of the implementation of the ISO 9000 Quality Management System upon the workers' performance.

#### c) *Research Questions*

The research questions that guided this study are:

- 1) To what extent does the implementation of the ISO 9000 Quality Management System affect the workers' performance in their organizations?
- 2) Is the ISO 9000 Quality Management System a suitable management framework to be used to improve the workers' performance?

#### d) *Research Design*

This correlational research was conducted to establish the presence of a relationship among variables and not causality among variables. In this research study, the independent variable was the Quality Management System implemented in the organizations, which is complying with the ISO 9000 requirements, while the dependent variable is the performance of the workers of the organizations.

The dependent variable (i.e. the performance of the organization's workers) was studied by examining the effectiveness and the usage of the ISO 9000 Quality Management System by utilizing selected independent variables: (a) The Effectiveness of the ISO 9000 QMS =  $f \{(\text{Workers' Productivity}) + (\text{Communication Processes}) + (\text{Work Environment}) + (\text{Customer Satisfaction})\}$ ; and (b) The Usage of the ISO 9000 QMS =  $f \{(\text{Workers Satisfaction on ISO 9000 QMS}) + (\text{ISO QMS Suitability}) + (\text{ISO 9000 QMS Benefits for the Organization}) + (\text{ISO 9000 QMS Applicability})\}$

In the data collection instrument, for more confidence, each one of the independent variables was studied by asking the respondents several different questions. Then the information and data obtained from respondents were statistically analyzed in order to pursue the research objectives, solve the research problem and answer the research questions.

## II. RESEARCH METHOD

In order to conduct the study, a mixed methodology was used. The data for the study were

collected from both the secondary and primary sources. The study encompasses qualitative as well as quantitative research. In the first phase *literature* was obtained from the available secondary sources, books, newsletters, journal, internet, and so forth. In the second phase a quantitative *statistical survey* is conducted among about 150 workers operating in about 20 organizations in the governmental, private, and mixed (governmental + private) sectors in the State of Qatar in order to collect their opinions, thoughts and experiences regarding the implementation of the ISO 9000 Quality Management System in their organizations. Thus, the research is a combination of quantitative and qualitative methods. Both of these methods are utilized to find the answer of the research question and pursue the research objectives.

The research was conducted in the State of Qatar where the Researcher has accessed the targeted segments of respondents. The data collection for the research study has been mainly based on a questionnaire technique. One of the reasons that led the Researcher to abandon the interview technique and depend on the questionnaire instrument is that the physical access to most of the targeted organizations to meet workers and to meet the concerned people over there is not an easy job and hindered by several difficulties, as the intended participants are always busy and it is not easy to have a chance to allocate time for interview.

#### a) *The Area of Study*

The study has been conducted in organizations' workers, in the governmental, private and mixed (i.e., governmental and private) sectors in the State of Qatar, which are currently ISO 9000 registered organizations and now experiencing the implementation of the ISO 9000 Quality Management System for *not less than 3 years*.

The researcher refers to his own experience and practice in determining that the selected organization should be ISO 9000 registered for not less than 3 years, with a condition that the registration of the organization *must* be valid at the time of responding. After 3 years of continuous implementation and working under the umbrella of the ISO 9000 Quality Management System, the workers of the organization will definitely experience the ISO 9000 Quality Management System and examine its tools and requirements. Also they can observe its resulted outputs. Therefore, a matured opinions and thoughts about the ISO 9000 Quality Management System will be formed in their minds, thus, a thorough research study can be performed.

#### b) *Sample Size & Sample Selection Method*

The success of any research study depends on the way in which the Researcher selects the people who will participate in the study. The crucial factor for a successful survey study is to obtain reliable and

actionable results that reflect the feelings and thoughts of the respondents.

The most successful and efficient sample size in a quantitative research is the representative sample which can be easily generalized over the whole population, with approaching to zero sampling error. Therefore, the main goal of the sampling techniques is to reduce or eliminate the sampling error, when possible.

The Sampling Method used in this study is a combination of the Stratified Sampling and the Simple Random Sampling Methods. The targeted segment in this research study (i.e. the population) is the whole workers of the ISO 9000 certified organizations in the governmental, private and mixed (i.e., governmental and private) sectors in the State of Qatar. According to the latest list of the ISO 9000 registered organizations issued by the Gulf Development Center (2007), there are about 120 ISO 9000 registered organizations with varying types of businesses and nature works.

*Table 1 : The Size of Each Population's Strata*

	Name of Stratum	Size of Each Stratum (Organizations)	Proportion of Stratum (%)	Proportionate Sample Size (Workers)
1	Governmental Organizations	2	2	3
2	Private Organizations	105	87	130
3	Mixed(Governmental+Private Organizations	13	11	17
	Total	120	100%	150

The participants for the study were those who met these criteria: (a) workers who were interested in and willing to participate in the study, (b) the organization was ISO 9000 registered by an accredited certification body, (c) the organization was ISO 9000 registered for at least 3 years from the survey date, with an up-to-date valid ISO 9000 certificate, (d) the work environment included ISO 9000 Quality Management System. Areas in organizations whose workers were far from the organizations' core businesses or have had no impacts on the Quality Management System of the organizations were excluded from the study. For instance: Drivers, Office Boys, Office Keepers, Unskilled labors in factories and construction sites were excluded from the study.

The researcher increased the sample size and sent out the survey instrument (i.e. questionnaire), with count on increasing the sample size by about 50% to account for losses that may occur because of troubles in the communication media such as technical difficulties with receiving faxes or emails.

### c) Research Instruments

*Questionnaire* is used to obtain information. Questionnaire is one of the most effective and popular instruments that is efficient in collecting a certain kind of information or data. In general, questionnaire instrument has several advantages when compared with other

The population is heterogeneous and contains several different groups and the factors those distinguish population members from one another are related to the topic of study. Therefore, to ensure a high degree of sample representativeness, the stratified sampling method has been utilized in which the 120 ISO 9000 registered organizations have been stratified into three main strata or layers based on their sectors (i.e. governmental, private, and mixed organizations).

The sample for this study was two governmental organizations, 105 private organizations and 13 both governmental and private organizations (see Table 1). The total sample size was  $n = 150$  workers. The sample size of each stratum has been calculated proportionally from the total size of the population, as explained by Stat Trek Webpage (2007). Then, the simple random sampling technique has been utilized to select the intended participant within each selected organization.

instruments: (a) questionnaire can address a large number of issues and questions of concern in a relatively efficient way, with the possibility of high response rate, (b) respondents to questionnaires can take their time to respond to the questions without interference or interruption, (c) cost wise, it is possible to provide questionnaires to hundreds, or even thousands, of people at the same time.

Questionnaires were chosen to enable the researcher to obtain an overall measure of the attitudes, opinions and thoughts of the respondent, because they are most probably designed on basis of scored answers. The researcher collected the required data by utilizing a Likert-type questionnaire, with rate scale questions from 1 to 5.

The questionnaire template could be filled out with no need for face-to-face meetings with the respondents and over the telephone and return it back to the researcher by either fax or email. It is important to mention that the design of the questionnaire has taken into account that most of the respondents had fulltime schedules. Accordingly, questions were formulated to be brief and direct to the point, with *tick* answers through which, the Researcher has studied the effects of implementing the ISO Quality Management System upon the performance of the organizations' workers.

The *Questionnaire* for the survey is constructed by using the Likert scale that is a bipolar scaling method

used to measure either positive or negative response to a statement Likert (1932). It is a common system that is used in the survey research. It runs from one extreme through neutral point to the opposite extreme. For this study a five-point scale system has been used and the respondents have been asked to express their opinions about the given statement by picking the answer from the given five options *Strongly Disagree*, *Disagree*, *Neither Agree nor Disagree*, *Agree*, and *Strongly Agree*. Each degree of agreement is given a numerical value between 1 and 5 from *Strongly Disagree* to *Strongly Agree*.

It is important to mention that all the questions included in the questionnaire have been made in a positive sense, which means all the statements reflect positive impact of the implementation of the ISO 9000 Quality Management System on the performance of organizations' workers. So, for example, if the respondents agree with these statements in large number it means that they are agree with the positive impact of the implementation of the ISO 9000 Quality Management System on the performance of organizations' workers, and if they disagree with most of the statements it means that there are no many positive effects that are observed by the respondents in their organizations or their businesses as general. Also, the questionnaire has been divided into four sections, keeping in view the research objectives and research questions.

It is also important to mention that the English Language is not the mother tongues' language of some individuals of the selected sample. Questions were formulated in a very simple English Language format.

### III. DATA COLLECTION

Questionnaires were filled out by the respondents. The data and information of the survey were gathered in accordance to the sections of the questionnaire. Thus, each section indicated the trends of the issues under discussions. The questionnaire instrument was composed of four sections where the first section asks the respondents to provide some personal information about their careers as well as their organizations. The second section contains questions that assist the researcher study the effectiveness of the ISO 9000 Quality Management System. While the third section is devoted to study issues related to the usage of the ISO 9000 Quality Management System. The fourth section of the questionnaire is provided to get Respondents' feedbacks on the questionnaire as well as the topic and area of study.

The collected data and obtained information were analyzed using the SPSS Program. Although there are a number of statistical software packages, the SPSS Program is the most widely used software package for statistical analysis. SPSS software and solutions are now used extensively in both the governmental and private

sectors to address wide ranges of business, research and educational needs. Like many software packages, SPSS is menu-driven. That means users can execute statistical analyses, simple or complex, by clicking a series of pull-down menus and selecting the desired pre-programmed commands.

### IV. DATA ANALYSIS

The first section of the questionnaire deals with the demographical information, some of which have been analyzed and shown in Figures 1, 2, 3, 4 and 5 below:

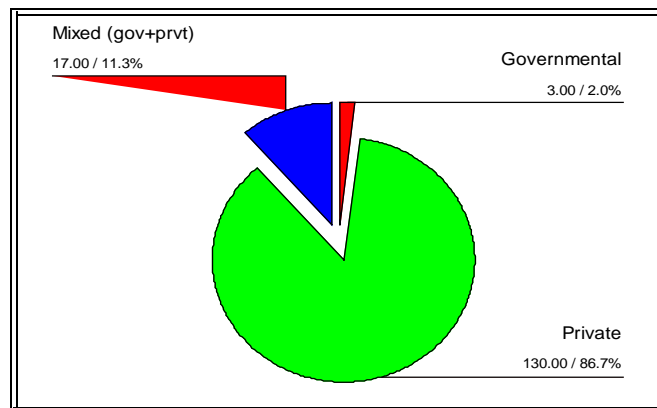


Figure 1: Types of Businesses

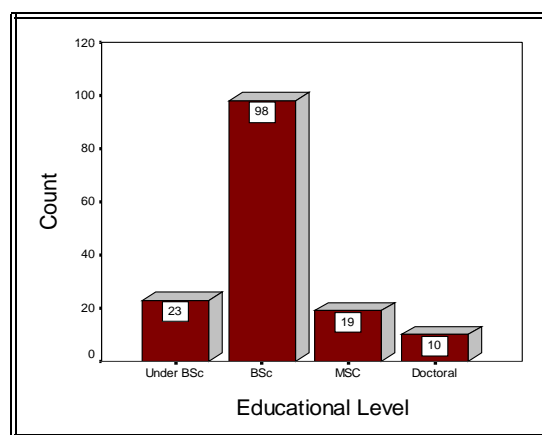


Figure 2: Educational Levels

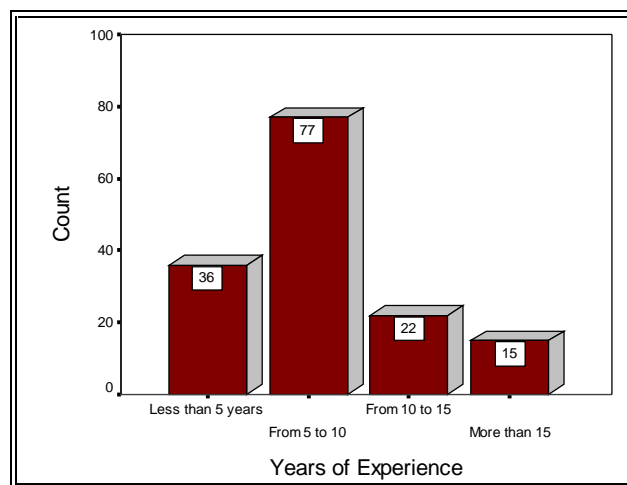


Figure 3: Years of Experience

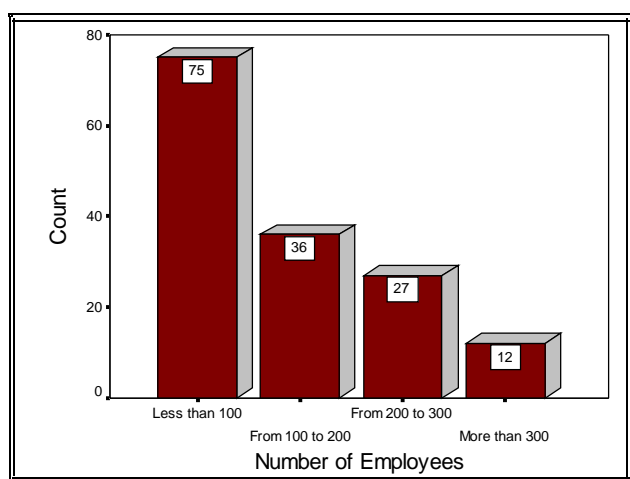


Figure 4 : Number of Employees

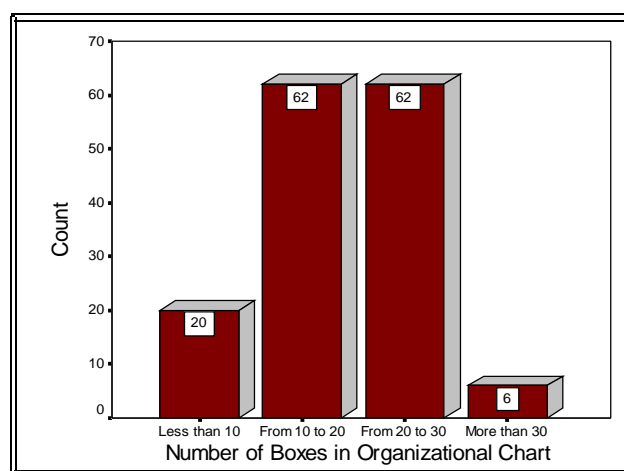


Figure 5 : No. of Boxes in Organizational Chart

Table 2: Likert Scale Ranges

Opinion	Weight	Weighted Mean
Strongly disagree	1	From 1.00 to 1.79
Disagree	2	From 1.80 to 2.59
Neither agree nor disagree	3	From 2.60 to 3.39
Agree	4	From 3.40 to 4.19
Strongly agree	5	From 4.20 to 5.00

As it has been explained earlier, the effectiveness of the ISO 9000 QMS in sections 2 and the usage of the ISO 9000 QMS in section 3 are measured by using four different factors in each section; and each one of these factors has been explored by a number of different questions for more confidence.

Table 3: Respondents' Opinions on Section 2

No.	Topic	Mean	Std. Deviation	Opinion
1	Productivity	2.22	0.876	Disagree
2	Communications	2.72	0.805	Neither Agree nor Disagree
3	Work Environment	2.46	1.032	Disagree
4	Customer Satisfaction	2.97	0.968	Neither Agree nor Disagree
Total	Effectiveness of ISO 9000 QMS	2.59	0.687	Disagree

Table 4: Respondents' Opinions on Section 3

No.	Topic	Mean	Std. Deviation	Opinion
1	Workers Satisfaction on the QMS	2.42	1.133	Disagree
2	ISO 9000 QMS Suitability	2.48	1.121	Disagree
3	ISO QMS Benefits for the Organization	2.87	0.770	Neither agree nor disagree
4	ISO 9000 QMS Applicability	2.43	1.157	Disagree
Total	Usage of ISO 9000 QMS	2.55	0.865	Disagree

Table 5 : Respondents' Opinions on Section 2 & Section 3

No.	Topic	Mean	Std. Deviation	Opinion
1	Effectiveness of ISO 9000 QMS	2.59	0.687	Disagree
2	Usage of ISO 9000 QMS	2.55	0.865	Disagree
Total	Impacts of ISO 9000 QMS on Organizations' Workers	2.57	0.591	Disagree

Likert Scale has been utilized to identify the final opinions of respondents on each section of the questionnaire, see Tables 2, 3, 4 and 5 above. Respondents' opinions were obtained. Comprehensive interpretations and discussions are discussed in the next part.

## V. RESULTS DISCUSSIONS

Interpretations and Discussions of the Obtained Results  
Most of the participants did not select *Strongly Disagree* and *Strongly Agree* to answer the questions.

From the researcher's point of view, this can be interpreted that most of respondent are unadventurous and do not prefer to choose obvious responses. The participants may be restricted by their organizations not to provide extreme answers. The participants may have been workers of an organization that does not properly implement the ISO 9000 Quality Management System. This may lead the organization's workers to possess poor (or, even none) knowledge regarding the ISO 9000 Quality Management System.

The first section of the questionnaire contains personal information about the respondents, which also called *demographical information*. The statistics shows that responses obtained on this section have no significant influence on the research study area. The Chi-Square Test has been used to determine whether there is a dependency relationship between the demographical variables: (a) Level of Education & the Years of Experience, and (b) Number of Employees & Number of Boxes in the Organizational Chart. It is found that no dependency relationships between the said demographical variables.

As it has been discussed earlier, the second section of the questionnaire instrument consists of questions that designed for the purpose of studying the effectiveness of the ISO 9000 Quality Management System by using four factors which are: (a) productivity, (b) communications, (c) work environment, and (d) customer satisfaction. Each one of these factors has been walked around by asking a number of questions about it.

The word *productivity* has got different meanings and measures to different organizations according to type of business and the size and nature of the organizations. It is very difficult to obligate the all types and sizes of organizations to stick to work with one criterion for *productivity*. From the Author's point of view, this is one of the strong reasons that why *productivity* is not clearly mentioned in the ISO 9001:2008 standard.

The first five questions have been asked around the first factor (i.e. Productivity). Regardless of the nature of job that the worker undertakes and the type of business that his organization does, worker's productivity is an essential key success factor of the organization and workers who are not using their time and resources effectively are costing the company money. Pavlina (2005) defined *productivity* in a simple way as the *value* divided by *time*. He broke down the value into four components: 1) the impact of the resulted work (i.e. the value), 2) the endurance of the created value, 3) the essence of the produced value, and 4) the volume of the created value (i.e. the achieved works). Because our study contains various types of businesses, three of these components are widely varying from one organization to another, and further in

the same organization, it varies from one worker to another. The volume of the achieved works is the only component that related to the study.

The statistical analysis of the collected data shows that the respondents declared that they are disagreeing with that the implementation of the ISO 9000 Quality Management System improves the workers' productivity. The implementation of the ISO 9000 Quality Management System does not improve the productivity of the organization's workers.

Naveh and Erez (2006 as cited Levine and Toffel, 2009) deduced from a survey data that ISO 9001 adoption enhances workers' productivity and workers' attention to details. For instance, one of the famous says of the word quality is that *doing the right things right first time and every time*. If this say properly considered by the organization, or any other guiding body working on its behalf (i.e. consultant or supervisor), in the establishment of the ISO 9000 Quality Management System, when mapping the work processes. This will result in strong and effective work procedures that ensure high quality of the produced products or presented services as well as they ease the job of the concerned workers and cut down the time consumed in performing the job. Thus, improve the productivity of the workers. This reflects the importance of the documentation system (Roseman, 1988).

The results of the non-improving productivity to that the implementation process prior, during and following the establishment of the ISO 9000 QMS and registration, was not conducted and did not follow the proper implementation process.

The second factor to study the effectiveness of the ISO Quality Management system is the communication processes: internally among the organization's workers in the various organizational levels, and externally with the organization's customers. This has been investigated by asking the respondents six different questions. The communication process is the process of sending and receiving messages, as defined by (Thill & Bovee, 2009). Thill and Bovee cited eight benefits of the effective communication that the organization may make use of:

- Stronger decision making.
- Increases productivity.
- Steadier work flow.
- Stronger business relationships.
- Clearer promotional materials.
- Enhanced professional image.
- Improved stakeholder response.
- Quicker problem solving.

The effective communication will not take place, unless each one of the four communication elements is effective, these elements are: sender, receiver, message and the media. The effective communications process is

essential for a successful implementation of the ISO 9000 QMS and it has been mentioned in so many parts of the ISO 9001:2008 Standard, such as:

*Clause 5.3: Quality Policy:* Sub-clause (d) of this part of the standard requires the top management of the organization to ensure that the 'Quality Policy' is communicated and understood within the organization.

*Clause 5.5.1: Responsibility and Authority:* This clause clearly stated that the top management shall ensure that responsibilities and authorities are defined and communicated within the organization.

*Clause 5.5.3: Internal Communication:* This clause clearly stated that the top management shall ensure that appropriate communication processes are established within the organization and that communication takes place regarding the effectiveness of the quality management system.

*Clause 7.2.3: Customer Communication:* This part of the standard describes how the organizations should communicate with their customers. This part will be detailed below when discussing the importance of customer satisfaction in the ISO 9001:2008 Standard.

The statistical analysis of the collected data shows a majority of neutral responses from the participants about the impact of the implementation of ISO 9000 Quality Management System on the internal and external communication processes. According to Likert scale, most of respondents are neither agree nor disagree that the implementation of the ISO 9000 Quality Management System improves the communication processes inside and outside their organizations. Respondents do not observe positive or negative impact of the ISO 9000 QMS upon the communication processes among workers with each others, with their managers, or with their external customers. This may be interpreted as that no observable impact on the communication processes after the implementation of the ISO 9000 QMS. Interpretation for that may have two reasons: the first option is that the ISO 9000 QMS does not properly address the communication issues and this can be totally excluded as the Author has displayed earlier how the ISO 9001:2008 Standard addresses the communication process inside and outside the organization. The second option is that this part of the ISO 9000 QMS has not been properly implemented and maintained by the organization.

The third factor to study the effectiveness of the ISO Quality Management system is the work environment that the organizations provide to their workers in the work place. The work environment is crucial for the organization success, because it has major and direct impacts on the performance of its workers. Therefore, the ideal organization considers providing its workers with comfortable work environments in the work place as a top priority.

The work environment has two components that must be satisfied, the first component is the physical work environment that must be provided in the work place (i.e. buildings, infrastructures, and so forth), for example, the organization should ensure sufficient lighting and good ventilation, protection from noises and bad weather, prevention from frequent interruptions; providing the necessary PPE ( Personal Protective Equipments) for the workers who operating in risky environments, for instance working in: construction sites, factory workshops, nuclear plants, oil platforms, and the like. The second component of the comfortable work environment that must be provided by the organization or available in the organization is the psychological environment. The organization must take care and try its best to keep friendly work environments that encourage every employee or worker in the organization to properly perform his/her job. For instance, matters that may lead to bad psychological environments among organization's workers like bad relationships among workers, lack of motivation, lack of appreciations for achievements, non-fair evaluations from managers, and so many others.

Each one of the infrastructure and the work environment has been addressed in a different two clauses (i.e. 6.3 and 6.4), respectively in the ISO 9001:2008 Standard. Clause 6.3 (i.e. infrastructure) requires the organization to provide and maintain the infrastructure needed to achieve conformity to product requirements. Infrastructure includes, as applicable: (a) buildings, workspace and associated utilities; (b) process equipment (both hardware and software); and (c) supporting services (such as transport, communication or information systems).

While Clause 6.4 (i.e. work environment) requires the organization to determine and manage the work environment needed to achieve conformity to product requirements. With additional noting that the "work environment" relates to those conditions under which work is performed including physical, environmental and other factors (such as noise, temperature, humidity, lighting or weather), as mentioned The International Organization for Standardization "ISO" (2008).

According to the five critical ingredients needed for a successful quality program (Miller, 1995) two of the critical ingredients are *fun* and *creativity* atmosphere that the organization should provide its workers with. Clause 6.4 stresses the importance of maintaining the psychological work environment, with evidence to be maintained, e.g. motivation and rewarding systems, system of dealing with abnormal frequent personal disputes among workers, and so forth.

The statistical analysis of the collected data shows that respondents disagree of any improvement

that may neither take place in the physical work environment nor in psychological work environment. This result can be interpreted that respondents do not observe or feel that the 3 years or more of being ISO 9000 registered did not impact the condition of the work environment. Perhaps, there is another justification that the existing infrastructures and work environments are already effective and sufficient. Thus, additional improvements may be difficult to be observed.

Customers for organizations like air and water for human beings. Brue (2002) stated, "You must attract and satisfy and keep customers. Otherwise, you obviously won't stay in business long" (p. 23). The fourth and final factor in the second section is customer satisfaction, which is a measure of how the organization's products and/or services meet the customers' requirements or exceed their expectations.

Customer satisfaction can be considered as one of the most important key performance indicators in business. Moreover, customer satisfaction is now seen as a key differentiator and increasingly has become a key element of business strategy. Measuring customer satisfaction provides an indication of how successful the organization is at providing products and/or services to the marketplace (Suganthi & Samuel, 2008, p. 91) mentioned three factors that every organization in every business should focus on: (a) attracting more customers, (b) making customers happy, and (c) retaining customers.

*Customer focus* is the first principle that the ISO 9000 Quality Management System Standard has been based on. The customer satisfaction takes a pride of place among the requirements of the ISO 9001:2008 Standard, because it is the happy end that every organization works hard to reach. Although that the ISO 9001:2008 is based on customer satisfaction, there are clear clauses stresses so many issues related to how should organizations treat their customers prior, during and following to presenting the service or buying the product, such clauses as:

*Clause 5.2 : Customer Focus:* This clause of the standard requires the top management of the organization to ensure that customer requirements are determined and are met with the aim of enhancing customer satisfaction.

*Clause 5.6 : Management Review:* Part of this clause requires that evidences should be maintained to prove that the top management of the organization reviews customer feedbacks on the received product or service as well as the improvement of the product or service that related to customer requirements.

*Clause 7.2 : Customer-related Processes:* This part of the standard includes three subsidiary clauses:

- *Sub-clause 7.2.1 : Determination of Requirements Related to the Product*

This part requires the organization to determine the: a) requirements specified by the customer, including the requirements for delivery and post-delivery activities, b) requirements not stated by the customer but necessary for specified or intended use, where known, c) statutory and regulatory requirements applicable to the product, and d) any additional requirements considered necessary by the organization.

- *Sub-clause 7.2.2 : Review of Requirements Related to the Product*

This sub-clause requires the organization to review the requirements related to the product. This review shall be conducted prior to the organization's commitment to supply a product to the customer (e.g. submission of tenders, acceptance of contracts or orders, acceptance of changes to contracts or orders) and shall ensure that: a) product requirements are defined, b) contract or order requirements differing from those previously expressed are resolved, and c) the organization has the ability to meet the defined requirements. Then finally, Records of the results of the review and actions arising from the review shall be maintained.

- *Sub-clause 7.2.3 : Customer Communication*

In this part of the standard, the organization is required to determine and implement effective arrangements for communicating with customers in relation to: a) product information, b) enquiries, contracts or order handling, including amendments, and c) customer feedback, including customer complaints.

*Clause 7.5.4 : Customer Property:* In general, this clause requires the organization to identify, verify, protect and safeguard customer property while it is under the organization's control or being used by the organization. In case of lost, damaged or found to be unsuitable for use, the organization shall report this to the customer and maintain records.

*Clause 8.2.1 : Customer Satisfaction:* This part of the standard gives freedom to the organization to determine its suitable method to monitor information relating to customer perception as to whether the organization has met customer requirements.

The statistical analysis of the collected data shows respondents neither agreed nor disagreed that the implementation of the ISO 9000 Quality Management System improve the satisfaction of their customers on the received services or products. The respondents do not feel any improvements in the level of satisfaction of the customers on their organizations during or following the implementation of the ISO 9000 QMS. This may occur when the organizations have no

standard mechanism or instrument to measure the level of the satisfaction of customers. The mechanism or instrument exists but it is not effectively utilized. The mechanism or instrument exists and work properly and the organization observes no difference in the measurements taken periodically.

The respondents concluded with a neutral response regarding the customer satisfaction on their organizations. The researcher concludes that the neutral response in essential and critical issues, like customer satisfaction, has a taste of negative response. One of the most effective performance indicators for the organizations is the customer satisfaction, by which an organization evaluate its internal performance as well as its position in the market place and according to which, the organization determines whether to continue by same rhythm of performance or some adjustments and/or improvements are needed. Therefore, observing no effect of the ISO 9000 QMS on the level of customer satisfaction lead to a big question mark to be put on the effectiveness of the implemented system.

The third section of the questionnaire instrument consists of questions that designed for the purpose of studying the usage of the ISO 9000 Quality Management System by using four factors which are: (a) satisfaction of the organizations' workers on the ISO 9000 QMS, (b) the ISO 9000 QMS suitability to the organization, (c) ISO QMS benefits for the organization, and (d) the ISO 9000 QMS applicability. Each one of these factors has been explored by asking the respondents a number of questions.

The ISO 9000 QMS is an integrated management system that all workers at the different organizational levels should not only works under its umbrella, but they should also have a tangible contribution prior, during and/or following its implementation. The first factor is about the satisfaction of the organizations' workers on the ISO 9000 QMS. This factor reflects the soundness of the method that the organization follows to implement the ISO 9000 QMS. It is a well known fact that workers represent the back bone of every organization, of whatever type or size. Workers satisfaction about the way that they do their works is crucial for their productivity, thus, for the success of the organization.

The statistical analysis of the collected data showed the respondents *disagreed* that the organizations' workers are satisfied with the ISO 9000 QMS that implemented in their organizations. *Involvement of people* is the third principle of the eight quality management principles on which the quality management system standards of the ISO 9000:2000 and ISO 9000:2008 series are based. Another cause is that organizations' workers may also feel not happy with the ISO 9000 QMS because they observe no real advantage of the new system to their organizations and

to themselves. Dooley (2004) mentioned several benefits that organizations can gain from Involving people in the implementation of the ISO Quality Management System, like that the organization can obtain motivated and committed people, innovation and creation atmosphere can be provided to workers, people will be accountable for their own performances, people will be eager to participate in and contribute to continual improvement, and so many others.

To involve everybody in the organization with the quality management project, this movement has to be addressed and communicated in proper language to be effective. According to Dr. Joseph Juran (as explained in Mukherjee, 2008, p. 301), the language of money only will convince the top management to get involved into any activity. The workforce understands the language of things or process on product measures and their improvement. Their efforts should be rewarded with recognition, prizes, promotion, and so forth. The middle management is bilingual (i.e., it understands both languages).

The ISO 9000 QMS suitability to the organizations is the second factor in this section. By using this factor, the author can assess the suitability of the ISO 9000 QMS to the nature of the organization, the size of works that should be performed by workers. Also, assess the ISO 9000 QMS framework with regards to issues related to workers motivation and encouragement to rise up their enthusiasm to do their best in their jobs as well as to effectively contribute in the successful implementation of the ISO 9000 QMS.

Lack of involvement of people that take place prior, during and following the implementation of ISO 9000 QMS is one of the common mistakes that the top management always do. Top management may not fairly distribute the tasks and duties among their workers, which may lead some overloaded workers to feel bad about the system and think that it is not suitable.

An important point to mention here is that the ISO 9000:2008 does not stress or pay more attention to the benefits that the worker should gain from his/her organization when working under the umbrella of ISO 9000. By having a look to Clause 6.0 of *Resource Management*, it is noticeable that the Standard concentrates more on what should the worker do for the organization; however, what the worker should gain from the organization is clearly mentioned. The worker is paid a good salary form the organization and the ISO 9000 QMS is a part of the employees' duties. The author hopes that organizations pay attention to identifying top management responsibilities.

The third factor in the third section investigates to what extent the organization gains benefits from the ISO 9000 Quality Management System and its continual improvement tools, such as Quality Objectives, External

and Internal Quality Audits, Process Measurement, Corrective and Preventive Actions, and Analysis of Data. Although there are a lot of benefits that the ISO 9000 QMS provides for the organization, but the author thinks that the foresaid continual improvement tools are the foremost because when they are properly utilized, the organization can ensure that it is now putting its foot in the right track towards the Total Quality Management.

The continual improvement tools of the ISO 9000 QMS enables the organization to apply the evaluation step in the Deming's Circle of 'Plan-Do-Check-Act' (i.e. the *Check* step), by which the organization evaluate the effectiveness of the established and/or implemented quality management system in order to treat the weaknesses and support the strengths. The statistical analysis of the collected data shows neutral responses of that the respondents neither agree nor disagree that their organizations gain benefits from implementing the ISO 9000 QMS. No benefits were observed for the organization during and following to the implementation of the ISO 9000 QMS. The ISO 9000 QMS can provide the organization with benefits. Philips (2009) discussed ten of these benefits that are summarized below:

- 1) Increase the efficiency of the organization, because ISO 9000 QMS enable the processes to be established and guidelines in place for anyone to follow easily, making training, transitions, and trouble-shooting easier processes can be easily improved.
- 2) The ISO 9000 QMS registered organizations experience increased productivity and improved financial performance, compared to the unregistered ones.
- 3) The ISO 9000 QMS defines roles, duties, responsibilities, and authorities of workers. Also it enables the organization to establish training systems and ensures all contribute to more satisfied and motivated workers.
- 4) International recognition from the International Organization for Standardization (ISO).
- 5) ISO 9000 QMS to document all daily activities in the organization, which facilitates information gathering and decision making based on the available data.
- 6) Mutually beneficial supplier relationships are one of the key attractions to ISO certification. Following the processes for documentation and testing ensure quality raw materials go into your production system. The process also requires thorough evaluation of new suppliers before a change is made and/or consistency with respect to how and where orders are placed.
- 7) Documentation of all processes ensures consistency throughout production and accountability of all workers. This also guarantees

traceable records are available when needed.

- 8) Documentation of all processes minimizes the room for error and ensures consistency in productivity and the quality and of the produced products or presented services.
- 9) Customer satisfaction is ensured because of the benefits of ISO 9001:2000 QMS to company efficiency, consistency and dedication to quality service.
- 10) Continual improvement can be ensured, as improvements are carefully planned and implemented based on facts, using a system of documentation and analysis, to ensure the best decisions are made for the organization.

From the above benefits that the ISO 9000 QMS provides, the Author perceives that respondents did not observe all or part of those benefits in their organizations because of the improper implementation practices. The ISO 9000 QMS applicability is the fourth and last factor in the third section of the questionnaire. In this factor, the author assesses how the ISO 9000 QMS can be easily applied in the organizations and to what extent do the organizations' workers accept or refuse it.

Acceptance and refusal of the organization's workers to the ISO 9000 QMS is very important for the success of the system, as it has major impacts on the degree of involvements and commitment of the workers to the implemented quality management system. Also, the acceptance and refusal affects the psychological conditions of the workers, for example, if workers accept the ISO 9000 QMS, they will be self-motivated to adopt it and do their best to do their works, which will definitely result in a high productivity.

When workers do not accept or refuse the ISO 9000 QMS, a strong resistant will emerge up against the new system and the workers will try to put obstacles in order to hinder the successful implementation of the ISO 9000 QMS, which may result in the failure or ineffective implementation of the new system. Therefore, the more applicability of the ISO 9000 QMS, the more easy, effective and sustainable implementation will be.

The statistical analysis of the collected data showed that the respondents' attitude about the applicability of the ISO 9000 QMS is *disagree*. This result indicates that the respondents suffer and experience difficulties during and after the implementation process. This always occurs when there is a lack in the top management commitment, due to which the workers lose their commitment too. Thus, meeting the ISO 9000 requirements will become valueless and difficult to be done.

A similar case happened with the researcher when he entered the office places of a very well known company in the area of study and this company has

been ISO 9000 registered for not less than three years. The researcher met more than six employees and no one had any idea about ISO 9000 QMS. Therefore, to prevent such similar case, and to ensure successful implementation for the ISO 9000 QMS, the author sees that organizations should attempt to use the change management theories. Westcott (2005) defined the change management as:

A process for ensuring that the people affected by change understand the nature of the change and the reasons for it, with the expectation that the new methods of operating will be internalized without creating undue resistance, conflict, and fear. (p. 30)

The researcher thinks that to reduce resistance, it is important that the top management effectively communicates the new vision or the change's vision with the other workers in order to remove some of the uncertainty of not knowing the direction in which the organization is headed. In addition to that, the effective communication may clear the picture of the change process for the workers and enable them to know what the anticipated role from them is. The effective communication may also lead workers to contribute in the decision making process, thus, they become dedicated to the change rather than resist it.

The second and third sections together realize the research objectives, which is "*Assess the impact of the implementation of the ISO Quality Management System upon the workers' performance*". Table 5 above illustrates the results obtained from the statistics that the respondents disagreed with the positive impact of the implementation of the ISO 9000 QMS on the performance of the organizations' workers. The researcher thinks that one of the most important reasons causing these challenging results, besides the lack of top management commitments, is the poor performance of the external auditors during the certification audits. Because when the organization has a pre-information that the certification audits will not be comprehensive or that much stiff, this will surely lead the organization to spend its minimal resources, efforts and time to obtain the certificate as a destination.

Nelson (1996) described that the ISO 9000 certification is like a driver's license. One can learn how to drive without getting a driver's license, but to prove you can drive, you need the license. The proof is not in the ability itself, but that an external judge of driving ability found you fit to drive. Because when the organization gets the ISO 9000 certificate for the first time, which means it only meets the minimum requirements of having a quality management system to start its journey with.

The purpose of the fourth section of the questionnaire is to open the door for respondents to express their opinions, remarks and/or comments about the questionnaire, the topic under discussion, and/or

any other related issues or topics. Actually, very few respondents who took care of this section and spent time to provide the researcher with additional opinions, thoughts, remarks, comments, and so forth. The researcher has decided to leave out this section of the questionnaire, as the responses are very few as well as it does not add value to the discussion.

## VI. CONCLUSIONS

In this research study a mixed methodology was used. The data for the study were collected from both secondary and primary sources. In the first phase, literature review was conducted. In the second phase, a quantitative survey was administered to  $n = 150$  workers operating in about 20 organizations working in the State of Qatar. Both of those methods were utilized to answer the research questions and achieve the research objective.

The impact of the implementation of the ISO 9000 Quality Management System on the organizations' workers has been assessed and researcher found that, as per the perception of the participating workers (i.e. Respondents) in the area of study, the implementation of the ISO 9000 Quality Management System has no impact and does not improve the performance of the organizations' workers. This research study also revealed some important points related to the organizations' workers and their performances under the umbrella of the ISO 9000 Quality Management System, which leads the Researcher to raise some questions to the concerned people in the International Organization for Standardization (ISO).

## VII. RECOMMENDATIONS

This research study has added a lot of experience and knowledge to the researcher. The findings highlight many areas that the researcher will investigate further in the future. Below are some of study, the organizations who are intended to get the ISO 9000 registration in the future, the International Organization for Standardization 'ISO', the certification recommendations that the researcher thinks they may serve the ISO 9000 registered organizations in the area bodies, the ISO 9000 consultancy firms and all interested parties:

- Clause 6.4 should be revised to consider some requirement(s) to obligate the organization to maintain the psychological work environment inside the organization, and evidence to be required.
- Add to the Clause (5): 'Management Responsibility' a statement that requires the top management to ensure the proper implementation of the quality objectives. Top management should provide evidence to prove its close monitoring for the implementation of the pre-set Quality Objectives.

- Audits, particularly the registration ones, should be conducted by auditors, who at least, possess the minimum knowledge or theoretical background about the area under assessment.
- Most of the ISO 9001:2008 requirements are dealing with what is required from the worker to do for the organization to ensure a successful implementation, which may also need the organization to do something for its workers to ensure the continuity of the good performance, enthusiasm, and loyalty, e.g. prizing, appreciations, recognition, rewarding, providing them with opportunities to upgrade their qualifications (e.g. training and post graduate studying), and the like. The Researcher wishes this to be considered in the ISO 9001:2008 requirements.
- Some quality auditors should change their auditing style to attempt to benefit the auditee organization and try to look for opportunities for improvements, rather than seeking for the auditees' mistakes.
- The effective communications plays a key role in the successful change management process, as it assists the organization a lot in applying the change management principles prior, during and following the implementation process for the ISO 9000 QMS. The effective communications also increase the workers' awareness and knowledge regarding the quality management theories in general and the ISO 9000 QMS in particular.
- Workers are the backbone of every management system, so, top management should give sufficient emphasis to human resources management and pay more attention to involve its workers and encourage them to contribute in the different ISO 9000 QMS implementation stages.
- The organizations should make proper use of the ISO 9000 continual improvement tools, as it puts the organization in the continual improvement track.
- A message to the leaders and managers is not to interfere with the creativity in of the workers. Involve workers in the decision making and the strategic planning processes. Reward workers and appreciate their efforts.
- Top management of the organization should keep up with the enthusiasm and commitment to the ISO 9000 QMS prior and following the certification audits and should not take the ISO 9000 certificate as a destination.
- Some sort of revisions for the certification/registration process should take place to ensure more effective ISO 9000 QMS to be implemented. For example, increase the efficiency of the certification audits.

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GLOBAL JOURNAL OF MANAGEMENT AND BUSINESS RESEARCH  
Volume 11 Issue 8 Version 1.0 August 2011  
Type: Double Blind Peer Reviewed International Research Journal  
Publisher: Global Journals Inc. (USA)  
Print ISSN: 0975-5853

# Temporary Job and its Impact on Employee Performance

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**Abstract** - Employees are our valuable asset. Objective of an organization can be met with the help of its employees. There are a number of factors on which performance of an employee is depending. Purpose of this research paper is to find how dependent variable employee performance relates to independent variable contract job with facets of uncertainty, loyalty and perks (incentives). Employees have strong association toward job security and incentives. Correlation results show that performance has positive relation with loyalty and incentives but negative with job uncertainty. Between independent variables loyalty shows positive relation with incentives and negatively related with uncertainty. Employee's performance makes an organization leading in market. To retain their employees it is recommended to provide them job security and to appreciate their work incentives should be provided.

**Keywords** : *Uncertainty & Job security, contractual or temporary job, perks or incentives, loyalty and employee performance.*

**GJMBR Classification** : *JEL Code: J64*



*Strictly as per the compliance and regulations of:*



# Temporary Job and its Impact on Employee Performance

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**Abstract** - Employees are our valuable asset. Objective of an organization can be met with the help of its employees. There are a number of factors on which performance of an employee is depending. Purpose of this research paper is to find how dependent variable employee performance relates to independent variable contract job with facets of uncertainty, loyalty and perks (incentives). Employees have strong association toward job security and incentives. Correlation results show that performance has positive relation with loyalty and incentives but negative with job uncertainty. Between independent variables loyalty shows positive relation with incentives and negatively related with uncertainty. Employee's performance makes an organization leading in market. To retain their employees it is recommended to provide them job security and to appreciate their work incentives should be provided.

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## I. OPERATIONAL BACKGROUND

All organizations require employees who have ability to lead and fulfill all requirements of organization. Organizations on the behalf of their ability achieve their targets and to touch its goal. Employees are back bone of an organization. Selection of employees is an important and difficult task to be completed. Any wrong selection leads an organization in the wrong direction.

All selected employees provide their services in the betterment of an organization. To appreciate their work and motivate them, organization provide some extra benefits in shape of reward overtime etc. these motivations enhance the working capacity of employees. Now a day's competition is strict and the main goal is to minimize the cost, to achieve this goal organization also apply this technique to their employees. Employment on contract base is an example of this cost reduction even though the manager can use contract workforce approach in order to decrease costs and increase flexibility (Rogers, 1995).

Contract job is different from standard employment due to bargaining power of managers.

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Permanent employees are rewarded huge benefits during employment. But temporary employees can not avail such benefits. No doubt in this case organizations can save a huge amount at retirement, on the other hand this nature of job also effects on employee performance. Business performance is directly related with ability to adopt changes in number and nature of the employees.

Concept of Contract job was introduced in 1970's when unemployment in Europe was rise. In 1980 this was established at 80% in France and up to 90% in Spain. Since the 1980s, many organizations have changed their business operations (Handy, 1995). Temporary job plays a major role in total employment. It is projected that, in 2001, contract workers made up about 9.4% of the total workforce The Bureau of Labor Statistics (2001). Contract job practice has been increasing in a number of countries which is a attention able (cf. OECD 2002, Booth ET al.2002a). This high rate is due to less risk for firm. Employee's performance has positive relation with job security. Contract base employees are easy to hire and terminate. These employees are hired in case when there is a need of employees like seasonal work or increase in demand and after end of these conditions these employees can be terminated.

Employees wish for perks systems that they distinguish as being fair and equal with their skills and expectations. Perks includes all monetary and non monetary rewards received by them for the performance of their jobs. Indirect compensation comprises the many benefits supplied by employers, and non financial compensation includes employee appreciation programs, gratifying jobs, and flexible work hours to accommodate personal needs. Perks and incentives are driven force for employee's performance, but these facilities are not provided to temporary employees which effects on their performance. Perks are normally non monetary benefits. Electronic Arts, is a big organization in video games, which uses perks flexible hours to its employees (Richtel, 2005).

Loyalty to organization has been derived from the concept of organizational obligation which is based on three concepts accept the organization goals and values , extra struggle on behalf of organization, and desire to remain with organization ( Mowday porter and steer 1982). Contractual employees have not secured a

permanent position in organization these non secure position effects on its loyalty. Loyalty has positive correlation with job duration. Searching for a better paying job now become a habit of a number of employees this ratio is more in contract employees as compared to permanent employees. This is the cause of decrease in loyalty.

Any organization can make progress only if its employees perform in better way. Employee's performance is a major source of achieving the organization's goals (Mwita, 2000). However there are different factors affecting the employee performance this study has to focus on nature of job with respect to job security.

## II. PROBLEM STATEMENT

This study has to find whether contract or permanent employees have same performance or not. As contract job has limited commitment which create a situation of uncertainty in employee mind. Employees performance is depend on long term Relationship between the employee and the organization (Organ & Ryan, 1995) and agreements between organization and employee (Moorman, Blakely, & Niehoff, 1998). This uncertainty reduces the performance level of an employee, which is not better for an organizations' strategic objective. On the other hand contractual employees have short term relation with organization and as well as employer. Permanent employees have reverse nature and long time relation with organization and employer which increase performance level. Contract job have ultimately bad effect on organization performance which decrease overall profit. Temporary jobs increase the opportunities of more profitable job but in another way due to increase in job finding rate it increase wage pressure which slightly decrease profit. Objective of this study is to find the difference between performance level between contract and permanent job. This study will prove when employees are feel security about there job they will perform at better level then insecurity conditions Significance of the study is that this will find if contract job has low risk for firm it also decrease employee performance. This study will debate to provide different performance level.

## III. LITERATURE REVIEW

Uncertainty about job is harmful discernment penalty employee performance (Ashford, Lee, & Bobko, 1989; Davy, Kinicki, & Scheck, 1997) though, as job anxiety has capture a somewhat partial attention from scholars" (Hartley et al., 1991, p. 10), our perception of job diffidence and its consequences is confined and vulnerable by theoretical as well as experiential ambiguities. In contrast to constructs which have generated more research interest, a great deal of theoretical and empirical work is needed, we dispute, to detain the nature of job uncertainty. It is found that job

uncertainty is linked with harm health (Jick, 1985 ; Hartley et al., 1991 Barling & Kelloway, 1996;). rational suffering, and work-to-leisure time carry-over increase Proportionately with the intensity of job insecurity (e.g. Ashford et al., 1989) Employees responses toward employment condition and job nature, but, this reaction is because of many factors, like labor market, individual characteristics, family dependability, age, sex, etc. For instance, employee's expectation to get another job may vision the altering nature of work optimistically. on the other hand, those who have financial task for their associates or who consider that they Face hurdles to find a new job may snap unconstructively. Indeed, some writers say persons who have experienced secure and long term employment now, face nervous conditions (Roskies & Louis-Guerin, 1990). Job uncertainty refers to perception concerning stability in a job position" (Davy et al., 1997, p. 323),

"On the whole misery about the future continued existence of the job" (Rosenblatt & Ruvio, 1996, p. 587), possible risk to continuity in his or her current job" (Heaney, Israel, & House, 1994, p. 1431), and incapacity to retain required continuity in a defenseless job situation" (Greenhalgh & Rosenblatt, 1984, p. 438). Job insecurity has been found to associate with reduced levels of job satisfaction (Ashford et al 1989). Workers who felt insecure about their job dissatisfy with their current jobs as compared to persons who seeming their future job position more secure. Comparable results have been obtained in a number of studies (e.g. Davy et al., 1997). Nevertheless, the associations between job uncertainty and employee performance may not be as precise as described by this concise analysis. First of all, that all studies have not found that job insecurity is directly related to weaken work performance and well-being. Furthermore, even where the findings are matching the magnitudes of relationship vary considerably between studies. There are now a satisfactory number of studies, conducted in a diversity of settings, to inspire the use of meta-analysis in order to disclose trends in relationship while also investigating the role of different contexts. Second, it may be that different feature of job insecurity relate differently to these types of results. Because an apparent loss of permanence in a job position can distance the range from threats of forthcoming job loss to loss of imperative job features (Davy et al., 1997). Qualitative job uncertainty was more powerfully related to performance at the same time as quantitative insecurity evidenced stronger relationships with different aspects of health Complaints (Hellgren et al. 1999).

Primarily, the literature on employee perks does not deal with the particular issues considered here. The nearby papers are Jensen and (Meckling 1976) and (Oyer 2006). In their determining study of organization problems in perk spending, (Jensen and Meckling 1976) agree that perks to have a yield use and to increase the

firm's worth, but their focal point was only managers ability to misuse the perks. The efficiency aspects of the benefits show in their model only in a much-reduced form and therefore do not participate any attractive role. However, Oyer does not think about formal incentive contracts, which limits the possible insights from his model. Our paper is also associated with the perks and contract employees because contract employees can not avail such benefits there fore they can not perform their best level.

Achieving the loyalty of employees is an important task for any organization. Loyal employees focus on customer demand and try to fulfill their need by their own performance. Employee loyalty is a popular research topic (Allen, 1989; Cole, 2000; Futurist, 2000; Drizin, 2003) because it is related to employee performance (Futurist, 2000). Employee loyalty is depends on duration for which it has served the organization (Finnie & Randall, 2002). Working in an organization for long duration represents a form of loyalty. But when employees are hiring on contract base then their job duration is not defined like permanent employees. Due to this uncertain situation they can not perform at required level.

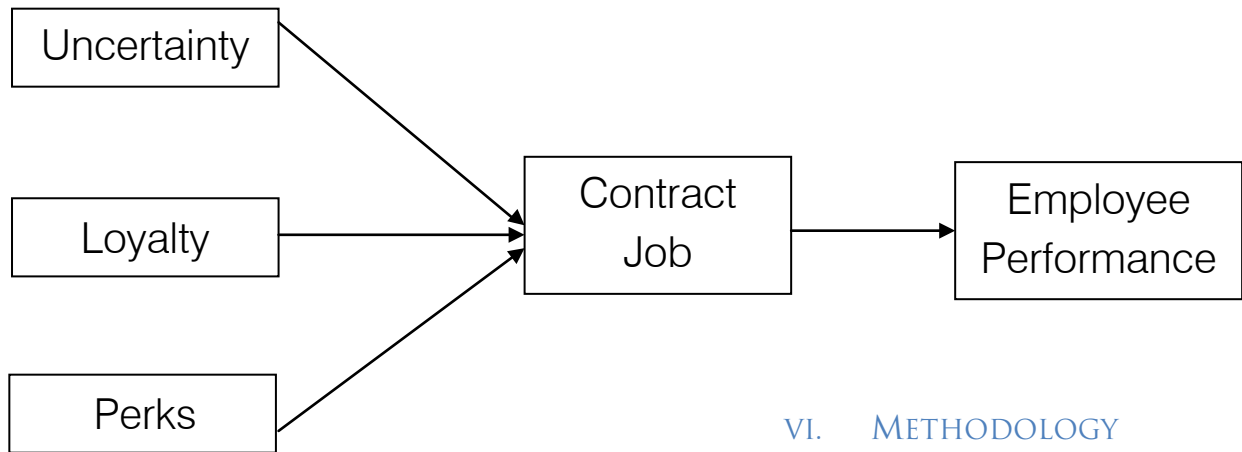
In reaction to the increasing exercise of contract workers, there has been an increase in observed and hypothetical research on this topic (e.g., Beard & Edwards, 1995; Davis-Blake & Uzzi, 1993; Hulin & Glomb, 1999; Pearce, 1993). Temporary employees work hard to continue their job but their work is not recognized. Researchers have proved the differences in

performance and behaviors between permanent and contract human resource (e.g., Van Dyne & Ang, 1998; Broschak & Davis-Blake, 1999; Bishop & Goldsby, 2000) or on predictors of Attitudes and behaviors of contract workers (e.g., Feldman, Doeringhaus, & Turnley, 1995). Ellingson, Gruys, & Sackett, 1998;

Each employee has a unique capability and capacity which can not be matched with another, but this capability is depend on many other factors. This work is based on the view of job security and employee performance. There is a direct relation between job security and employee performance. Contract employment has a less attraction as compared to permanent employment. Because contract employees have not been attain many permanent facilities like certainty in job, perks, these factor have direct correlation with employee performance. Contractual employees have less loyalty to organization due to short term agreements about job.

#### IV. THEORETICAL FRAME WORK

This theoretical frame work has been formulated to identify the different factors effecting on contract base employee performance. In past a lot of research has been conducted to enhance the employees performance. But here it is differentiated that performance is a dependent variable which depends on a lot of independent variable. This research is based on independent variable contractual employment, uncertainty, perks and loyalty effect.



#### V. HYPOTHESIS

- H1 Uncertainty in job decrease the performance of contract employees
- H2 Workers in contract employees have high performance as compared permanent
- H3 Perks are motivation factor to increase employee performance
- H4 Contract employees loyal to their organization

#### VI. METHODOLOGY

This study is carry out to identify the association of independent variables as uncertainty, perk, loyalty toward the contract job, which is a moderator and employee performance being a dependent variable. The population of this study is employees working as contract or permanent base. Questionnaires were spread in person to workers/employees within different organization. A sample of 100 employees of different categories in organization has been selected and questions were distributed them, out of which 82

questionnaires filled and received which shows 82% respondent rate. All variables are calculated with 5-point Likert scale as 1 for Strongly Disagree, 2 for Disagree, 3 for Neither Agree or Disagree, 4 for Agree, 5 for Strongly Agree.

## VII. DISCUSSION & FINDINGS

It is accepted that performance of employee is a necessary element for organization as well as employer. Mainly employees are of two types with standard employment like permanent and secondly on contract basis called temporary employees. Here this study is try to prove that there is a huge difference between performance of contract and permanent employees. Contract employees due to uncertainty in job can not perform in better way. Individual employee who has expectation for a new job easily may like the contract base job but this liking may effect by market conditions like inflation and unemployment, such person will feel insecure employment conditions (Roskies & Louis-Guerin, 1990). On the other hand when a individual has secure job it will increase positive expectations about its job (Davy et al., 1997, p. 323), also create mentally satisfied about its future (Rosenblatt & Ruvio, 1996, p. 587), means to decrease threat of job loosing in his or her current job (Heaney, Israel, & House, 1994, p. 1431). There are different definitions about job uncertainty which depends on perception and understanding of environment by individuals (Greenhalgh & Rosenblatt, 1984; Hartley et al., 1991). Job insecurity create stressful event in such a way that the employee can not perform properly.

Loyalty to organization is a quality of employees who perform in the betterment of organization objectives. Loyalty to organization has strong relation with employee performance (Mowdey et al 1982). Loyal employees create loyal customer. An employee how much loyal to organization depends on a number of factors which of one is employment duration within same organization. Loyalty increases as duration of employment increases. When employees are hired on contract base their duration seem short at initial stage. In this situation they are in search of better job which results decrease in loyalty. That is the reason due to which permanent employees are more loyal toward

organizational objectives. An employee's stay with the same employer urge employees potential to organization (David Stum, Cole, 2000), president of the Loyalty Institute, such employees are also ready to sacrifice for the betterment of the company (Leininger, 2004). 'Being happy' is motivational factor that makes employees stay in the same company. Respondents have thought that contract employees have less loyalty as compared to permanent employees.

Organizational objectives are achieved only due to employee's performance. If an organization have achieved its targets mean that its employees have work hard for such achievement. Some organizations are appreciating their-employees in the form of perks and such like benefits. This appreciation is courage for employees to enhance its ability, but these benefits are provided only to permanent employees. Contract employees are main source of employment as 80% in France and up to 90% in Spain this great segment is not provided by perks and incentives. This factor discourages the performance level of contract employees. There is highly correlation between incentives and performance of employees. Organization has single objective which is to achieve the desired goal in term of profit. To achieve this objective organization hires different employees having ability to contribute their share in organizational objective. Employees are paid in two ways as salary and perks (incentives). Positive correlation is observed between performance and incentives (Cohen & Cohen, 1983) but weak correlation between pay and job satisfaction (Spector, 1997).

## VIII. ANALYSIS

Table 1 : Descriptive Statistics

	Mean	Std. Deviation	N
Loyalty	3.9878	.75076	82
Job security	4.5061	.74464	82
Incentives	4.0549	.83889	82
Contract	3.3244	.63917	82
Performance	3.9837	.68674	82

Table 2 : Correlations

	Loyalty	Job security	Incentives	Contract job	Performance
Loyalty	1				
Job security	.303**	1			
Incentives	.393**	.428**	1		
Contract job	.159	.198	-.126	1	
Performance	.396**	.440**	.394**	.187	1

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

Data was collected from 82 respondents with 23 different items. Cronbach alpha test is applied on the questionnaire 68.7% reliability was found which is acceptable. From 82 respondents with reference to gender 34.4% were female and 66.4% were male and according to marital status 41.5% were unmarried while 58.5% were married. They were also asked by their job nature and found that 54.9 were permanent and 55.1% were on contract base. According to age respondents were divided into three groups 21 – 29, 30 – 35, and 36 and above respectively. In our data 87.8% were in age 20 to 29, 8.5% in 30 to 35, 3.7% were in 36 and above. According to questionnaire these results were found in table 1 mean of loyalty is above 3 which shows that respondents agree that loyalty has effect on employee performance. Independent variables incentive and job security have above 4 provided that respondents are strongly agreed uncertainty decrease performance while incentives have positive effect on it. Mean of contract is slightly above 3 which show that respondents have neutral views about contract and permanent job nature. Performance has mean near to 4 which move in direction that respondents were agree that performance has relation with these independent variables.

Applying the correlation of the statistical interference in table 2 shows that loyalty has strong relation with incentives, job security, and performance and weak relation with contract job. Among the independent variables job security shows strong positive relation with incentives and performance while weak relation with contract job. Independent variable incentive show strong relation with performance and negative relation with contract job. Table shows that contract job has weak relation with performance.

Using the Regression analysis on data it is concluded that how performance depend on independent variables loyalty, job security, incentive and contract job. Performance has constant value  $\beta_0$  0.971 and dependency on loyalty  $\beta_1$  = 0.188, job security  $\beta_2$  0.281, perks  $\beta_3$  0.176, contract  $\beta_4$  0.141. Performance can be measured by equation  $\text{Performance}(y) = 0.971 + 0.188 \text{ Loyalty} + 0.281 \text{ Job security} + 0.176 \text{ Perks} + 0.141 \text{ Contract}$ .

## IX. CONCLUSION

It is concluded from analysis that performance is a function of many other variables. This study has selected the contract job with job security, loyalty, incentives. Employees show highly association toward job security and incentives. These variables has relation with each other performance has strong positive relation with job security and incentives but it shows weak relation with contract job.

## X. RECOMMENDATION AND SUGGESTION

From this and previous researcher work it is suggested for an organizations which are in competing position should focus on its employees, because employees are back bone for an organization. Organization should take different steps to enhance the working skill of their employees. Employees should be hired on permanent base, if these are hired on temporary or contractual base their performance should be recognized and appreciated by incentive. Measurement of employees' performance has multidimensional aspects in future research can be done how this can be enhance.

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GLOBAL JOURNAL OF MANAGEMENT AND BUSINESS RESEARCH  
Volume 11 Issue 8 Version 1.0 August 2011  
Type: Double Blind Peer Reviewed International Research Journal  
Publisher: Global Journals Inc. (USA)  
Print ISSN: 0975-5853

## Decision to Adopt the Academic Program

By Zeeshan Ali, Imran Sheraz, Asma Ashiq, Malik  
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**Abstract** - The purpose of this study was to examine attitudes of the students toward adoption of the academic program. A 19-item questionnaire was adapted to collect data on the decision by the students. This study is based on primary data, which collected from 154 students from 4 different University of Lahore District, Pakistan. For this purpose self designed questionnaire was used for data collection.. Cranach-Alpha reliability is 78% and 95 % students done matriculation in science subjects. Majority of students decided their graduation degree himself. 77% students decided about their professional degree themselves. 20.3 % students feel undue pressure from their parents to undertake academic related decision. 80.5% students out of 20.3% feels that pressure of their parents are in their favor and 19.5% feels that the pressure was not in their favor and they feel that if they were given freedom to select their academic decision, they would be at better place in their life and concluded that positive impact of decision making on academic achievement. After thorough analysis it concluded that mostly students take their academic decision themselves and females have less decision making power as compare to male because Pakistan being as a Muslim Country doesn't given freedom to females to make decision regarding any issue of their life.

**Keywords** : *Decision making, students, university, academic program, education and Pakistan.*

**GJMBR Classification** : *FOR Code: 170202*



*Strictly as per the compliance and regulations of:*



# Decision to Adopt the Academic Program

Zeeshan Ali<sup>α</sup>, Imran Sheraz<sup>Ω</sup>, Asma Ashiq<sup>β</sup>, Malik Muhammad Shafiq<sup>ψ</sup>, Mohammad Akram Naseem<sup>¥</sup>

**Abstract** - The purpose of this study was to examine attitudes of the students toward adoption of the academic program. A 19-item questionnaire was adapted to collect data on the decision by the students. This study is based on primary data, which collected from 154 students from 4 different University of Lahore District, Pakistan. For this purpose self designed questionnaire was used for data collection.. Cranach-Alpha reliability is 78% and 95 % students done matriculation in science subjects. Majority of students decided their graduation degree himself. 77% students decided about their professional degree themselves. 20.3 % students feel undue pressure from their parents to undertake academic related decision. 80.5% students out of 20.3% feels that pressure of their parents are in their favor and 19.5% feels that the pressure was not in their favor and they feel that if they were given freedom to select their academic decision, they would be at better place in their life and concluded that positive impact of decision making on academic achievement. After thorough analysis it concluded that mostly students take their academic decision themselves and females have less decision making power as compare to male because Pakistan being as a Muslim Country doesn't given freedom to females to make decision regarding any issue of their life.

**Keywords** : Decision making, students, university, academic program, education and Pakistan.

## I. INTRODUCTION

Decision making is very important issue for students which all student facing now days. As defined by Baker et al in their 2001 study and said that efficient decision-making involves a series of steps that require the input of information at different stages of the process, as well as a process for feedback. Decision making can be regarded as a mental processes (cognitive process) resulting in the selection of a course of action among several alternative scenarios. Every decision making process produces a final choice. The output can be an action or an opinion of choice. In our environment with imperfect information, education contributes to production as a "locative effect," arising from enhanced ability to acquire and process information efficiently, as well as a "worker effect." An educated person is making good decision as compared to non educated person because he already informed about process and advantages and disadvantages of any decision. There approximately 161 universities working in Pakistan. Some Students take

decision about their study himself and other handsome student not take about decision about their education and their parents decide academic programs. The results shows that mostly student having 1<sup>st</sup> division and

## II. LITERATURE REVIEW

Few numbers of researchers have conducted research on Decision making regarding selection of academic program .Rehman, N.U, et al (2010) using primary data from 200 parents of secondary school students and find that some factors like social economic and cultural factor influence on a decision making among parents and mostly parents prefer to enrolled their children in best schools. 95 parents believe that private schools produce self confident students. 86% parents avoided public schools due to unsuitable education environment and 89% parents due to overcrowded classes. Imran, Naila. et al (2008) identify that higher enrollment in private school due to better quality of education and conclude that parent's education and income was positively and strong influenced private school there is a negative relationship between private school and age of children, family size and income level.

### a) Objectives of this study

- To identify impact of decision making on academic achievements among Universities students.
- Why females have less decision making power as compare to males?

### b) Hypothesis statement

**H<sub>0</sub>**: There is no impact of decision making on academic achievements among Universities students.

**H<sub>1</sub>**: There is impact of decision making on academic achievements among Universities students.

## III. METHODOLOGY AND DATA COLLECTION

Basically this research methodology depends upon the references selection of students from different universities. In this research the target population was all students of all university of Lahore districts. There are approximately 9 universities working in Lahore .The data was gather from 3 private and one public universities. It was tried to gather data from 180 students but returned/ reponse questionnaire from only 154 students.

### a) Questionnaire structure

For present study we prepared a questionnaire consist two parts one is demographics variables and

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other part consist different question about decision making and academic programs which range is Yes and No.

#### b) Sampling

For this study the sample population was male and female students from 3 private and one public university. The data was collected through structured questionnaires which is structured questionnaires using different approach.

### IV. DATA ANALYSIS AND RESULTS

For this purpose data was operated by using SPSS 16 version and apply different tests.

#### a) Demographics Profile

Data has been collected from both male & female. 31% are females and 69 % are males who have filled the questionnaire. 91% participants belongs to the age from 18 to 25, 4.5% belongs to the age of 26 to 30 and 4.5% belongs to the age of 31 to 35. 60% are non-totalized participants and 40% are totalized participants. 31.8% participants had the inspiration in their childhood that they will become engineer, 17.5% inspire to become doctor, 32% inspire to become businessmen, 12.3% pilot and 17.5% other which includes 95.5 % participants has done their matriculation in science and 4.5 % in arts, 72 % participants decide their self about their matriculation, parents of 3.2%.

#### Q.1 who has decided your graduation program?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yourself	111	72.1	72.1	72.1
	Parents	34	22.1	22.1	94.2
	Teachers	5	3.2	3.2	97.4
	Others	4	2.6	2.6	100.0
	Total	154	100.0	100.0	

95.5 % participants have done their metric in science and 4.5 % in arts.

#### Q. 2 you have done your matriculation in:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Science	147	95.5	95.5	95.5
	Arts	7	4.5	4.5	100.0
	Total	154	100.0	100.0	

83% students have achieved 1<sup>st</sup> division and 17 % have achieved 2<sup>nd</sup> division in matriculation.

#### Q.3 what was your result in matriculation?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1st division	128	83.1	83.1	83.1
	2nd division	26	16.9	16.9	100.0
	Total	154	100.0	100.0	

52.6 percent students have done their intermediate in Pre-Engineering, 23.4 in medical, 7.8 % in computer science, 6.5 % in general sciences and 9.7 % have done simple FA.

#### Q.4 you have done your intermediate in?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Engineering	81	52.6	52.6	52.6
	Medical	36	23.4	23.4	76.0
	computer sciences	12	7.8	7.8	83.8
	general science	10	6.5	6.5	90.3
	F.A	15	9.7	9.7	100.0
	Total	154	100.0	100.0	

74.7% have decided their selves, 20.8% by parents, 1.3 % by teachers and 3.2 % by the other.

**Q.5 who has decided your graduation program?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yourself	115	74.7	74.7	74.7
Parents	32	20.8	20.8	95.5
Teachers	2	1.3	1.3	96.8
Others	5	3.2	3.2	100.0
Total	154	100.0	100.0	

*74.7 % have obtained 1<sup>st</sup> division in intermediate and 25.3% have obtained 2<sup>nd</sup> Division.*

**Q.6 you are doing your professional degree in:**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid B.sc	86	55.8	55.8	55.8
B.A	35	22.7	22.7	78.6
b.com	27	17.5	17.5	96.1
BBA	6	3.9	3.9	100.0
Total	154	100.0	100.0	

*55.8 % students have done BSC, 22.7 have done BA, 17.5% have done b.com and 3.9% have done BBA.*

**Q.7 what was your result in Graduation?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1st division	66	42.9	42.9	42.9
2nd division	52	33.8	33.8	76.6
4 to 3.5 GPA	12	7.8	7.8	84.4
3.5 to 3 GPA	16	10.4	10.4	94.8
3 to 2.5 GPA	8	5.2	5.2	100.0
Total	154	100.0	100.0	

*66 % s student belong to 1<sup>st</sup> division and 52 % student belong to 2<sup>nd</sup> division but 12 % student get CGPA above 3.5.*

**Q.8 who has decided your professional program?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yourself	119	77.3	77.3	77.3
Parents	23	14.9	14.9	92.2
Teachers	2	1.3	1.3	93.5
Others	10	6.5	6.5	100.0
Total	154	100.0	100.0	

*77.3 % students decided himself professional programs like MBA, MBBS, M.COM etc.*

**Q.9 was your opinion taken in regards while selecting your academic decision?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	128	83.1	83.1	83.1
No	26	16.9	16.9	100.0
Total	154	100.0	100.0	

*83.1 % students thinks that their opinion were taken in regards while selecting your academic decision and 16.9 % students were not asked while selecting their academic programs.*

Q.10 has it ever occurred that you had disagreed with your parents ideas:

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	60	39.0	39.0	39.0
No	94	61.0	61.0	100.0
Total	154	100.0	100.0	

*39% students disagree with the ideas of their parents and 61 % students are agreeing with the decision and the ideas of their parents*

Q.11 if you have disagreement your parents its conclusion was?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid in your favour	112	72.7	72.7	72.7
against your decision	42	27.3	27.3	100.0
Total	154	100.0	100.0	

*72.7 students said that we are disagreeing with their parents decisions.*

Q.12 did you ever feel undue pressure from your parents to undertake any academic related decision?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	39	25.3	25.3	25.3
No	115	74.7	74.7	100.0
Total	154	100.0	100.0	

*25.3% students feel undue pressure from your parents to undertake academic related decision and 74.7% don't feel.20.3 % students feel undue pressure from their parents to undertake academic related decision. 80.5% students of.20.3% feels that pressure of their parents are in their favor and 19.5% feels that the pressure was not in their favor.*

Q.13. If yes then the outcome of such a decision was

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid in your favor	124	80.5	80.5	80.5
against your favor	30	19.5	19.5	100.0
Total	154	100.0	100.0	

*85.1% students think that teachers or parents play an important role in selection of study courses and 14.9% are against it.*

Q.14. Do you think teachers or parent's plays an important role in selection of study course?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	131	85.1	85.1	85.1
No	23	14.9	14.9	100.0
Total	154	100.0	100.0	

*85 % students said that parents and teachers are playing very important role in selection of our study.*

Q.15 if you were given freedom at university level to select your own academic course, would have been at a better position in life than you are now?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	90	58.4	58.4	58.4
No	64	41.6	41.6	100.0
Total	154	100.0	100.0	

*58.4% students feel that if they were given freedom at university level to select their own academic course, they would have been at a better position in life than they are now.*

b) Respondent profile

Question	Yes (%)	No (%)
was your opinion taken in regards while selecting your academic decision?	83.1	16.9
has it ever occurred that you had disagreed with you parents ideas?	39	61
Did you ever feel undue pressure from your parents to undertake any academic related decision?	25.3	74.7
Did you think teachers or parents place an important role in selection of study courses?	85.1	14.9
If you were given freedom at university level to select your own academic course, would have been at a better position in life than you are now?	58.4	41.6

#### IV. REGRESSION ANALYSIS

##### Academic Achievement Vs Making Decision

Indicators	Value
RegressionCorrelation	Academic Achievement = 1.89 + .238making decision
Sig-value	.234
R-square	.002
	.67

#### V. REGRESSION EQUATION

Academic Achievement = 1.89 + .238making decision ..... R-Square = .67. Regression equation shows the positive effect of making decision on academic achievement.

#### VI. CONCLUSION

In whole paper to identify impact of decision making on academic achievements among Universities students and conclude that 83.1 %students himself take decision regarding their academic program. 61 % students agree with their parent's ideas and decisions. In Pakistan parents of student not enforce to his child regarding the decision making about education. 85 % students said that teacher and parent are very important rule in selecting study of course. 58 % student wants to that they would decide their education career himself. The Cron -Bach alpha rialibilty of data is 78% its mean data is reliable. 25.3% students feel undue pressure from your parents to undertake academic related decision and 74.7% don't feel. 83% students have achieved 1<sup>st</sup> division and 17 % have achieved 2<sup>nd</sup> division in matriculation. 52.6 percent students have done their intermediate in Pre-Engineering, 23.4 in medical, 7.8 % in computer science, 6.5 % in general sciences and 9.7 % have done simple FA. Main purpose of this paper is find out the impact of decision making on academic achievement and find that positive impact of decision making on academic achievement. If making decision increases by 1 unit then academic achievement of students increased by .238.

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GLOBAL JOURNAL OF MANAGEMENT AND BUSINESS RESEARCH  
Volume 11 Issue 8 Version 1.0 August 2011  
Type: Double Blind Peer Reviewed International Research Journal  
Publisher: Global Journals Inc. (USA)  
Print ISSN: 0975-5853

# Impact of Foreign Direct Investment on Gross Domestic Product

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**Abstract** - This paper investigates the impact of foreign direct investment on Growth (GDP) of SAARC countries. This relationship is tested by applying multiple regression models. The change in GDP is taken as dependent variable while FDI and inflation are considered as independent variables. The data used for this is ranging from year 2001 to 2010 of SAARC Countries. The result shows that the overall model is significant. There is a positive and significant relationship between GDP and FDI while an insignificant relationship between GDP and inflation.

**Keywords** : GDP, FDI, CPI, SAARC .

**GJMBR Classification** : JEL Code: F21



*Strictly as per the compliance and regulations of:*



# Impact of Foreign Direct Investment on Gross Domestic Product

(A Case of SAARC Countries)

Qaiser Abbas<sup>α</sup>, Salman Akbar<sup>Ω</sup>, Ali Shan Nasir<sup>β</sup>, Hafiz Aman Ullah<sup>ψ</sup>, Muhammad Akram Naseem<sup>¥</sup>

**Abstract** - This paper investigates the impact of foreign direct investment on Growth (GDP) of SAARC countries. This relationship is tested by applying multiple regression models. The change in GDP is taken as dependent variable while FDI and inflation are considered as independent variables. The data used for this is ranging from year 2001 to 2010 of SAARC Countries. The result shows that the overall model is significant. There is a positive and significant relationship between GDP and FDI while an insignificant relationship between GDP and inflation.

**Keywords** : GDP, FDI, CPI, SAARC.

## I. INTRODUCTION

**F**DI refers to net inflows of investment in an economy of a country. It is the sum of equity capital, reinvestment of earnings, long term and short term capital. It usually involves participation in management, joint ventures, transfer of technology and experience. **GDP** refers to the market value of all final goods and services produced within a country in a given period. It is often considered an indicator of growth and standard of living for a country. **Inflation** when the price of most goods and services continues to rise upward. It is measured by the consumer price index (CPI). **SAARC** the South Asian Association for regional cooperation is an organization of south Asian nations. It was founded in December 1985 and dedicated to economic, technological, social and cultural development by emphasizing collective self reliance. Pakistan, India, Bangladesh, Nepal, Bhutan, Maldives and Sri Lanka are its founding members. Afghanistan joined the SAARC in 2005. Its head quarter is in Kathmandu, Nepal. The SAARC region is the home of fifth humanity with vast natural and human resources. It has the potential of becoming a vibrant region in the world by its resources like manpower, technological, agricultural and mineral assets further it has an attractiveness for tourism and historical art and cultural civilization.

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## II. LITERATURE REVIEW

Nuzhat Falki (2009) examined the Impact of FDI on Economic Growth of Pakistan. She collected the data of FDI from the Handbook of Pakistan Economy-2005 published by the State of Pakistan and the World Bank Development indicators-2008 from 1980 to 2006 with variables of domestic capital, foreign owned capital and labor force. With the help of endogenous growth theory and applying the regression analysis she concluded that FDI has negative statically insignificant relationship between GDP and FDI inflows in Pakistan. Anokye M. Adam & George Tweneboah (2009) examined the Foreign Direct Investment and Stock Market Development in Ghana's they collected the data of market capitalization as a proportion of GDP, Ghana cedi-Dollar exchange rate and Net FDI inflow quarterly data from 1991 to 2006. They apply multivariate cō integration analysis and Vector Error Correction Model (VECM) and concluded that FDI has significant influence in the development of Ghana stock market and also concluded that there is long-run relationship between FDI and nominal exchange rate and stock market in Ghana perspective. Pardeep Agarwal (2000) founded that the increase in FDI inflows in South Asia were associated with a many-fold increase in the investment by national investors, suggesting that there exist linkage effects between FDI and GDP the impact of FDI on GDO growth is found to be negative prior to 1980, mildly positive for early eighties and strongly positive over the late eighties and nineties.

Jyun-Yi, Wu and Hsu Chin-Chiang (2008) they examine whether the FDI promote the economic growth by using threshold regression analysis. The empirical analysis shows that FDI alone play an ambiguous role in contributing to economic growth based on a sample of 62 countries covering the period from 1975 to 2000 and find that initial GDP and human capital are important factor in explaining FDI. FDI is found to have a positive and significant impact on growth when host countries have better level of initial GDP and human capital. Laura Alfaro et al (2003) they examine the various links among FDI and GDP growth. They explore whether countries with better financial systems can exploit FDI more efficiently. Using empirical analysis using cross-country data between 1975 and 1995 shows that FDI alone

plays an ambiguous role in contributing to economic growth, however countries with well developed financial markets gain significantly from FDI in their economic growth. Muhammad I.Al-Halameh and Abedalsattar M. Sayah (2010) examined the impact of FDI on share market in Amman exchange market. They collected primary data by distributed self administrated questionnaire among 100 people and secondary data from the report of Amman Stock exchanges. By applying the multiple regression model they concluded that FDI has significant Impact on share market value in Amman exchange market. Mihir A. Desai at el (2005) study the FDI and domestic capital stock. They collect the data of 1970 to 1980 of the FDI and by applying the regression, concluded that FDI has significant impact on capital stock.

M. Sayeed Alam and Mahmud Zubayer (2010) they founded that in SAARC FDI from outside is more important than in intra regional investments in most the countries (the only exception is Nepal) where Indian investments dominated. The concept of some region can be applicable to increase intra regional FDI. The FDI has a significant impact on GDP of SAARC countries. Muhammad Zahid Awan at el (2010) they found that FDI in Pakistan is considered as a vital source of external capital flows to meet saving-investment gap and export-import gap as well. They examine the overall impact of FDI inflows into the economy of Pakistan by using annual time series data for the period of 1971 to 2008. They concluded that debt servicing and GDP found statistically insignificant and it seems that these variables have no significant impact on FDI inflows into Pakistan.

### III. DATA AND METHODOLOGY

The aim of this research is to examine the impact of FDI ON GDP In SAARC. This paper also examined the trend of foreign Direct Investment inflows with respect to GDP growth and inflation of SAARC. For this we collect the Data of FDI, Inflation and GDP from the SAARC countries for the period from 2001 to 2010.

Data Nature: Panel Data  
No. of Countries 07  
No. of Years 10  
Observation 70  
No. of Variables 03

$GDP = \alpha + \beta_1 FDI + \beta_2 CPI$

FDI = Change in Foreign Direct Investment

GDP= Gross Domestic Product

CPI= Inflation Rate

Level of Significant 5 to 10 percent

In this model GDP is dependent variable whereas FDI and CPI are independent variable .

### IV. HYPOTHESIS AND PURPOSE OF THE RESEARCH

In this research we want to know that the growth of the SAARC country depends on FDI and inflation or not so we develop following hypothesis.

*GDP depends upon FDI and inflation*

Assumption: Intercept and slop coefficient are constant over time over country .

### V. RESULTS GDP VS FDI AND CPI

Regression Statistics	
R Square	0.800
Standard Error	438.478
No of observations	70
P-value CPI	0.56
P-Value FDI	0.00

In table we have regression statistics of our proposed model. The results suggests that the overall model is significant at level of significance because its p value is 0.00 Further, the R-square of this model is at a higher node i.e., 0.800, which suggest that the only 20.% variation in this model is unexplained while the remaining variation of this model is explained by FDI and CPI. Moreover the CPI has a positive impact on GDP but insignificant so we ignore CPI and make analysis between GDP and FDI.

#### *GDP Vs FDI*

Regression Statistics	
R Square	0.799
Standard Error	436.358
No of observations	70
P-value CPI	0.00

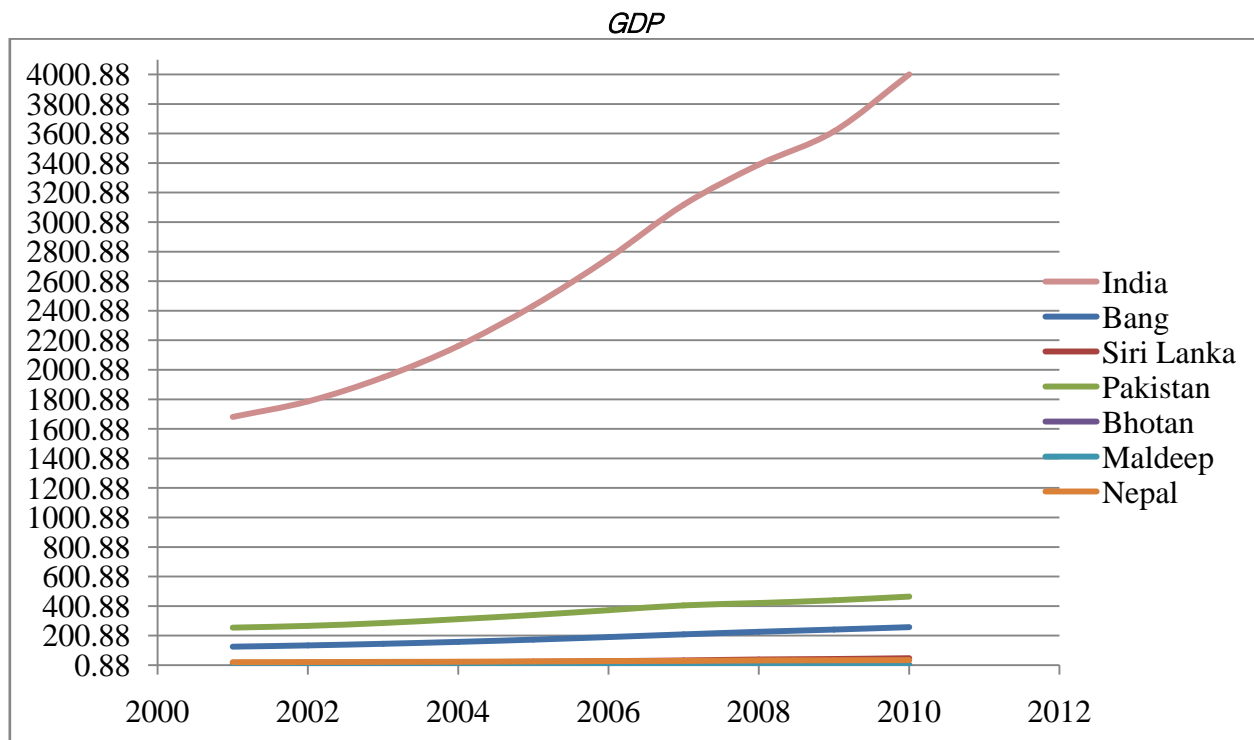
In table we have regression statistics of our proposed model (GDP and FDI). The results suggests that the overall model is significant at level of significance because its p value is 0.00 Further, the R-square of this model is at a higher node i.e., 0.799, which suggests that the only 21.% variation in this model is unexplained while the remaining variation of this model is explained by FDI.

Country wise analysis

Sr. No.	Country	GDP= $\alpha + \beta$ FDI (Billion)	P-Value	R-Square
1	Pakistan	23.49	0.06	0.38
2	India	51.72	0.00	0.69
3	Bangladesh	121.35	0.04	0.43
4	Sri Lanka	46.64	0.00	0.73
5	Maldives	-7.59	0.90	0.00
6	Bhutan	24.44	0.02	0.52
7	Nepal	153.85	0.13	0.27

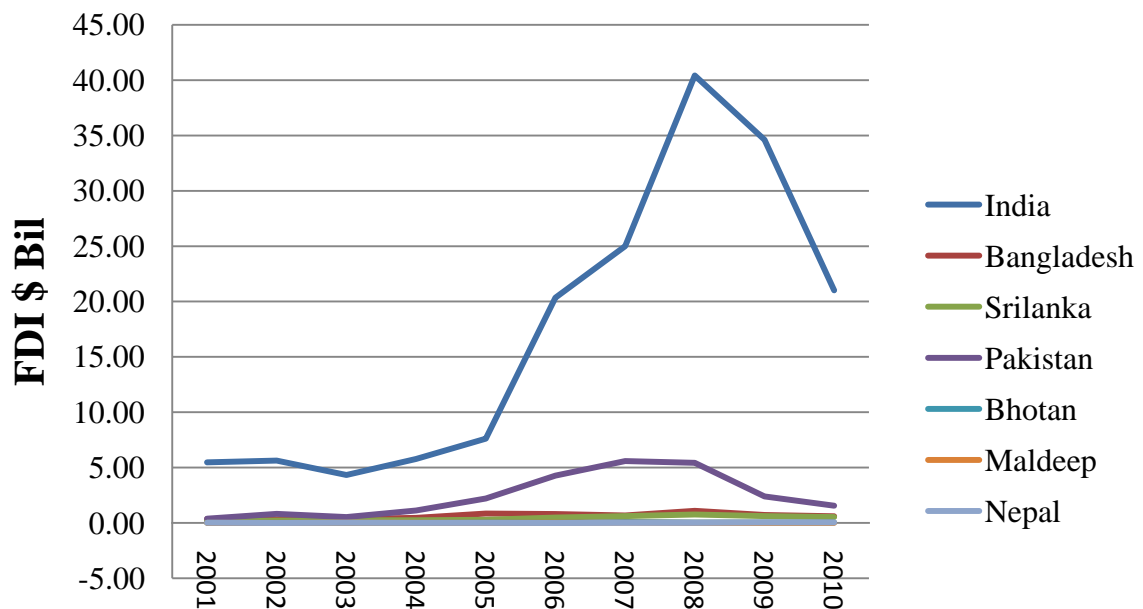
While making country wise analysis we find that overall impact of FDI on GDP growth positive and significant but only Maldives shows inverse impact of FDI on its GDP because of negative FDI Figure in some

years also the p value of Nepal above the significant level but the model is positive in respect to the GDP to FDI.



India is a large economy having strong industrial and agricultural development which makes India at the top of the SAARC countries in respect with GDP and growth. Pakistan is at 2<sup>nd</sup> position in SAARC with respect to GDP then Bangladesh, Sri Lanka, Nepal, Maldives and Bhutan respectively at the GDP Chart in SAARC.

## FDI Report



FDI in SAARC countries increased heavily from the years 2000 and above as the growing infrastructure and investment opportunities in the whole region especially in Indian emerging markets and attractive investment opportunities force external investors to invest in Indian economy secondly Pakistan also have a good attraction and positive investment facilities for foreign investors. After that Bangladesh and Sri Lanka also have a positive attraction for foreign investments. This increasing trend continue till 2007 and 2008 but as the world economic conditions and slump in American and European Markets the investment inflow decrease in all over the world which also effect the SAARC so the top countries like India and Pakistan also show a huge decline in FDI from 2007 to 2010.

## VI. CONCLUSION

Growth of any country depends upon investments, increasing assets and infrastructure. Foreign Direct investment in an economy shows that there is a good trend of investment which ultimately results in increasing the GDP and growth of the country as we have found in our research that increasing trend of FDI also increases the GDP of the country .

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GLOBAL JOURNAL OF MANAGEMENT AND BUSINESS RESEARCH  
Volume 11 Issue 8 Version 1.0 August 2011  
Type: Double Blind Peer Reviewed International Research Journal  
Publisher: Global Journals Inc. (USA)  
Print ISSN: 0975-5853

## Diversité en genre dans le Conseil d'Administration et optimisation fiscale: validation dans le contexte tunisien

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**GJMBR-B Classification** : *JEL Code: H21*



*Strictly as per the compliance and regulations of:*



# Diversité en genre dans le Conseil d'Administration et optimisation fiscale: validation dans le contexte tunisien

Khaoula Aliani<sup>α</sup>, Dr.Imen M'HAMID<sup>Ω</sup>, Dr.Mohamed Ali ZARAI<sup>β</sup>

**Abstract** - This article aims to study the effect of sex and gender diversity in board of directors on tax optimization of the Tunisian companies. So, we conducted our study on a survey of 32 companies listed in the Tunisian Stock Exchange Market from 2000 to 2007. The existing literature supports the idea of the differential effect of gender on the attitude of taxation. Our results suggest the existence of significant relationships between tax optimization and the attributes of board of directors. Diversity and female perception of the directors have a negative effect on tax optimization.

**Keywords:** Diversity, sex, gender, tax optimization, Tunisia.

**Résumé** - L'objectif de cet article est d'étudier l'impact de la diversité du genre et la présence des valeurs féminines dans le conseil d'administration sur l'optimisation fiscale des entreprises tunisiennes. Pour ce faire, nous avons mené notre étude auprès de 32 entreprises cotées à la bourse des valeurs mobilières de Tunis allant de la période 2000 à 2007. La littérature existante en matière fiscale soutient l'idée de l'effet différencié du genre sur l'attitude fiscale. Nos résultats montrent l'existence des relations significatives entre l'optimisation fiscale et les attributs du conseil d'administration. La diversité et la perception féminine des administrateurs du conseil ont un impact négatif sur l'optimisation fiscale.

**Mots clés :** Diversité, sexe, genre, optimisation fiscale, Tunisie.

## 1. INTRODUCTION

La diversité du genre du conseil d'administration a suscité l'intérêt de plusieurs recherches récentes menées dans le cas des pays développés (Gul et al., 2011 ; Adams et Ferreira, 2009). M'hamid et al., (2011) qui ont mis en exergue le concept genre dans les pays en développement, plus particulièrement l'expérience tunisienne.

Nous tentons dans cet article d'explorer une nouvelle piste de recherche centrée sur le concept genre, nous essayons de vérifier la pertinence des resultants confirmés par les études antérieures en les projetant dans le contexte fiscal tunisien. Notre choix est

motivé par l'évolution de la place occupée par les femmes tunisiennes au sein des conseils d'administration des entreprises cotées en bourse. Le taux des conseils homogènes a baissé de 73,52% en 2000 à 67,64% en 2006. (M'hamid et al., 2011).

Fallan (1996, 1999) et Kastlunger et al., (2010) démontrent la pertinence des valeurs féminines lors du traitement des sujets fiscaux. Sachant que l'optimisation fiscale est une activité légale qui vise à minimiser les charges fiscales des entreprises en profitant des dispositions légales et des avantages fiscaux accordés par l'Etat. Les interprétations des situations et des réglementations fiscales diffèrent en fonction des traits masculins et féminins.

L'existence d'un conseil d'administration efficace peut correctement contrôler l'optimisation fiscale des impôts sur les sociétés ainsi que le processus mis en œuvre par la direction de l'entreprise, (Landolf, 2006; Schön, 2008). Landolf (2006) montre aussi que le conseil d'administration doit s'impliquer dans la stratégie de l'optimisation fiscale tout en prenant en considération les aspects importants relatifs à la structure fiscale, la culture de conformité de l'entreprise et le paiement des impôts sur les sociétés.

Notre objectif est d'étudier les différences de genre des administrateurs du conseil en termes d'attitude et de comportement séparément des caractéristiques biologiques. En se basant sur les postulats de la théorie du capital humain, nous tentons de répondre à la question suivante : Dans quelle mesure la diversité en genre des administrateurs du conseil d'administration influence la décision de l'optimisation fiscale ?

Pour répondre à notre question, nous retenons un échantillon composé de 32 entreprises tunisiennes cotées, la période d'étude s'étale sur 8 ans (2000-2007), nous ferons recours à la régression sur données de panel afin de vérifier empiriquement l'impact de la présence des femmes et des valeurs féminines dans les conseils d'administration sur la variation des taux d'imposition effectifs.

Ce papier est structuré comme suit : dans un premier paragraphe, nous présentons une revue de la littérature relative à la diversité en genre du conseil d'administration, et aux perceptions féminines envers

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l'optimisation fiscale. Dans un second, nous validons nos hypothèses théoriques sur un échantillon d'entreprises tunisiennes.

## II. DIVERSITÉ EN GENRE DU CONSEIL D'ADMINISTRATION : APPROCHE GENRE

L'approche genre a été introduite comme cadre d'analyse, conceptuel et parfois pratique permettant de prendre en considération les spécificités féminines lors de l'examen des rapports sociaux dans la société. Recommandée en premier lieu par des sociologues, l'approche genre revêt également un caractère multidimensionnel qui s'étend en particulier à l'économie (genre et développement, développement au sens large du terme) et au management (genre et gestion des ressources humaines).

Une utilisation différenciée des termes " genre" et " sexe" est nécessaire, plutôt que l'utilisation inappropriée des deux concepts comme étant synonyme (le Païen, 1998). Le genre se réfère à l'influence culturelle, la catégorisation sociale et l'identité. Cependant, le sexe est rapproché à des caractéristiques qui sont causées par des différences biologiques (Anselmi et Law, 1998; Unger, 1979)

Seguin et Robinson (2005) ont essayé de clarifier le concept genre ; ils s'accordent à dire que le terme "genre" met en valeur l'aspect social et culturel dans la description et la compréhension des différences entre homme et femme. Il permet ainsi de reconnaître les spécificités des hommes et celles des femmes qu'il s'agisse des activités, des rôles et des pouvoirs assignés à chacun des deux sexes.

D'après les développements de la théorie du capital humain, les administrateurs qui siègent au conseil d'administration apportent à ce mécanisme de gouvernance un ensemble de connaissances, d'expériences et de compétences diversifiés (Becker, 1964; Westphal & Zajac, 1995; Kesner, 1988).

Adams et Ferreira (2009) suggèrent que les femmes administrateurs exercent un contrôle intensif des actions des dirigeants et des rapports par la promotion du pourcentage de présence des réunions du conseil. Les femmes détiennent des positions de contrôle dans les comités d'audit, de nomination et de rémunération.

La diversité en genre du conseil d'administration a été interprétée différemment, un premier courant de recherche prétend qu'elle améliore la qualité de ses discussions et augmente sa capacité de fournir la meilleure supervision des révélations des entreprises et de ses rapports. Cependant, un autre courant de recherche argumente que la diversité du genre peut réduire l'efficacité du conseil en augmentant les dissensions internes et en contraignant sa capacité d'agir. (Gul et al., 2011)

L'hétérogénéité des administrateurs du conseil d'administration compliquent le processus de décision fiscal. Autrement, les problèmes fiscaux ne seront pas résolus immédiatement à cause de la divergence du groupe.

*Hypothèse 1* : il existe une relation négative et significative entre la présence des femmes dans le conseil d'administration et l'efficacité de leurs décisions fiscales.

### a) *Optimisation fiscale : perception féminine*

Les différences entre les femmes et les hommes en termes de leurs décisions financières constituent un intérêt de recherche de plusieurs études. Croson et Gneezy (2009) montrent que les femmes sont plus averses au risque, particulièrement dans certains domaines économiques et elles s'engagent moins que les hommes dans des comportements non éthiques. La recherche sur le comportement fiscal suggère que les femmes ne coopèrent pas dans les stratégies d'évasion fiscales. (Kastlunger et al., 2010)

Conformément à la littérature sur les différences du comportement de prise de risques entre les deux sexes (Croson et Gneezy, 2009) et la conformité fiscale (Hasseldine, 1999), Kastlunger et al., (2010) supposent que les femmes devraient exposer des niveaux plus hauts de conformité fiscale, tandis que les hommes devraient montrer des niveaux importants d'évasion fiscale. La tendance des hommes pour l'évasion des impôts peut être expliquée par plusieurs facteurs : les différences sociales qui se manifestent par l'importance du genre dans l'orientation des concepts féminins et masculins.

Kastlunger et al., (2010) signalent que les différences entre les femmes et les hommes peuvent être engendrées, non seulement par les différences biologiques, mais plus particulièrement par un ensemble de caractéristiques liées au genre (les traits féminins : le comportement socialement désirable, la gentillesse; les traits masculins : la dominance, la compétitivité et l'agressivité). Les différences entre des femmes et des hommes dans la conformité fiscale devraient être interprétées

La plupart des travaux (Bazart et Pickhardt, 2009; Gerxhani, 2007; Hasseldine, 1999; Lewis et al., 2009) traitant la question des différences entre femmes et hommes ont considéré seulement le sexe en tant que variable démographique. Cependant, ces différences peuvent être engendrées, non seulement par des particularités biologiques, mais aussi par les critères associés au genre (traits féminins et masculins). L'interprétation de la conformité fiscale des hommes et des femmes devra prendre en considération les effets des facteurs reliés aux valeurs féminines ou à l'intérêt et le degré d'implication face au sujet.

Kastlunger et *al.*, (2010) suggèrent que les différenciations entre hommes et femmes se distinguent au niveau de la conformité fiscale et les stratégies de paiement des charges fiscales. Les hommes sont moins conformes que les femmes et agissent en adoptant une stratégie lors de paiement des impôts.

*Hypothèse 2*: Il existe une relation négative et significative entre les valeurs féminines et la pratique de l'optimisation fiscale.

### III. DIVERSITÉ EN GENRE DANS LE CONSEIL D'ADMINISTRATION ET OPTIMISATION FISCALE : VALIDATION EMPIRIQUE DANS LE CONTEXTE TUNISIEN

Nous présentons dans une première partie l'échantillon de notre étude et les variables retenues dans cadre d'analyse. Ensuite, nous présentons la démarche empirique adoptée ainsi que les tests de post estimation. Finalement, nous interprétons nos résultats.

#### a) *Echantillon de l'étude*

Notre échantillon est constitué de 32 entreprises tunisiennes cotées en bourse. La période d'étude s'étale sur 8 ans (2000-2007). Les données fiscales et financières sont collectées auprès de la Bourse des Valeurs Mobilières de Tunis (BVMT) et du Conseil du Marché Financier (CMF). Nous avons eu recours aux états financiers, aux rapports annuels et aux prospectus des différentes entreprises constituant l'échantillon de notre analyse.

#### b) *Variables de l'étude*

Nous avons impliqué plusieurs variables afin de tester les interdépendances entre l'optimisation fiscale et la diversité en genre du conseil d'administration tunisien.

#### ✓ **La variable dépendante**

Le taux d'imposition effectif **TIE**<sup>(n)</sup>, cette variable est considérée comme une proxy du mécanisme de l'optimisation fiscale, ce taux est mesuré par le rapport entre la charge fiscale et le résultat avant impôt. Dyreng et *al.*, (2008, 2010) ; Wilson (2008) ont utilisé les taux d'imposition effectifs pour mesurer l'activité de planification fiscale.

Bien qu'il existe plusieurs types des taux d'imposition effectifs, notre étude est menée avec des taux d'imposition effectifs moyens puisque ces derniers sont les plus appropriés dans le cas des études des charges fiscales des entreprises (Gupta et Newberry, 1997). Cependant, les taux d'imposition marginaux sont plus adéquats pour les analyses des avantages des nouveaux investissements (Gupta et Newberry, 1997)

#### ✓ **Les variables indépendantes**

Taille du conseil d'administration **TCA**<sup>(n)</sup> mesurée par le Log du nombre d'administrateurs qui

composent le conseil d'administration. Elle peut mesurer le contrôle exercé par les membres du conseil sur le dirigeant.

Minnick et Noga (2010) vérifient que les conseils d'administration de petite taille renforcent la bonne gestion fiscale. Richardson et Lanis (2011) ont impliqué cette variable dans leur étude portant sur l'effet du conseil d'administration sur la planification fiscale agressive. Leurs résultats confirment que la taille du conseil a un impact significatif sur les possibilités de planification fiscale.

Présence des directeurs externes **DEX**<sup>(n)</sup>, cette variable présente le pourcentage des administrateurs externes au sein du conseil d'administration. L'indépendance et l'expertise des membres externes leurs permettent de prendre des décisions objectives. Richardson et Lanis (2011) montrent que les entreprises ayant un pourcentage important des administrateurs externes peuvent réduire significativement la planification fiscale agressive.

La diversité du conseil **DIV**<sup>(n)</sup>, est mesurée en termes de pourcentages des femmes présentes dans le conseil. La diversité renforce la mission de contrôle assignée au conseil et réduit de ce fait les coûts de contrôle (Walsh & Seward, 1990) car les administrateurs femmes sont dans la plupart des cas indépendantes (Daily et *al.*, 1999). En outre, les femmes sont plus aptes à servir dans les différents comités subsidiaires (comité d'audit, de nomination et de rémunération) que les hommes (Kesner, 1988), ce qui est à l'origine d'une meilleure protection des intérêts des actionnaires à travers le renforcement des mécanismes de contrôle. M'hamid et *al.*, (2010) suggèrent la nécessité d'intégrer la variable diversité genre entant que variable de gouvernance lors de l'étude des attributs des conseils d'administration.

La dualité du dirigeant **DUA**<sup>(n)</sup>, c'est une variable dichotomique qui prend 1 si le dirigeant occupe le poste du dirigeant et président du conseil d'administration au même temps 0 si non.

Minnick et Noga (2010) sont les premiers qui ont utilisé cette variable dans le cadre de la planification fiscale des entreprises américaines. Ils ont prédit qu'un dirigeant qui préside le conseil d'administration ne parait pas motivé pour gérer les activités de gestion fiscale. Les résultats empiriques de ces auteurs montrent la non significativité de la variable dualité.

Les valeurs féminines **FEM**<sup>(n)</sup>, mesure l'existence ou non des valeurs féminines au sein de l'entreprise ainsi que l'ampleur de leur existence. Pour ce faire, nous concevons un questionnaire comportant 39 items mesurés sur l'échelle de Lickert. Les répondants peuvent être des hommes ou bien des femmes membres du conseil d'administration.

# ✓ Les variables de contrôle

\*Le secteur d'activité  $SEC_{it}$  est une variable dummy à deux modalités: 1)  $SECT\ BANC_{it} = 1$  si l'entreprise opère dans le secteur des services et 0 sinon; 2)  $SECT\ INDUS_{it} = 1$  si l'entreprise opère dans le secteur des industries et 0 sinon. La spécificité sectorielle demeure capitale dans l'explication de la présence des femmes au conseil (Fryxell & Lerner, 1989 ; Harrigan, 1981). A titre d'exemple, Harrigan (1981) a déduit que les femmes sont mieux représentées dans les conseils des entreprises de service contrairement aux entreprises du secteur manufacturier.

\* La performance de l'entreprise  $ROA_{it}$ , définie comme étant le rapport entre le résultat d'exploitation et le total des actifs. Les entreprises s'intéressent à l'optimisation fiscale pour améliorer la performance de l'entreprise. Dyreng et al., (2008) et Minnick et Noga

(2010) ont employé cette variable pour contrôler la performance et mettre en évidence l'effet spécifique de l'optimisation fiscale.

\* La taille de la firme  $TAI_{it}$  (proxy du coût politique), mesurée par le Log naturel de la valeur comptable du total actif. La majorité des études qui ont traité la relation entre les taux d'imposition effectifs et la taille des entreprises ont impliqué cette variable dans leurs analyses. (Richardson et Lanis, 2007; Gupta et Newberry, 1997; Wu et Yue, 2006). Hanlon et Slemrod (2010) confirment l'existence d'une relation positive entre la taille des entreprises et le taux d'imposition effectif.

Nous avons appliqué une transformation log à cette variable pour réduire le poids conféré à certaines valeurs extrêmes lors de l'estimation des paramètres du modèle.

Tableau1: Variables de l'étude

Variables	Abréviations	Mesures
Taux d'imposition effectif	TIE	Rapport entre l'impôt sur le bénéfice et le bénéfice comptable avant impôt
Taille du conseil d'administration	TCA	LN du nombre total d'administrateurs.
Présence des directeurs externes	DEX	Pourcentage des directeurs externes au sein du conseil d'administration.
Diversité du conseil	DIV	Pourcentage des femmes présentes dans le conseil d'administration.
Dualité du dirigeant	DUA	Variable dichotomique = 1 si le président du conseil est lui-même le directeur général de l'entreprise et = 0 sinon.
Diversité du Conseil en termes de valeurs féminines	FEM	Mesure l'existence ou non des valeurs féminines au sein de l'entreprise ainsi que l'ampleur de leur existence.
Secteur d'activité	SEC	$SECTBANC_{it} = 1$ si l'entreprise opère dans le secteur des services et 0 sinon; $SECTINDUS_{it} = 1$ si l'entreprise opère dans le secteur des industries et 0 sinon.
Performance de l'entreprise	ROA	Rapport entre le résultat d'exploitation et l'actif total mobilisé dans l'activité.
Taille de l'entreprise	TAI	LN(total actifs)

## c) Approche économétrique

Nous avons utilisé un modèle de régression sur données de panel pour mettre en exergue les relations entre la variable dépendante de l'optimisation fiscale, les variables indépendantes relatives au conseil d'administration et d'autres variables de contrôle. Nous

mettons l'accent sur l'aspect genre des administrateurs pour tester l'effet spécifique de la diversité en genre du conseil d'administration. Pour ce faire, nous adoptons le raisonnement établi par Richardson et al, (2011) en apportant une certaine modification dans le contexte tunisien.

Optimisation fiscale = f(variables du conseil d'administration, variables de contrôle)

L'équation de notre modèle empirique est la suivante :

$$TIE_{it} = \alpha_0 + \alpha_1 DIV_{it} + \alpha_2 DUA_{it} + \alpha_3 FEM_{it} + \alpha_4 DEX_{it} + \alpha_5 TAC_{it} + \alpha_6 TAF_{it} + \alpha_7 ROA_{it} + \alpha_8 SEC_{it} + \varepsilon_{it}$$

Les indices i et t représentent respectivement les indicateurs relatifs aux individus et à l'indice temporel. Dans notre cas, l'indice individuel est relatif

aux entreprises tunisiennes cotées et l'indice temporel présente la période d'étude (2000-2007).  $\varepsilon_{it}$  présente le terme d'erreur de la régression.

i. *Résultats descriptifs*

L'examen du tableau montre qu'en moyenne le taux d'imposition effectif est égal à 17,3%, ce taux est inférieur au taux statutaire appliqué (30%), les taux d'imposition effectifs moyens des entreprises tunisiennes indiquent que les taux d'imposition réglementaires affichés par le gouvernement ne reflètent pas parfaitement la nature de paiement des charges fiscales des entreprises tunisiennes. La diminution des taux d'imposition effectifs s'explique par la multitude des avantages fiscaux<sup>(1)</sup> aux entreprises.

La diversité désigne le niveau d'hétérogénéité que présente la composition du conseil d'administration des entreprises. En moyenne, les entreprises tunisiennes présentent une mixité de leurs conseils qui atteint 2.9%.

*Tableau 2 :* Statistiques descriptives des variables de l'étude

Variables	Echantillon	
	Moyenne	Ecart type
TIE	0.173	0.194
TCA	10.11	1.85
DEX	0.89	0.05
DIV	2.90	6.02
FEM	0.01	0.99
ROA	0.04	0.07
TAF	12.32	1.79

Après avoir présenté les statistiques descriptives des variables retenues dans notre étude, nous nous intéressons par la suite à l'examen de la corrélation possible entre les variables explicatives du modèle.

<sup>(1)</sup> Selon les dispositions de la note commune n°17- 2002, les établissements de crédit peuvent déduire les provisions au titre des autres créances douteuses dans la limite de 75% du bénéfice imposable et ce jusqu'à 31-12-2006. Le taux a été relevé de 75% à 85% par l'article 44 de la loi n° 2004- 90 du 31-12-2004 portant la loi de Finances pour l'année 2005.

\* Loi n° 2006-80 du 18 décembre 2006, relative à la réduction des taux de l'impôt et à l'allègement de la pression fiscale sur les entreprises.

\*La loi de Finances pour l'année 2006 relève le taux des provisions déductibles du bénéfice imposable pour les établissements de crédit de 85% à 100%. Les provisions au titre des créances douteuses sont déductibles en totalité pour les établissements de crédit ayant la qualité de banques lorsqu'elles correspondent à des créances afférentes aux crédits accordés aux entreprises exerçant dans des zones de développement ou à des créances afférentes aux crédits accordés au profit des petites entreprises dans tous les secteurs.

La lecture du tableau (3) montre que la corrélation entre la plupart des variables explicatives est modérée et ne présente par conséquent aucun risque qui peut générer des biais dans l'estimation du modèle économétrique. Nous constatons une forte corrélation entre la taille du conseil d'administration et la taille de la firme, ce qui nous mène à conclure que les entreprises de grande taille sont administrées par des conseils d'administration composés de plusieurs administrateurs.

Tableau 3: Matrice de corrélation des variables explicatives

	$DIV_{it}$	$DUA_{it}$	$FEM_{it}$	$DEX_{it}$	$TAC_{it}$	$TAF_{it}$	$ROA_{it}$	$SEC_{it}$
$DIV_{it}$	1.000							
$DUA_{it}$	0.1622** (0.0099)	1.000						
$FEM_{it}$	0.0351 (0.5765)	0.0826 (0.1902)	1.000					
$DEX_{it}$	0.3150** (0.0000)	0.1993** (0.0018)	0.0696 (0.2777)	1.000				
$TAC_{it}$	0.2026** (0.0011)	-0.0421 (0.5061)	0.1528* (0.0146)	0.0786 (0.2204)	1.000			
$TAF_{it}$	-0.0471 (0.4539)	0.0581 (0.3587)	0.2491** (0.0001)	0.0284 (0.6578)	0.4866** (0.0000)	1.000		
$ROA_{it}$	0.0126 (0.8408)	-0.0498 (0.4310)	0.0237 (0.7070)	-0.0467 (0.4668)	-0.1784** (0.0043)	-0.3550** (0.0000)	1.000	
$SEC_{it}$	-0.0447 (0.4772)	0.1936** (0.0020)	-0.1518* (0.0150)	-0.0719 (0.2622)	0.1473* 0.0186	0.4255** (0.0000)	-0.2524** (0.0000)	1.000

\*, \*\* Significativité respective au seuil de 5%, 1%.

La première étape de notre analyse empirique consiste à vérifier la présence des effets individuels. Pour ce faire, nous utilisons le test de Fisher (N-1, NT-N- k-1) degré de liberté. L'hypothèse nulle de ce test est l'absence de l'effet individuel. Autrement, il existe une intercepte commune à tous les individus de l'échantillon.

La statistique de Fisher vérifie le rejet de l'hypothèse nulle, d'où la présence des effets individuels. L'acceptation de l'hypothèse alternative du test de Fisher justifie le recours aux données de panel pour modéliser l'impact de la diversité en genre du conseil d'administration sur l'optimisation fiscale.

Les effets individuels vérifiés dans notre modèle peuvent être fixes ou aléatoires. Nous visons dans un deuxième volet de notre analyse empirique à modéliser les effets fixes ou aléatoires du modèle à l'aide du test de spécification Hausman (1978). Ce test permet de comparer entre les différentes estimations (effets fixes ou aléatoires) et de trancher en faveur de l'un des deux modèles. Il tente de démontrer la corrélation entre les

effets spécifiques et les variables indépendantes du modèle. La statistique du test Hausman suit une loi khi deux avec (k-1) degré de liberté, la p-value du test est supérieure au niveau de confiance (seuil 10%). Nous retenons l'hypothèse nulle d'indépendance entre les erreurs du modèle et les variables explicatives. En effet, les effets aléatoires sont privilégiés dans notre étude. L'économétrie des données de panel permet de contrôler l'hétérogénéité des observations de l'échantillon des entreprises tunisiennes dans leurs dimensions individuelles par la prise en compte d'un effet spécifique non observable (random effects).

Après avoir fixé l'effet du modèle économétrique, nous nous intéressons à vérifier l'absence des biais et des problèmes qui peuvent affecter la significativité des coefficients des variables. Nous apporterons les corrections nécessaires dans le cas où ils existent. Parmi les problèmes potentiels qui peuvent survenir lors de nos estimations, nous citons essentiellement l'hétéroscédasticité, la multicollinéarité et l'auto corrélation des erreurs.

Dans une première étape, nous allons tester la présence de l'hétéroscédasticité. Le test appliqué est celui de Breusch-Pagan, la statistique du test suit loi de  $\chi^2$ . La « p-value » est inférieure au niveau de significativité de 5%, ce qui nous amène à rejeter l'hypothèse nulle et de conclure l'hétéroscédasticité de notre modèle.

Afin de spécifier la forme d'hétéroscédasticité, nous avons eu recours au test de Wald modifié, les résultats du test confirment la présence de l'hétéroscédasticité interindividuelle. Nous concluons que notre modèle souffre des problèmes d'hétéroscédasticité intra et inter individuelle.

Dans une deuxième étape, nous avons étudié la multicolinéarité entre les variables. L'estimation des VIFs (facteur d'inflation de la variance) pour détecter la multicolinéarité. Le VIF est estimé par l'équation suivante :  $VIF = 1 / (1 - R^2)$ . Les valeurs élevées de VIF indiquent donc la présence de multicolinéarité.

Pour résoudre les problèmes d'hétéroscédasticité, nous avons fait recours à la méthode de MCG (Moindres Carrés Généralisés). Cette procédure est préconisée pour les effets fixes ou aléatoires.

Les résultats obtenus à partir du tableau montrent que notre modèle est globalement significatif au seuil 5%, la significativité globale est vérifiée par la statistique de Wald qui suit la loi khi deux avec 8 degré de liberté. Il en découle que les attributs du conseil d'administration ont un impact sur la pratique fiscale au sein des entreprises tunisiennes. Nous constatons que seules les variables diversité du conseil, dualité, valeurs féminines, la performance et le secteur d'activité sont significatives à des seuils différents.

La variable diversité du conseil d'administration ( $DIV_{it}$ ) est significative au seuil 1%, le signe positif du coefficient de cette variable implique que l'augmentation du pourcentage des femmes qui siègent au conseil d'administration diminue l'activité de l'optimisation fiscale des entreprises tunisiennes. Autrement les taux d'imposition effectifs augmentent dans les entreprises ayant des conseils d'administration hautement diversifiés. Ce résultat confirme notre hypothèse théorique et converge avec les conclusions des travaux des partisans de l'effet négatif de la diversité du conseil d'administration. L'absence d'harmonisation que peut causer la diversité peut nuire au consensus partagé sur la pratique de l'optimisation fiscale, plus particulièrement dans les situations environnementales agitées et turbulentes nécessitant une réponse ferme et rapide à des situations données. L'activité du conseil d'administration se ralentit en raison de la divergence des opinions due à la diversité de ses administrateurs. Kastlunger et al., (2010) ont démontré que les hommes préfèrent l'adoption d'une stratégie lors de paiement des charges fiscales.

La variable dualité ( $DUA_{it}$ ) est significative au seuil 5%, le cumul des fonctions de décision et de contrôle affecte positivement l'optimisation fiscale des entreprises tunisiennes. Ce résultat diverge des conclusions des travaux de Minnick et Noga (2010). L'impact positif de la dualité peut être expliqué par le fait que le dirigeant a exploité convenablement son expérience et ses connaissances très spécifiques en matière fiscale au sein de l'entreprise. Nos conclusions sont en faveur du cumul des fonctions et des décisions. Les partisans de la structure moniste du conseil se basent sur les postulats de la théorie de l'intendance (stewardship), ils considèrent que le dirigeant est digne de confiance et il agit dans l'intérêt de son entreprise.

En ce qui concerne la variable valeurs féminines ( $FEM_{it}$ ), elle est significative au seuil 1%. Le signe du coefficient de la variable est positif, ce qui traduit une relation positive entre la présence des valeurs féminines et les taux d'imposition effectifs des entreprises tunisiennes. Ce résultat valide notre hypothèse théorique.

Nous constatons que les valeurs féminines présentes au sein du conseil d'administration ne favorisent pas les activités de minimisation des charges fiscales. Le résultat empirique confirme notre hypothèse théorique. La relation empirique prouvée corrobore les travaux de Kastlunger et al., (2010). Les femmes s'attachent à la conformité et à l'application des lois fiscales, elles ne coopèrent pas dans des stratégies de prise de risque. Les valeurs et les traits féminins liés au genre et qui sont distinctes des particularités biologiques caractérisent le comportement conservatif associé aux femmes administrateurs. Cependant, les caractéristiques du genre homme incitent les administrateurs à profiter de la perpétuelle évolution de l'environnement fiscal et des lacunes de certaines réglementations fiscales.

La variable secteur d'activité est significative au seuil 1%. Les entreprises tunisiennes opérant dans le secteur industriel et bancaire paient moins d'impôt sur les sociétés que les autres entreprises mobilisant dans d'autres secteurs. Ce résultat est justifié par l'existence de plusieurs avantages et allègements fiscaux.

Nous constatons une relation positive et significative entre le taux d'imposition effectif et la performance des entreprises. Les entreprises les plus performantes paient plus de charges fiscales. Ce résultat converge avec les travaux de Manzon (1994) ; Dhaliwal et al., (1992)

La variation du taux d'imposition effectif ne semble pas être influencée par la taille de l'entreprise, ce résultat contredit les travaux antérieurs (Richardson et Lanis, 2007 ; Derashid et Zhang, 2003). La non significativité de la variable taille est due à l'existence des avantages fiscaux indépendants de la taille de l'entreprise.

En ce qui concerne la variable taille du conseil d'administration, elle n'a aucun effet significatif sur les taux d'imposition effectifs. Ce résultat ne confirme pas les prédictions théoriques. Nous constatons ainsi que le nombre d'administrateurs n'agit pas sur les stratégies de minimisation des fardeaux fiscaux. La variable présence des administrateurs externes n'exprime pas la variation du taux d'imposition effectif. Elle n'a aucun effet significatif. Ce qui diverge des travaux de Richardson et Lanis (2011).

Tableau 4 : Résultats de la MCG

Variables indépendantes	Variable dépendante TIE
DIV	0.01 (0.000)***
DUA	-0.07 (0.016)**
FEM	0.05 (0.001)***
DEX	0.04 (0.860)
TAC	-0.01 (0.920)
TAF	-0.01 (0.322)
ROA	0.45 (0.006)**
SEC	0.18 (0.000)***
Constante	0.18 (0.545)
Test	Wald Chi(8)
P-value	0.000

#### IV. CONCLUSION

Dans le cadre de cet article, nous nous sommes intéressés à l'étude de l'impact de la diversité et de la présence des valeurs féminines au niveau du conseil d'administration sur les décisions d'optimisation fiscale des entreprises. La revue de la littérature théorique met en évidence la nécessité des valeurs féminines telles que la conformité aux lois fiscales, les préférences pour le changement, l'aversion au risque. Afin d'illustrer ces apports théoriques, nous avons passé en revue les travaux empiriques traitant les relations entre l'hétérogénéité des administrateurs en terme de genre et la stratégie de minimisation des charges fiscales. Les résultats trouvés sont mitigés et peu concluants. L'analyse menée sur 32 entreprises tunisiennes cotées en bourse montre que la diversification du conseil d'administration et la présence de la perception fiscale féminine ne favorisent pas l'optimisation fiscale. La diversification du genre des administrateurs entraîne la divergence des intérêts concernant la mise en place de certains outils

d'optimisation fiscale. Les valeurs féminines relatives au souci de la conformité aux réglementations fiscales et à l'aversion au risque entravent l'attitude positive envers l'adoption de stratégies permettant de suivre la complexité et l'incertitude de l'environnement. Les valeurs masculines rend les hommes plus amateurs de risques et plus agressifs dans leur processus de décision fiscale.

Nous suggérons d'inclure la variable genre lors de l'étude des déterminants de l'optimisation fiscale, les valeurs féminines ou masculines conditionnent les attitudes et les choix fiscaux implémentés.

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GLOBAL JOURNAL OF MANAGEMENT AND BUSINESS RESEARCH  
Volume 11 Issue 8 Version 1.0 August 2011  
Type: Double Blind Peer Reviewed International Research Journal  
Publisher: Global Journals Inc. (USA)  
Print ISSN: 0975-5853

## Reality about criticism on marketing practices

By Faiza Saad

*University of Lahore, KM Defense Road, Lahore Pakistan*

**Abstract** - This paper investigates reality about criticism on marketing practices that how much it helps and how much it hurts our society. A flow chart describes how marketing process have changed and what exactly marketing is selling.

**Keywords** : *Criticism on marketing today's marketing process, marketing practices, marketing sells.*

**GJMBR- B Classification** : *JEL Code: M31*



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# Reality about criticism on marketing practices

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## I. INTRODUCTION

Marketing is an enormous field which consists of undifferentiated marketing, differentiated marketing, and concentrated marketing etc; these are just a few elements of marketing iceberg. In the same way it carries immense responsibility with its every practice. Marketing has always been a very thin-skinned subject because it has a leaning property to transform lives of people, societies and businesses. As the exposure of marketing expands impact of its every implementation affects the audiences significantly.

The dove campaign for Real Beauty which was launched in 2004 worldwide through advertising, workshops and sleepover events. The main idea behind this campaign was to rejoice the natural beauty, true being of a woman. A woman who is inspired by herself the way God has made her instead of the artificial standards of beauty created by the world. This is the most talked about marketing campaign ever due to its unique notion and positive outcome and received praise. Now women feel proud to be associated with Dove. This is the power of marketing; if a constructive spot can make this much difference then a small negative (which can be by mistake) would make profound variation.

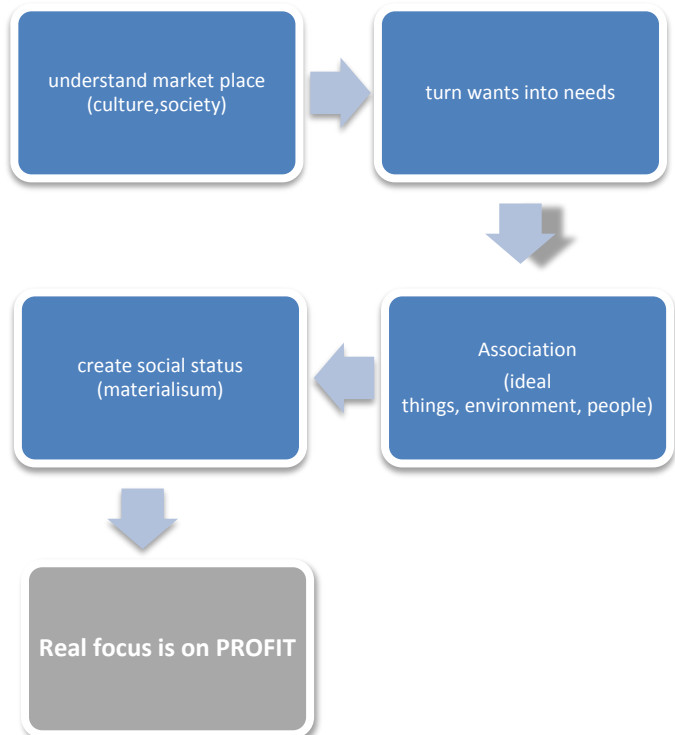
Now let's take a look into the internal dilemma what is happening in marketing and why it is receiving so much criticism, which has always played a very critical role in fulfilling our needs.

## II. TODAY'S MARKETING PROCESS

The web of marketing is ubiquitous around us. It's in our houses, offices, parks, malls, organizations everywhere. Marketing is like oxygen to us, you need it and you come across it numerous times in your daily life. According to me, the process given on the next page is in the heart of every marketing activity.

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The first block is about recognizing market place, culture and society. A good marketer is one who can read the psyche of its target market. Their mind set, values, norms and trends. Second block emphasis on 'turning wants into needs'. In the start customers were the center of attraction for marketers but now customers are revolving around it.



Third block focuses on; relating their products with ideal things, environment and people (exaggerating) so that those who have ordinary lives feel special by buying the products and if they don't or can't they feel immense desire to hands on one. Fourth one is about getting social status, a high standing among others. In other words it is making people more and more materialistic. Last but not the least; focus on profit and the willingness to cross the boundaries of ethics and morals to satisfy their "Greed" is in my opinion the root cause of every problem.

- Marketing cost, hiring celebrities and use of lavish things in advertising boosts the actual cost
- High and unwanted packaging cost leads to increase the product cost
- Marketing awareness is sometimes useless which tends to confuse buyers
- Increases difference among people.

### III. MARKETING PRACTICES HURT INDIVIDUAL CONSUMERS, SOCIETY AS A WHOLE AND OTHER BUSINESS FIRMS

Marketing is a business which deals with the direct contact with the people and it is the only business function that deliberately sets out to highlight the gap between a person's reality and their expectations in such a way that people feel 'lacking' in either self esteem or belongings so that they feel bound to close the gap by needless spending.

Individual consumers get hurt by the marketing practices like the discrimination on fair color and good looks, marketers stress upon and create such a situation in which only good looking people get noticed or they receives an edge over others. Psychologically it damages self respect of a person which is very hard to rebuild. When people start paying for unnecessary things then it leads to the societal damage because of unequal distribution of possessions. If we look closely we find out that it is widespread in most of the societies. Patrons will begin to buy 'wants' instead of 'needs' therefore an obvious angst will increase.

From the passage above its obvious that marketers to some extend harm individuals and societies indirectly. It takes a severe form in the shape of attacks directly on their competitors in the battle for high turnovers.

### IV. MARKETING SELLS

What exactly marketing is selling? It's a very important question but bitter too. In this fast moving world where products come and disappear, but here it's not about products and their benefits, it's about the never ending race between companies to earn abnormal profits. Today marketing is selling materialism, lust, sex, fake beauty, artificiality, celebrities and social status. We all must be very clear that there is a very thin line between rational exaggeration and over exaggeration; marketers should never cross this line for their personal benefits. Marketers should also realize that they have some social responsibility towards their valuable consumers and that responsibility should be taken seriously for the greater well fair of all the stockholders.

### V. FUTURE RESEARCH

In this paper, I have discussed how marketing practices is hurting our society. Further research can be done on, that which particular marketing aspect is receiving most criticism, why and what steps we should take to minimize the damage.



GLOBAL JOURNAL OF MANAGEMENT AND BUSINESS RESEARCH  
Volume 11 Issue 8 Version 1.0 August 2011  
Type: Double Blind Peer Reviewed International Research Journal  
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Print ISSN: 0975-5853

# Empirical Analysis of the Risk-Return Characteristics of the Quoted Firms in the Nigerian Stock Market

By Abdullahi Ibrahim Bello, Lawal Wahab Adedokun

*University of Ilorin*

**Abstract** - This study empirically investigates the risk-return dynamics of the Nigerian quoted firms for the period of 2000 - 2004 as monthly. The objective of study is to establish what determines the systematic risk (beta) of firms, the magnitude of such risk (beta) associated with returns in the Nigerian Stock Market. This study employed Ordinary Least Squares (OLS) procedure to estimate the regression in order to obtain the systematic risk (beta) of each of the firm. In addition, market model was used to estimate returns of the firms. This study revealed that the sizes of risks (betas) are different in firms studied; they varied positively with the sizes of returns. In addition, 65% of the firms' risk (beta) is statistically significant at 1% and 5% level and most of the firms' risks (betas) are less than Unity, which imply lower risk as compared to Market Portfolio. More importantly, most of firms' betas are positive; suggesting limited scope for diversification in the Nigerian Stock Market. The outcome of this study conformed to similar studies in the emerging stock markets.

**Keywords** : *Risk-Return Characteristics, the Quoted Firms and the Nigerian Stock Market.*

**GJMBR- B Classification** : *JEL Code: H54*



*Strictly as per the compliance and regulations of:*



# Empirical Analysis of the Risk-Return Characteristics of the Quoted Firms in the Nigerian Stock Market

Abdullahi Ibrahim Bello<sup>α</sup>, Lawal Wahab Adedokun<sup>Ω</sup>

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**Keywords** : Risk-Return Characteristics, the Quoted Firms and the Nigerian Stock Market.

## I. INTRODUCTION

Stock investment is essentially a long-term investment. Embarking on any human endeavour is tantamount to plunging into some kind of risk, which is of various degrees. Every investment carries one risk or the other. This existential reality is more pronounced in the quest for wealth through investment in stock markets. The stock market offer investors the opportunity to invest in securities of quoted firms such investment could be in fixed income security e.g. preference shares, debentures, etc. or they could be in equities. Each of these securities offer returns to investors, depending on firms' risk and the nature of the stock invested on. Generally, the higher the risk, the higher the return, all things being equal. The risk and return of security in the stock market may differ because of different factors affecting securities, such as differences in structure and managerial capacity of different firms, different sectors in which they operate, the state of the economy, government policies as well as internal corporate policies, themselves (Oludoyi, 2003).

Most individuals and institutional investors invest in stocks in anticipation of returns (Monetary benefits). This anticipation of returns could occasionally lead to massive rate of subscription of several public offers. With limited amount of resources at the disposal of these investors, the major problem confronting them will be where to place their limited resources that will maximize their future benefits. In addition, most investors in the Nigerian stock market do not probably possess the adequate analytical skills to evaluate the performance of the quoted firms in terms of risk characteristics associated with the returns. Probably most of the investment decisions taken by these investors are done without recourse to the risk level of the quoted firms operating in the stock market. At best their decisions are usually based on either the rule of thumbs or the earning power or even the size of the firm. But studies have shown that the magnitude of risk does not depend on the earnings power of the firm or the size of the firm, but based on the sensitivity of happenings in the economy (see Oludoyi, 2003; Jonathan & Lovie, 2007; Girad & Sinha, 2008, and Abdullahi 2011). It is against this background, this study investigates the risk-return characteristics of the quoted firms in the Nigeria stock market.

The structure of this paper is as follows: section II presents literature review section II presents methodology and data selection. Section IV discusses empirical results. Section V concludes.

## II. LITERATURE REVIEW

A lot of studies have been carried out on the risk and return characteristics in different markets (frontier, emerging and developed). Oludoyi, 2003; Gorlaev, 2004; Peter & Kanaryan, 2005; Yamaguchi, 2005; Battilosi & Hooft, 2006; Meggen, 2007; Mayanja & Legesi, 2007; Akingunola, 2007; and Givard & Sinha, 2008; Oludoyi 2003) examined the risk characteristics of the Nigerian quoted firms. He found that the covariance of most of the firms with the market portfolio is positive as that the returns on the firms' shares tend to move in the same direction with return on the marked portfolio. The economic implication of the majority of firms in a portfolio having positive beta is that there is limited scope for portfolio diversification.

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Goriaev (2004) studied the risk factors in the Russian Stock Market. He came out with findings that the return difference between the companies sensitive to the country risk and those whose profit are stable in any macro-economic environment is about 59% premium. Also, that corporate governance factor accounted for 25% risk premium, while the traditional size and dollar factor accounted for premium in the range between 33% to 39% per annum in the Russian market.

Petev & Kanaryan (2005) tried to model and forecast the volatility using Bulgaria as case study. They found that Bulgaria stock market has basic characteristics of most of the emerging stock markets, namely: high risk, significant autocorrelation caused by nonsynchronous trading, non-normality, volatility clustering and leptokurtosis. These findings on Bulgaria Stock Market coincided with those typical for emerging stock markets documented by Harvey (1995) and Bekert et al (1998).

Yamaguchi (2005) studied the supply-side estimate of expected equity return in Japan. He however, found that in Japanese economy, a supply-side estimate of equity risk premium was almost zero over the last three decades since the 1970s. He discovered also that the primary causes for this low risk premium were declining return on equity (ROE) over time and, more importantly, the excessively high corporate income tax rate imposed by the Japanese government on shareholders' earnings. He concluded that in order to supply sufficiently high return to investors for shouldering risk, not only has the corporate sector made efforts to raise ROE, but the government also had to adopt a tax policy to lower the corporate tax burden so that it does not unreasonably hurt share holders.

Battilossi & Houpt (2006) examined risk, return and volume in an emerging stock market, using Bilbao Stock Exchange, Spain as the case study. They found strong evidence in favour of auto correlation and GARCH effects, but no evidence of risk-return relationship. They equally found a weak evidence of a contemporaneous impact of trading volumes on returns. Their findings are generally in line with the results obtained by similar studies on emerging markets (see Blume, Easley, & O'Hara, 1994; Suominen 2001; Hiemstra & Jones, 1994; Chordia & Swaminathan, 2000; Gallo & Pacini 2000; and Omran & McKenzie, 2000).

Menggen (2007) studied the risk-return relationship in Chinese emerging stock markets with sample of daily, weekly and monthly market return series, using a class of variant GARCH-M model. Menggen found that the dynamic risk-relationship is quite different between Shanghai and Shenghen Stock Markets. A positive and statistically significant risk-return relationship is only found for daily returns in Shenghen Stock Exchange. He discovered also that this positive relationship became insignificant for the lower frequency

returns, contrary to these findings in Shenghen Stock Exchange, Monggen discovered that the conditional mean of the stock return is negatively but insignificantly related to its conditional variance in Shanghai Stock Exchange in most cases except for a positive and insignificant relationship in the C-GARCH-M model for the daily returns. Meggen concluded the C-GARCH-M Model seems to describe the dynamic behaviour of the stock returns better than other GARCH type models.

Mayanja & Legesi (2007) studied cost of equity capital and risk on Uganda securities Exchange to determine the cheaper source of finance between equity finance and bank finance. They found that the assumption often made by stock brokers that all stocks have the same risk is erroneous. This implies that valuations of companies listed on the stock exchange have been wrongly valued. They also found that equity finance is much cheaper than commercial bank finance. Mayanja and Legesi concluded that it would be good idea for companies seeking long term funds to get listed as this turn out cheaper than relying on short oriented commercial banks loan.

Akingunola (2007) studied capital Asset Pricing Model (CAPM) and shares value in the Nigerian Stock Market. His findings confirmed the importance of reward volatility analysis in security investment decision and management. Also that correlation test between market beta and systematic risk at 1% level affirmed that the assessment of securities beta as their contribution to the portfolio is undeniable therefore it provided the necessary measure of the systematic risk to be compensated by the market. Further more, he also discovered that beta impinges on expected return in responses to changes in the macro-economic environment. Thus, the recent reforms in Nigeria economy significantly affected firms' performance, the stock returns variability, beta instability as well as the presence of high diversifiable risk in holding individual assets.

Girard & Sinha (2008) studied risk and return in the next frontiers. A frontier Market is a market with a class of small, illiquid, less accessible and less known emerging market that has escaped the attention of many researchers. They found that small and valued stocks are less risky investment avenues than large and growth stocks. They also found that political, economic and financial risk factors have the greatest impact on risk premiums. Girard & Sinha concluded that some factors that influence the return generating process in developed markets may behave differently in frontier markets.

### III. METHODOLOGY AND DATA SELECTION

The most viable estimation procedure used in this study is ordinary least square (OLS). OLS is used because it has the advantage of identifying the

existence of autocorrelation and where such exists, some techniques could be used to remove such autocorrelation. According to Oludoyi, 1998; and Martinez, M.A. Nieto, B., Rubio, G., & Tapia, M. (2005), where the assumptions of non-autocorrelation and constant variance of the error term ( $u$ ) break down, the errors of the regression of each firm are serially correlated. And similarly the variances of the errors are no longer constant; therefore giving rise to heteroscedasticity. This study used E-view software 7.0, 2009 for the analysis.

We collected data on firms' share prices, dividends paid and date of payments, as well as data on trading activities i.e. volume, frequency of trading and trading days. Monthly data were collected from the Nigerian Stock Exchange (NSE); we collected data from January 2000 to December 2004.

For firms to be included in the sample they must have December fiscal year. Thus, firms with other months' fiscal year were not included in the sample. We considered it appropriate to include only firms with common fiscal year in order to ensure reasonable comparability of beta estimates. It was established in the study carried by Oludoyi 1998 that volatility occurred more regularly around scheduled announcements. Thus, combining firms with different fiscal years in this study may not allow easy comparability of their betas. This is because the volatility arising from regularly scheduled announcements may differ among firms with different fiscal year, thereby, introducing complexity in the analysis.

Another Parameter for including firms in this study is their consistent listing on the Nigerian Stock Exchange between January 1999 and December 2004, inclusive. Such firms must also have data on earnings, share prices, dividend, and trading activities.

Monthly data is used in this study, therefore, Friday closing share prices were collected. Where Friday was a public holiday, we used Thursday closing prices. If Friday and Thursday were public holidays, then we used Wednesday closing prices. A total of 181 firms were quoted in the Nigeria stock market as at December 1999. However, after applying the stated criteria above, 60 firms qualified for inclusions in our sample.

### ***The Returns Model Specification***

The returns of firms' shares can be obtained by using both share pricing and dividends as:

$$R_{jt} = \frac{P_{jt} + D_{jt} - P_{jt-1}}{P_{jt-1}} \quad (1)$$

Where;

$R_{jt}$  = actual return on firm at period  $t$

$P_{jt}$  = Price of firm  $j$  at in period  $t$

$P_{jt-1}$  = Price of firm  $j$  at in period  $t-1$ .

$D_{jt}$  = dividend paid on each share of firm  $j$  at period  $t$

If we take the natural log of the series we obtain returns in (1) above by subtracting in period  $t-1$  from those in period  $t$ , plus dividend to arrive at  $i$ .

$$\ln R_{jt} = \ln (P_{jt} + D_{jt} - P_{jt-1}) - \ln (P_{jt-1}) \quad (2)$$

The return on market portfolio is proxy by the Nigerian Stock Exchange (NSE) index in this study, Market return is obtained by:

$$R_{mt} = \frac{NSE I_t}{NSE I_{t-1}} \quad (3)$$

Transforming (3) into its natural log, it becomes

$$\ln R_{mt} = \ln NSE I_t - \ln NSE I_{t-1} \quad (4)$$

$$R_{jt} = \alpha_j + \beta R_{mt} + U_{jt} \quad (5)$$

Equation (5) is the market model that was used for the regression of firms' returns against market portfolio return, given the assumption that  $E(u) = 0$ , we have.

$$E(R_{jt}/R_{mt}) = \alpha_j + \beta_j R_{mt} \quad (6)$$

Equation (5) allows for the influence of market movements on recognition that the sensitivity of firms' share prices to the market portfolio varies from one firm to another. The sensitivity is reflected in the value  $\beta_j$  for each firm. The systematic risk (Beta),  $\beta_j$  can be obtained by considering the extent to which security  $j$  covaries with market portfolio. This extent of co variation is divided by the variance on the market portfolio. The beta of each firm is calculated as:

$$\beta_j = \frac{\text{Cov}(R_j, R_m)}{\text{Var}(R_m)} \quad (7)$$

Both the  $\alpha$  and  $\beta$  are the unknown intercept and slope parameters of the market model respectively to be estimated.

## IV. REGRESSION RESULTS AND INTERPRETATION

Table 1 : The Estimated Market Model Parameters and Their Characteristics

Company	$\alpha$	$\beta$	$R^2$	Dw
1 Okumo Oil- Palm Company Plc.	-0.80 *(-216)	0.89 (2.46)*	0.096	1.9
2 Dunlop Nig Plc.	-0.782 **(-2.84)	0.77 (2.88)**	0.13	2.1
3 R.T. Brisco Plc.	-0.777 (-1.52)	0.84 (1.68)	0.04	1.92
4 Access Bank Plc.	-0.449 (-1.38)	0.61 (1.96)*	0.06	2.21
5 Afri Bank Nig. Plc.	-0.449 (-1.38)	0.48 (1.51)	0.04	2.32
6 EIB International Bank	-0.551 (-1.25)	0.61 (1.42)	0.03	1.93
7 First Bank of Nigeria Plc.	-0.842 **(-3.09)	0.89 (3.38)**	0.16	2.12
8 Guaranty Trust Bank	-0.466 *(-1.79)	0.57 (2.27)*	0.08	1.91
9 United for Africa	-1.163 **(-3.80)	1.18 (3.97)**	0.21	2.06
10 Union Bank Plc	-0.805 **(-3.22)	0.82 (3.39)**	0.16	1.98
11 Wema Bank Plc	-0.826 *(1.86)	0.88 (2.05)*	0.06	2.53
12 Asaka Cement Plc	-1.084 *(-2.23)	1.08 (2.30)*	0.08	2.05
13 West Africa Portland Cement	-1.045 **(-3.40)	1.01 (3.41)**	0.16	2.17
14 Guinness Nig Plc	-0.827 **(-3.44)	0.91 (3.89)**	0.21	2.11
15 Nigerian Breweries	-0.837 *(2.47)	0.89 (2.71)**	0.11	2.27
16 Berger Paint Nig. Plc	-0.479 (-1.81)	0.57 (2.25)*	0.08	2.13
17 Chemical and Allied Product	-0.743 (-1.84)	0.83 *(2.12)	0.07	2.03
18 DN Mayer Plc.	0.113 (0.22)	-0.01 (-0.02)	0.00	2.2
19 Triple Gee and Company Plc.	-0.043 (-0.08)	0.06 (0.124)	0.00	1.73
20 A.G. Leventis (Nig) Plc.	0.357 (0.59)	-0.19 (-0.34)	0.001	1.97
21 CFAO Nig Plc.	-0.726 (-1.65)	0.78 (1.97)*	0.05	2.05
22 UAC of Nig. Plc.	-0.712 *(-2.35)	0.76 (2.60)**	0.10	2.22
23 G Cappa Plc.	-0.288 *(-2.16)	0.27 (2.09)*	0.07	2.2
24 Julius Berger Nig. Plc	0.733 **(-2.53)	0.73 (2.60)**	0.10	2.01
25 Nigerian Wire and Cable Plc.	-1.181 *(-2.05)	1.21 (2.18)*	0.07	2.26
26 Seven of Bottling Company	-0.647 (-1.55)	0.77 (1.98)*	0.06	2.01
27 Cadbury Nig. Plc.	-0.557 *(-2.06)	0.61 (2.33)*	0.08	2.02
28 Flour Mills Nig. Plc.	-1.02 **(-3.92)	1.05 (4.15)**	0.23	2.01
29 Northern Nig. Flour Mill Plc.	-0.945 (-7.47)	1.07 (1.97)*	0.04	1.98
30 Nestle Nig. Plc.	-0.726 **(-2.92)	0.80 (3.31)**	0.16	1.98

31	Nigerian Bottling Company Plc.	-0.578 *(-2.32)	0.62 (2.56)**	0.10	2.18
32	Evans Medical Plc.	-0.027 (-0.06)	0.12 (0.29)	0.0	1.90
33	May and Baker Plc.	-0.405 (-0.929)	0.43 (1.03)	0.01	2.07
34	Marison Industries Plc.	-1.127 **(-2.87)	1.14 (2.97)**	0.13	2.10
35	Neimeth Int'Pharm Plc.	0.021 (0.02)	-0.01 (-0.05)	0.001	1.97
36	Aluminium Extrusion Nig. Plc.	0.748 (2.05)	-0.69 (-1.98)*	0.06	1.92
37	B.O.C. Gases Plc.	-0.526 (-1.36)	0.55 (1.76)	0.03	2.13
38	First Alluminium	-1.377 **(-2.78)	1.42 (2.96)**	0.00	2.13
39	Vita Foam Nig. Plc	-0.148 (-0.47)	0.21 (0.69)	0.008	1.87
40	Vono Products Plc.	0.224 (1.11)	-0.17 (-0.85)	0.012	1.96
41	Allco Insurance Plc.	-0.824 (-1.85)	0.83 (1.96)*	0.06	2.07
42	Cornerstone Insurance Plc.	-0.814 (-1.63)	0.87 (1.98)*	0.05	2.50
43	Crusader Insurance Plc.	-0.735 (-1.75)	0.76 (1.99)*	0.05	2.01
44	Lasco Assurance Plc.	-0.102 (-0.15)	0.21 (0.33)	0.00	2.19
45	Law Union & Rock Insu. Nig. Plc.	-0.062 (-0.19)	0.12 (0.38)	0.00	1.33
46	Niger Insurance Company Plc.	-0.304 (-0.48)	0.36 (0.59)	0.00	2.72
47	Prestige Assurance Plc.	-0.271 (-0.55)	0.35 (0.75)	0.00	1.87
48	Royal Exchange Assurance Plc.	-0.145 (-0.39)	0.18 (0.50)	0.00	2.15
49	Wapic Insurance Plc.	-1.358 (-2.67)	1.43 (2.88)**	0.13	1.98
50	C. & I. Leasing Plc.	-0.204 (-0.47)	0.27 (0.64)	0.00	2.2
51	Avon Crown Cap's and Container	-0.103 (-0.22)	0.27 (0.64)	0.00	1.72
52	Beta Glass Plc.	-1.005 (-1.72)	1.08 (1.96)*	0.05	1.96
53	Mobil Oil Nig Plc.	-0.524 **(-2.80)	0.58 (3.24)**	0.15	1.91
54	Texaco Nig. Plc.	-0.920 **(-2.89)	1.01 (3.28)**	0.15	1.90
55	Total Nig. Plc.	-0.346 (-1.406)	0.43 (1.97)*	0.05	2.05
56	Academic Press Plc.	-0.471 (-1.18)	0.510 (1.32)	0.02	1.87
57	Longman Nig. Plc.	-0.764 (-1.57)	0.83 (1.96)*	0.05	2.03
58	University Press Plc.	0.396 (-1.03)	0.45 (1.21)	0.02	1.94
59	UACN – Property Department	-0.743 *(2.23)	0.83 (2.56)*	0.10	1.89
60	United Nig. Textile Plc.	-1.003 *(-2.29)	1.03 (2.41)*	0.09	197

Note : *t* statistics in parentices

\* Significant at 5% critical level (2-tailed test)

\*\*Significant at 1% critical level (2-tailed test)

Source : Author's calculations 2011.

Table 1 shows that the  $\alpha$  which is the estimated intercept of the regression model is largely negative nearly in all the 60 firms covered in this study. This suggests that the regression of most of the firms probably have negative intercepts'. For instance, 13 of the firms have intercepts statistically significant at the 5% level, while 14 firms have intercepts and are statistically significant at the 1% level.

The results for the beta ( $\beta$ ) which is the estimated systematic risk of the firms is shown in columns of table 1. 21 of the firms have statistically significant betas at the 5% level, while 18 of the firms have statistically significant betas at the 1% level. In all, 39 firms have statistically significant betas at both 5% and 1% levels. This represents 65% of the firms having statistically significant betas.

The  $R^2$  of the regression is generally low. The regression having the highest  $R^2$  is Flour Mills Mg. Plc with 23%. Some regressions even have zero  $R^2$ . These include DN Mayer Plc, Evans Medical Plc, Neimeth. Int'Pharm Plc., Vita Foam Nig. Plc, Lasaco Assurance, Plc., Law Union and Rock Insurance, Niger Insurance Coy. Plc Prestige Assurance Plc., Royal Exchange Assurance, C&I Leasing Plc. And Aon Crown cap containers. These regressions probably have zero  $R^2$  because the affected firms have very low returns for considerable part of the estimated period. According to Brown 1978, Brown, Harlow & Tinic (1988) and Barnard & Thomas (1989) cited in Oludoyi (1998), the issue of low  $R^2$  in regression of event studies is however not uncommon. It implies that the return on the market portfolio may not be the only factor determining firm's returns. According to Collins and Dent (1984), Brown, Harlow & Tine (1984), Bernard & Thomas (1989), Fama (1991), Draper and Paudyal (1995), Alin & Sung (1995), Mackinlay (1997), Cited in Oludoyi (1998) and Abdullahi (2011) that in spite of the possibility of having low  $R^2$  in the regressions the model is still very much in use.

The Durbin-Watson of this study revealed that 35 firms out of 60 firms covered have a value slightly

higher than 2. Similarly 21 firms have values between 1.87 and 1.98 which are quite close to 2. The high value of the Durbin Watson statistics of the regression shows that serial correlation of the error term is not a problem. The betas of the firms in table 1 ranges from 0.01 to 1.43. Thus, DN mayer and Neimeth int' Pharm have the lowest beta of -0.01, while Wapic Insurance Plc cimpany has the highest beta of 1.43. Generally, the betas of the firms in the Nigerian stock market are positive. Out of the 60 firms covered in the study, only 5 firms have negative betas. These are DN mayer Plc., A.G., Leventis Nig. Plc., Neimeth Int' Pharm Plc., Aluminium Extrusion Nig. Plc., and Vono Products Plc. Out of these 5 firms, only the beta of Alluminium Extrusion Nig. Plc is statistically significant at 5% level. The economic implication of the majority of the firms' beta being positive is that there is limited scope for diversification. This implies that the covariance of most of the firms with the market portfolio is positive, and the return on the firms' shares will tend to move in the same direction with returns on the market portfolio. An important component of the covariance is the correlation coefficient. For beta of a firm to have a negative value, it means that the correlation coefficient must be negative. Thus the more the number of firms in a portfolio that have positive betas, the less the scope for diversification in that market.

It is important to note that a value of beta greater than unity, suggest that the firm's shares are riskier than the market portfolio, which if efficient should have a value of 1. In this study; the following firms have values greater than unity. These include United Bank for Africa, Asaka Cement Plc., West Africa Portland Cement, Nigerian Wire and Cable Flour Mill Nig. Plc., Northern Nigerian Flour Mill Plc., Marison Industries Plc., First Alluminium, Wapic Insurance Plc. Beta Glass Plc., Texaco Nig. Plc., and United Nig. Textile Plc.

In Table II, We further examine the relationship between risk and return of the firms.

*Table 2 : Risks and Returns in the Nigerian Stock Market*

S/No.	Company	Return (%)	Beta
1	Okumo Oil Palm Coy Plc.	11	0.89
2	Dunlop Nig Plc	1.2	0.77
3	R.T. Brisco Plc	8.4	0.84
4	Access Bank Plc	4.4	0.61
5	Afri Bank Nig Plc	4.1	0.48
6.	EIB International Bank Plc	7.2	0.61
7	First Bank of Nig. Plc.	8.0	0.89
8	Guaranty Trust Bank	8.0	0.57
9	United Bank for Africa	5.1	1.18
10	Union Bank Plc.	4.2	0.82
11	Wema Bank Plc.	8.0	0.88
12	Ashaka Cement Plc.	3.4	1.08
13	West Africa Portland Cement Plc.	0.1	1.01
14	Guinness Nig. Plc.	10.7	0.91
15	Nigerian Breweries	7.7	0.89
16	Berger Paint Nig. Plc.	11.6	0.57

17	Chemical and Allied Products	10.9	0.83
18	DN Mayer Plc.	9.7	-0.01
19	Triple Gee and Company Plc	1.9	0.06
20	A.G. Laventis (Nig.) Plc.	15.5	-0.19
21	CFAO Nig Plc.	7.6	0.78
22.	UAC of Nig. Plc.	7.4	0.76
23	G Cappa Plc	0.9	0.27
24	Julius Berger Nig. Plc.	1.9	0.73
25	Nigerian Wire and Cable Plc	7.0	1.21
26	Seven Up Bottling Company	14.1	0.77
27	Cadbury Nig. Plc.	7.1	0.61
28	Flour Mills Nig. Plc	5.7	1.05
29	Northern Nig. Flour Mill Plc.	15.5	1.07
30	Nestle Nig. Plc	9.6	0.80
31	Nigerian Bottling Company Plc.	5.9	0.62
32	Evans Medical Plc.	10	0.12
33	May and Baker Plc.	4.1	0.43
34	Marison Industries Plc	3.9	1.14
35	Neimeth Int'Pharm Plc.	0.7	-0.01
36	Aluminium Extrusion Nig. Plc.	4.4	-0.69
37	B.O.C. Gases Plc	3.8	0.55
38	First Alluminium	8.9	1.42
39	Vitafoam Nig. Plc	6.9	0.21
40	Vono Products Plc.	5.2	-0.17
41	Allco Insurance Plc	3.0	0.83
42	Cornerstone insurance Plc	8.3	0.87
43	Crusade Insurance Plc	5.0	0.76
44.	Lasaco Assurance Plc	11.7	0.21
45	Law Union & Rock Insurance (Nig) Plc.	6.0	0.12
46	Niger Insurance Company Plc.	6.8	0.36
47	Prestige Assurance Plc.	9.7	0.35
48	Royal Exchange Assurance Plc.	4.0	0.18
49	Wapic Insurance Plc.	10.8	1.43
50	C & I Leasing Plc.	7.5	0.27
51	Avon Crown Caps and Containers	5.9	0.15
52	Beta Glass Plc.	11.2	1.08
53	Mobil Oil Nig. Plc.	8.1	0.58
54	Texaco (Nig) Plc.	12.3	1.01
55	Total (Nig) Plc.	10.3	0.43
56	Academy Press Plc.	5.2	0.51
57	Longman Nig. Plc.	9.2	0.83
58	University Press Plc.	6.7	0.45
59	UACN – Property Dept.	11.3	0.83
60	United Nig. Textile Plc.	4.8	1.03
*	<b>Average Market Return</b>	<b>7.0%</b>	

*Source : Author's calculations, 2011*

For table II, it was observed that an average return in the Nigerian stock market between January 2000 – December 2004 was estimated to be 7.0%. The firms' returns above the estimated average market return were 25, representing only 45% of the total firms covered by this study. Generally the betas associated with the returns of the firms studied in the Nigerian Stock Market are predominantly positive. This outcome conformed to the study carried out by Oludoyi (2003). From this study the size of risk are different in firms, they varied differently but directly mostly with the size of returns. This conformed to the theory in finance that return has direct relationship with risk as graphically represented by security market line (Sharpe 1964). This

implies that the higher the risk, the higher the return and vice versa.

## V. CONCLUSION

It is important to know the risk-return characteristics of quoted firms in the stock market to enable investors take rational investment decisions. This study attempted to highlight upon these characteristics which appears not to have been adequately addressed in the Nigerian Stock Market. This study revealed that betas of the quoted firms in the Nigerian Stock Market are predominantly positive. This implies little scope for diversification in the market. Further more, according

this study, the size of risk are different in firms studied, they varied differently but directly mostly with the size of returns. The magnitudes of risk apparently do not depend on firm size. There is a wide difference between the lowest beta (-0.01) and the highest (1.43) in the market. Most of the firm's betas are less than 1, implying relatively low risk level than market port portfolio.

Conclusively, investment in big firm (blue chip) does not necessarily guarantee safety of investment in stock market; neither does it ensure high returns all-time.

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2. Ethical Guidelines,
3. Submission of Manuscripts,
4. Manuscript's Category,
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- Very for a short time explain the tentative propose and how it skilled the declared objectives.

Approach:

- Use past tense except for when referring to recognized facts. After all, the manuscript will be submitted after the entire job is done.
- Sort out your thoughts; manufacture one key point with every section. If you make the four points listed above, you will need a least of four paragraphs.
- Present surroundings information only as desirable in order hold up a situation. The reviewer does not desire to read the whole thing you know about a topic.
- Shape the theory/purpose specifically - do not take a broad view.
- As always, give awareness to spelling, simplicity and correctness of sentences and phrases.

#### Procedures (Methods and Materials):

This part is supposed to be the easiest to carve if you have good skills. A sound written Procedures segment allows a capable scientist to replacement your results. Present precise information about your supplies. The suppliers and clarity of reagents can be helpful bits of information. Present methods in sequential order but linked methodologies can be grouped as a segment. Be concise when relating the protocols. Attempt for the least amount of information that would permit another capable scientist to spare your outcome but be cautious that vital information is integrated. The use of subheadings is suggested and ought to be synchronized with the results section. When a technique is used that has been well described in another object, mention the specific item describing a way but draw the basic



principle while stating the situation. The purpose is to text all particular resources and broad procedures, so that another person may use some or all of the methods in one more study or referee the scientific value of your work. It is not to be a step by step report of the whole thing you did, nor is a methods section a set of orders.

#### Materials:

- Explain materials individually only if the study is so complex that it saves liberty this way.
- Embrace particular materials, and any tools or provisions that are not frequently found in laboratories.
- Do not take in frequently found.
- If use of a definite type of tools.
- Materials may be reported in a part section or else they may be recognized along with your measures.

#### Methods:

- Report the method (not particulars of each process that engaged the same methodology)
- Describe the method entirely
- To be succinct, present methods under headings dedicated to specific dealings or groups of measures
- Simplify - details how procedures were completed not how they were exclusively performed on a particular day.
- If well known procedures were used, account the procedure by name, possibly with reference, and that's all.

#### Approach:

- It is embarrassed or not possible to use vigorous voice when documenting methods with no using first person, which would focus the reviewer's interest on the researcher rather than the job. As a result when script up the methods most authors use third person passive voice.
- Use standard style in this and in every other part of the paper - avoid familiar lists, and use full sentences.

#### What to keep away from

- Resources and methods are not a set of information.
- Skip all descriptive information and surroundings - save it for the argument.
- Leave out information that is immaterial to a third party.

#### Results:

The principle of a results segment is to present and demonstrate your conclusion. Create this part a entirely objective details of the outcome, and save all understanding for the discussion.

The page length of this segment is set by the sum and types of data to be reported. Carry on to be to the point, by means of statistics and tables, if suitable, to present consequences most efficiently. You must obviously differentiate material that would usually be incorporated in a study editorial from any unprocessed data or additional appendix matter that would not be available. In fact, such matter should not be submitted at all except requested by the instructor.

#### Content

- Sum up your conclusion in text and demonstrate them, if suitable, with figures and tables.
- 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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<i>References</i>	Complete and correct format, well organized	Beside the point, Incomplete	Wrong format and structuring

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ISSN 9755853

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